Rank Group


# Annual Report and Financial Statements 2019

Creating fantastic experiences for our customers is why we come to work every day.

We are a values-led business, and our STARS values of **service**, **teamwork**, **ambition**, **responsibility**, and **solutions** – are what leads us to strive every day to improve our business, and ensure that we are fulfilling our stakeholders' needs.

Our commitment to working hard for our customers and stakeholders is what we mean by 'Our work, your play'.

## Strategic report



## Operating responsibly



## Operating review



## Governance



## Financial statements



**Our purpose** working together to create exciting environments that reflect the changing needs and expectations of our customers and colleagues, delivering stimulating and entertaining experiences every time, To Excite and To Entertain.


**Our ambition** to become a £1bn revenue international gaming company by 2023, through transforming our business and consistently exceeding our customer and shareholder expectations.

# Delivering through our brands

## Venues

### Grosvenor Casinos

**52**
licensed casinos in Great Britain

**LARGEST**
casino operator (by venues) in Great Britain

### Mecca

**82**
licensed bingo venues in Great Britain

**2nd**
largest operator (by venues) in Great Britain

### International

**9 + 1**

licensed Enracha bingo clubs in Spain

licensed Grosvenor casino in Belgium

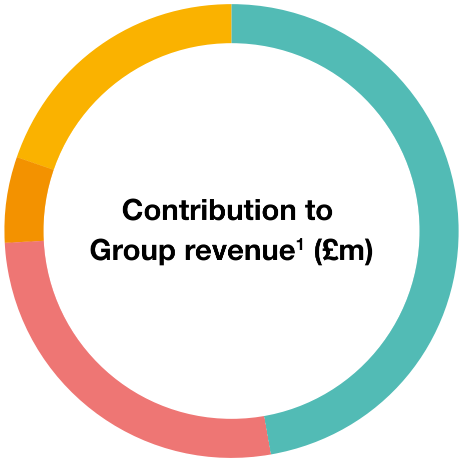
**4th**
largest bingo operator in Spain

## Digital

### UK

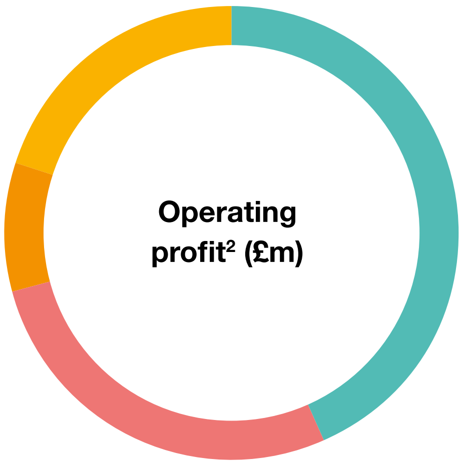
### Spain

**1st**
Largest digital bingo brand in Spain



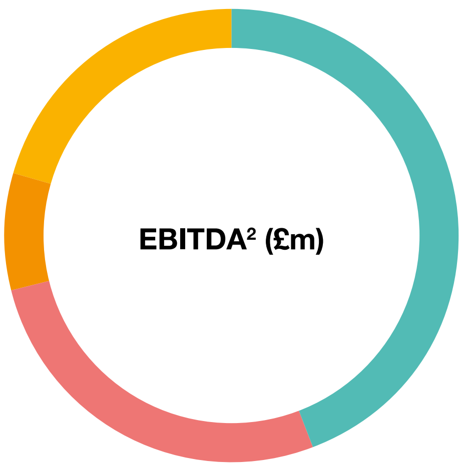

# £746.5m

| | |
|---|---|
| Grosvenor venues | 353.2 |
| Mecca venues | 202.1 |
| International venues | 44.9 |
| Digital | 146.3 |




# £72.5m

| | |
|---|---|
| Grosvenor venues | 44.9 |
| Mecca venues | 28.6 |
| International venues | 9.3 |
| Digital | 20.7 |
| Central costs | (31.0) |




# £117.7m

| | |
|---|---|
| Grosvenor venues | 64.0 |
| Mecca venues | 39.1 |
| International venues | 12.0 |
| Digital | 29.5 |
| Central costs | (26.9) |

1. Before adjustments for customer incentives.
2. Before exceptional items.

## Strategic report



# I BRING Service

***"I want our team members to understand what our customers want, as that's the key to delivering the service that keeps our customers returning time and again."***

**Austin Graham**
General Manager, Grosvenor's Victoria casino

Austin Graham has had to deal with a complex management and employee restructure within the casino, while at the same time improving ways of working, proposition and service offered to customers. That's quite a task.

"He takes pride in doing what's right, and has a passion for what we do," says Debbie Husband, operations director of Grosvenor Casinos. "Not only has he been a breath of fresh air within the casino, but his impact has also been felt across the wider region."

Never one to shirk making a difficult decision, Austin takes challenges head on, with passion, compassion and strong leadership skills.

These changes have translated into financial results that show significant growth year-on-year.


PASSION
FOR WHAT
WE DO
INVESTING
IN STRONG
PARTNERSHIPS
THINK
BIG
anticipate
CUSTOMER
NEEDS
TAKE
PRIDE
IN DOING
WHAT'S
RIGHT
CUSTOMER
FIRST

# Our performance

## The following charts illustrate the Group's performance for the 12-month periods to 30 June over the last five years.

### Statutory revenue

**£695.1m**


Statutory revenue is a statutory indicator of the Group's top-line growth. It is revenue retained from the amounts staked after paying out customer winnings and deducting customer incentives.

Statutory revenue grew by 1% in the year driven by an improved digital performance and the contribution from the acquired YoBingo business in May 2018.

### Operating profit[1,2]

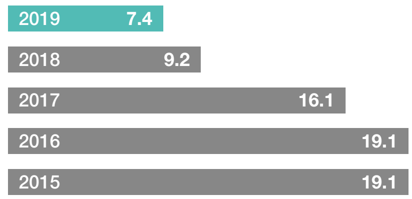
**£72.5m**


Operating profit provides a picture of the underlying performance and is a key indicator of the Group's success in delivering top-line growth while controlling costs.

Operating profit decreased by 6% in the year due to higher central costs and the challenging year for Grosvenor's venues.

### Earnings per share

**7.4p**




Earnings per share (EPS) is a key indicator of the Group's growth after allowing for all costs, including interest, tax and exceptional items and adjustments.

The decrease in EPS reflects the lower profit for the year.

### Revenue[1,3]

**£746.5m**


Revenue is the key indicator of top-line growth. It is revenue retained from the amounts staked after paying out customer winnings.

Revenue grew by 1% in the year in line with statutory revenue.

### Adjusted operating profit before tax[1,4]

**£69.9m**


Adjusted operating profit is operating profit adjusted for certain non-underlying items.

Adjusted operating profit fell by 6% in the year.

### Adjusted earnings per share[1,5]

**14.8p**


Adjusted EPS is a key indicator of the Group's growth after allowing for all costs, including interest and tax but excluding exceptional items and adjustments.

The decrease in adjusted EPS reflects the lower adjusted profit for the year.

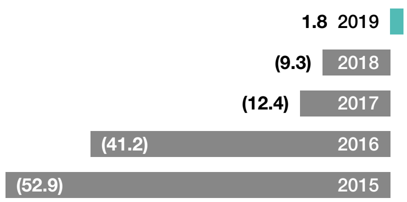
## Dividend per share

# 7.65p


Dividend per share (DPS) is the sum of declared dividends issued by the Company for every ordinary share outstanding.

## Net (debt)/cash[1]

# £1.8m




Net (debt)/cash is calculated as total borrowings less cash and short-term deposits, accrued interest and unamortised facility fees.

## EBITDA[1,6]

# £117.7m


EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional and non-underlying items. It is calculated by taking operating profit before exceptional and non-underlying items and adding back depreciation and amortisation.

EBITDA for the year decreased by 2% driven by lower operating profit and higher depreciation.

1. Alternative performance measure.
   The performance of the Group is assessed using a number of alternative performance measures (APMs).
   The Group's results are presented both before and after exceptional and non-underlying items. Adjusted profitability measures are presented excluding exceptional and non-underlying items as we believe this provides both management and investors with useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance between one period and the next. Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of exceptional and non-underlying items provided in note 4.
   In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts and the Group's longer-term strategic plans.
2. Before exceptionals.
3. Before adjustments for customer incentives.
4. Adjusted profit before taxation is calculated by adjusting profit from continuing operations before taxation to exclude exceptional items, the unwinding of the discount on disposal provisions and other financial gains and losses resulting from foreign exchange gains and losses on loans and borrowings. See financial review for reconciliation.
5. Adjusted earnings per share is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, the unwinding of the discount on disposal provisions and the related tax effects, as per note 9.
6. EBITDA is reconciled in note 19.

# Dear shareholder


**Ian Burke**
Chair

Rank's newly stated ambition is to become a £1bn revenue international gaming company by 2023, through transforming our business and consistently exceeding our customer and shareholder expectations.

We recently reviewed our strategic pillars in light of our ambition statement and we believe the following will enable the Group to deliver for its customers and shareholders:

- Create a compelling multi-channel offer;
- Build digital capability and scale;
- Continuously evolve our venues proposition;
- Consistently improve our customer experience through innovation;
- Be committed to safe and fair gaming; and
- Within an environment which enables our colleagues to develop, be creative and deliver exceptional service.

Further detail of the Group's progress against these six pillars can be found in the Strategy and KPIs and Operating Review sections of this report.

## Financial performance

We are pleased with our full year results, with revenue growth being delivered in each of the Group's businesses in H2 following a weak start to the year. The Group's transformation programme, launched in December 2018, is now starting to drive performance improvements in both our UK and international venues businesses. Rank's digital business grew strongly with like-for-like H2 net gaming revenue (NGR)[1] up 14% compared to the H1 growth of 7%.

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

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

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

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

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

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

## Safer gambling

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

Rather, we must actively pursue improvements in the promotion and delivery of safer gambling, specifically:

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

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

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

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

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

## Acquisition of YoBingo

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

1. Net gaming revenue is revenue less customer incentives.

> ***"Rank's newly stated ambition is to become a £1bn revenue international gaming company by 2023, through transforming our business and consistently exceeding our customer and shareholder expectations."***

## Offer for Stride Gaming Plc

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

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

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

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

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

## Management team changes

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

### Chief Financial Officer

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

### Chief Information Officer

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

### Chief Transformation Officer

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

### Retail Managing Director

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

I would like to thank Alan for all his hard work in the UK retail business during his three years with the Group.

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

### Retail Marketing Director

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

### Director of Digital and Cross-Channel Services

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

### Other

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

*"Thank you to my colleagues at Rank. You never fail to show real passion for delivering the best experience to our customers, always making sure that we excite and we entertain."*

## Board changes

### Chair

On 30 April 2019, after 13 years with the Company, I notified the Group that I do not intend to stand for re-election as Chair at the Company's Annual General Meeting on 17 October 2019 ('2019 AGM'). We are pleased to announce that Alex Thursby, non-executive director, will be appointed as my successor, with effect from the conclusion of the 2019 AGM. Alex joined the Rank board in August 2017 and has chaired the audit committee since October 2017. Upon his appointment Alex will step down as chair of Rank's audit committee. The search for a new audit committee chair has commenced.

### Richard Kilmorey

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

I would like to thank Richard for his contribution to the Board over his six-year tenure and specifically his chairmanship of the responsible gambling committee.

### Tang Hong Cheong

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

### Bill Floydd

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

## Dividend

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

## Brexit

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

## Current trading and outlook

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

## Our people

This is my last opportunity to say thank you to my 8,400 colleagues at Rank. You never fail to show real passion for delivering the best experience we can to our customers, always making sure we excite and we entertain.

I have enjoyed my time at Rank immensely and am extremely proud of what we have achieved. I leave with the knowledge that Rank has a strong management team and Board which will take the business through its transformation programme.

**Ian Burke**
Chair

21 August 2019

# Value creation

## Our inputs

**Robust balance sheet**
We have a strong balance sheet supported by strong cash generation.

**Inspiring people**
We employ over 8,400 talented and dedicated individuals who have a desire to create the best experience for our customers.

**Extraordinary venues**
We have a portfolio of 144 venues that provide entertaining and exciting experiences.

**Strong relationships**
Our relationships with the communities we serve and with our suppliers form a vital part of our strategic plans to deliver a quality product and service to our customers.

**Technology**
The customer is at the heart of our business, so we invest in and introduce new technologies to maximise efficiency and ensure our customers have better experiences.

## What we do and how

**Seamless and instant journey across digital and retail**
By focusing on well-known brands with a strong affinity with our customers, we strive for our digital and retail offerings to be consistent and unbeatable.

**360-degree player protection**
Our three lines of defence model, involving our front line colleagues, our compliance team and our internal audit team, seeks to ensure that we are taking the appropriate actions to protect our customers.


**Single wallet**
We've made things easier for our customers by creating a single wallet they can use both in-casino and online.

**Cross-brand convenience**
Our family of brands means we are strategically aligned to promote innovation across all of our businesses.


**Underpinned by our STARS values**
Our five STARS values are at the core of everything we do. In delivering these values, we can achieve our purpose and fulfil our collective ambition.

## Creating value for our stakeholders

**Our customers**
We create value for our customers by providing them with market-leading entertainment, meeting their expectations through our multi-channel offer.

**Our shareholders**
Through focused investments to meet our customers' needs, we generate suitable returns for our shareholders.

**7.65p**

**Our employees**
We provide our talented and dedicated individuals with rewarding and fulfilling careers, ensuring that their behaviour is aligned with our company values.

**8,400**
**employees**

**Our communities**
We provide additional value to the communities we serve through our 'operating responsibly' programmes.

**£0.3m**
**charitable funds raised**

**Governments**
The value we create goes back into the economies where we operate.

**£191.1m**
**generated for tax authorities and local governments**

# In the spotlight


**John O'Reilly**
Chief Executive Officer

# At the end of his first full year in charge, we've spoken to chief executive John O'Reilly about how he feels the year has gone.

## How would you summarise the Group's performance in the year?

It's been a year of transformation. The new management team focused on developing our corporate transformation programme soon after I joined the Group in May 2018. The programme provides a framework for driving initiatives – from the generation of an idea through to its validation, planning, resourcing and ultimately its implementation. This has introduced new ways of working within Rank that puts us in good stead going forwards.

As the transformation programme moved from planning into execution, operating profit grew from £30.3m in the first half to £42.2m in the second (H2). This is a significant turnaround for the Group, and was based on excellent work from the cost reduction workstreams.

However, we can only take cost out of the business once – and ultimately shareholder value is created by growing our revenues. This means better meeting the needs of our customers.

In terms of financial performance, the first half of the year was challenging. The hot British summer cut attendance in our venues, with a knock-on impact on revenues. Our UK digital business started to improve – though from a weak position following a reduction in marketing investment in the previous year. So, I was pleased to see H2 revenue growth in both Grosvenor and Mecca, and a 14% H2 growth in the UK digital business.

In Spain, YoBingo had an excellent first half. It slowed a little in H2 but has some very exciting initiatives in the pipeline. The Enracha venues business continues to perform well and also has some important developments coming through.

In addition to the early successes achieved by the transformation programme, we have announced the acquisition of Stride Gaming plc. We expect this transaction to close in the next couple of months, and it should add much needed scale to our digital business.

While I am disappointed to be reporting a decline in the Group's operating profit year-on-year, I am pleased with the groundwork we have put in place to turn things around, and expect that the results of our initiatives will become increasingly clear.

## What have been your key areas of focus in the year?

Rank is a good business and I would not have joined the Group if I didn't think there was a sizeable opportunity to improve its performance. Doing just that has been my focus and that of the management team.

We made a number of important personnel changes in the year and have considerably strengthened the team. As a result, we are now in a much stronger position in terms of organisational capability to drive change and to do so at pace.

Within the venues businesses, in both the UK and Spain, there are opportunities to reduce cost and grow revenues. The Grosvenor business made some material cost savings by introducing a new operating model involving fewer levels of management and the more appropriate scheduling of colleagues to meet customer demand.

Cost saving is inevitably front-loaded in business transformations, because it is generally easier to deliver than revenue growth. So, that is what we have focused on.

However, we have also been pursuing some key revenue growth opportunities that are more fun and more rewarding for colleagues across the Group. This is now the direction in which we are heading because this is not a business short on opportunity.

## Q What do you see as Rank's biggest opportunities from here?

A In the past year the management team has reviewed the Group's ambition, purpose and strategy.

We concluded that there's nothing much wrong. It's just that we haven't been precise enough in delivering these things.

As a result of the review, we have set an ambition to become a £1bn revenue business by 2023 and re-stated our strategy for how we will achieve this.

I would like to emphasise the importance of our purpose. This is to excite and to entertain. We are in the entertainment business and ultimately our customers come to us to have fun – and I speak as someone who thoroughly enjoys gambling. Many of our key revenue growth opportunities centre on ensuring that we deliver fun and entertainment to our customers. The more customer-centric we are as a business, the more successful we will be – and there is a big opportunity for us to do just that.

In Grosvenor we are testing new casino propositions, new gaming products and new casino designs to meet the needs of today's consumers. We are also focused on meeting the needs of our customers who do not distinguish between channels in anything like the way that we do.

We are also trialling new bingo formats and improving the proposition for both our online and Mecca venue customers. We have some exciting ideas in the pipeline. The same applies to Enracha and also to the YoBingo business.

There is a lot to do – but we will have a lot of fun doing it.

## Q What are your priorities for 2019/20?

A Most important to us is maintaining the momentum of the transformation programme. I see this programme as a way of working. We get ideas from across the business which we put through the rigour of the programme to ensure those that make the cut are then properly resourced and brilliantly delivered. To plagiarise a famous Gary Player quote, the more we practise, the luckier we get.

As it is a constantly developing plan, we always need more ideas for generating revenues or reducing costs. And the best ideas come from colleagues in the business who are closest to our customers.

The transformation programme has made a great start and I can see and feel that we are turning things around. Our priority for 2019/20 is to return the business to long-term, sustainable revenue growth. That's the biggest challenge for the coming year.

But it's not the only one. We also expect to complete the acquisition of Stride and integrate it into Rank's digital business. Buying Stride will create more scale in our digital business; strengthen our management team; deliver cost and revenue synergies; and bring in proprietary technology – which is a key attribute in terms of accelerating growth both in the UK and internationally.

The Group has a big opportunity, and it is one that we intend to maximise.

*"The Group has a big opportunity, and it is one that we intend to maximise."*

# Understanding their needs

| | Why we engage | Key areas of interest | How we engage and respond | Link to strategy |
|---|---|---|---|---|
| **Customers** | Understanding our customers' changing needs and behaviours helps us ensure our service satisfies them. It also enables us to attract new customers to the experiences we offer. | • Safer gambling<br>• Affordability<br>• Relevance of offer<br>• Customer experience | • Customer interactions through our venues<br>• Customer feedback<br>• Focus groups<br>• Websites<br>• Social media<br>• Customer Solutions Hub interactions | 1 2 3 5 |
| **Employees** | We depend on the passion and commitment of our employees to implement our strategy and ensure our customers are served in the best way. Engaged employees are the best ambassadors for our business. | • Working environment<br>• Effectiveness of communications<br>• Career development and progression opportunities<br>• Safer gambling | • Board appointed non-executive director responsible for employee engagement<br>• Employee Opinion Survey<br>• Meetings with appointed employee representatives and key influencers in the business | 6 |
| **Communities** | We engage with the communities where our customers and employees live.<br><br>Safe and fair gaming is a key pillar of our strategy, and underpins our commitment to our communities. | • Employment<br>• Reputation<br>• Safer gambling | • Charity partnership with Carers Trust<br>• Volunteering and fundraising | 5 |
| **Regulators & legislators** | Regulators and legislators play a key role in shaping the gambling landscape.<br><br>Unintended consequences of regulation can adversely impact our ability to offer the best experience to our customers. | • Compliance with regulation<br>• Safer gambling | • Ongoing dialogue<br>• Sector association memberships<br>• Participation in public consultations<br>• External adviser network | 5 |
| **Shareholders & investors** | As a publicly listed company we have to provide fair, balanced and understandable information to our shareholders and investors, so that they are able to make informed investment decisions. | • Strategy, performance and outlook<br>• Leadership capability<br>• Executive remuneration<br>• Dividend policy | • Ongoing dialogue and meetings<br>• Access to management<br>• Quarterly reporting<br>• Annual Report<br>• Investor roadshows and conferences<br>• Corporate website | 1 2 3 4 5 6 |

# Our environment

| | | Our response | Link to strategy |
|---|---|---|---|
| **UK economic environment** | • Higher inflation has squeezed real household incomes and this has inhibited consumer-led growth<br>• Brexit-related uncertainty is impacting economic growth<br>• Forecasters are pointing to moderate growth in both UK GDP and consumer spending | • Focus on delivering a relevant and engaging leisure experience to our customers<br>• Continued focus on good cost discipline to manage increasing operating costs<br>• Ensure the Group is operating effectively and efficiently through the transformation programme | 1 3 |
| **Technology** | • Industry innovation slower than other sectors, resulting in customer expectations not being met<br>• Product innovation inhibited by the licensing regime<br>• Mismatched product innovation drivers between suppliers and operators | • Continue our dialogue with the UK regulators around new gaming concepts and product innovation<br>• Closer working relationships with our product suppliers to better address customer needs | 1 2 4 |
| **Sustainability** | • Hard to attract high-calibre people to work in the gambling industry due to negative public perception and intense media attention<br>• Potential restrictions on employees to work in the UK following Brexit may restrict an already limited labour base<br>• Restricted labour base hinders Rank's efforts to recruit the best people to offer the best customer experience | • Focus on improving reward and recognition for colleagues across all levels to improve retention and attraction of talent<br>• Investment in a comprehensive development and educational plan for colleagues to ensure talent is developed and retained | 4 5 |

# Our industry

**The Group operates in the UK, Spanish and Belgium gambling markets.**

**The Group has:**

**144**

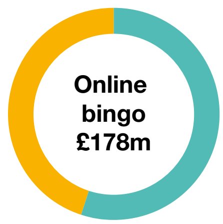
**venues in the UK, Spain and Belgium operating under the Grosvenor Casinos, Mecca and Enracha brands.**

## Total UK gambling market size[1,2]


Other operators: 67%
Rank's share: 33%


Other operators: 70%
Rank's share: 30%


Other operators: 98%
Rank's share: 2%




Other operators: 55%
Rank's share: 45%

## Total Spanish gambling market size[2]


Other operators: 92%
Rank's share: 8%


Other operators: 55%
Rank's share: 45%

1. UK Gaming Commission (GGR)
2. H2 Gambling Capital (GGR)

**Across our Grosvenor venues we have:**

**1,337**
B1/B2 machines

**65**
B3/C/D machines

**1,665**
Electronic casino terminals

**Across our Mecca venues we have:**

**2,132**
B3/B4 machines

**2,906**
C/D machines

**12,893**
Electronic casino terminals

## Retail

Rank operates 144 licensed venues through its Grosvenor Casinos, Mecca and Enracha brands. Our retail units are located across Great Britain, Spain and Belgium.

### Casinos – Great Britain

There are 151 casino licences operating in Great Britain, of which Grosvenor Casinos operates 64 across its 52 venues. In addition, Grosvenor Casinos holds nine non-operating licences.

All 52 Grosvenor Casinos, apart from its casino in Luton, operate under Gaming Act 1968 licences. These licences allow a maximum of 20 machines which can be any machines category B to D (except B3A machines), or any number of category C or D machines.

Across our Grosvenor Casinos estate we have a total of 1,337 B1/B2 machines, 65 B3/C/D machines and 1,665 electronic casino terminals.

Casinos in the UK are subject to casino duty (from 15% to 50%) on casino games and poker and machine gaming duty (20%) on gaming machines. Further detail can be found on page 46 in the tax fact file.

### Bingo – Great Britain

There are 336 licensed bingo venues operating in Great Britain, excluding holiday parks and arcades, of which Mecca operates 82.

A licensed bingo venue can offer B3, B4 and category C and D machines. The number of B3 or B4 machines is restricted to 20% of the total number of gaming machines provided in the venue. The number of category C and D machines can be unlimited.

Across our Mecca estate we have a total of 2,132 B3/B4 machines, 2,906 C/D machines and 12,893 electronic bingo terminals.

Bingo in the UK is subject to bingo duty (at 10%) on main stage and interval bingo and machine gaming duty (between 5% and 20%) on gaming machines. Further detail can be found on page 46 in the tax fact file.

### Machine stakes and returns

| Machine category | Maximum stake | Maximum prize |
|---|---|---|
| B1 | £5 | £10,000 |
| B2 | £2 | £500 |
| B3 | £2 | £500 |
| B3A | £2 | £500 |
| B4 | £2 | £400 |
| C | £1 | £100 |
| D (different variants) | 10p to £1 | £5 to £20 |

## Digital

Rank operates its UK customer facing digital businesses (Grosvenor Casinos and Mecca) through Alderney and UK remote gambling licences. Rank's Spanish digital businesses (Enracha and YoBingo) operate through Spanish remote gambling licences.

Our digital revenues are subject to remote gaming at 21% for the UK and 20% for the Spanish online businesses.

# Our strategic framework

## Purpose

Working together to create exciting environments that reflect the changing needs and expectations of our customers and colleagues, delivering stimulating and entertaining experiences every time, To Excite and To Entertain.

## Ambition

To become a £1 billion revenue international gaming company by 2023, transforming our business and consistently exceeding our customer and shareholder expectations

## Values

Service | Teamwork | Ambition | Responsibility | Solutions

## Our strategic pillars

**1 Create a compelling multi-channel offer**

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

**2 Build digital capability and scale**

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

**3 Continuously evolve our venues proposition**

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

**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.

**5 Be committed to safe and fair gaming**

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

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

## 1 Creating a compelling multi-channel offer

### What we said

- Launch and roll-out Grosvenor One across the casino estate; and
- Continue the development of an omni-channel offer for Mecca.

### What we did

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

### What we are going to do

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

### Key performance indicator

During the year the Group has focused on improving data quality within the business. Multi-channel customer numbers remain the appropriate measure however due to an ongoing data cleansing exercise we are unable to provide a meaningful number for 30 June 2019.

## 2 Build digital capability and scale

### What we said

- Support the ongoing growth of YoBingo.es;
- Launch a new content management system ('CMS') for Grosvenor digital;
- Deliver a suite of improvements to our promotion and bonus tools;
- Appointment of new digital games suppliers to provide our customers with bespoke and exclusive games; and
- Increase customer acquisition marketing investment underpinned by strong return on investment analytics.

### What we did

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

### What we are going to do

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

### Key performance indicator

Following a recent review of the strategic pillars it was decided that net gaming revenue ('NGR') was a more appropriate measure than the previously stated KPI of number of digital customers.

**Digital net gaming revenue (£m)**


## 3 Continuously evolve our venues proposition

### What we said

- Completion of second phase of refurbishment at Grosvenor's Barracuda casino in London; and
- Continuation of renegotiations with venue landlords to re-gear and extend leases whilst reducing property costs.

### What we did

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

### What we are going to do

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

### Key performance indicator

Following a review of the strategic pillars it was decided that customer visits is the appropriate measure.

**Venues customer visits ('000)**

## 4 Consistently improve our customer experience through innovation

### What we said
- Introduction of Ticket-In-Ticket-Out ('TiTo') for table gaming; and
- Self-service TiTo cash terminals to be installed across casinos to allow customers to buy in and cash out their TiTo tickets.

### What we did
- Home delivery trials of food and drink from our London casinos through a third-party partnership taking advantage of quieter periods in our venues' kitchens; and
- Self-service TiTo cash terminals, introduced across a majority of the casino sites.

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

### Key performance indicator
This is a new strategic pillar for the Group and an appropriate measure is currently under review.

## 5 Committed to safe and fair gaming

### What we said
- This pillar was only recently added to the Group's strategic overview. Further details on Rank's approach to safe and fairer gambling can be found on page 26.

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

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

### Key performance indicator
This is a new strategic pillar for the Group and an appropriate measure is yet to be assigned.

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

### What we said
- This pillar was only recently added to the Group's strategic overview. Further details on Rank's approach to creating the right environment for our employees can be found on pages 28 to 30.

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

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

### Key performance indicator

**Employee engagement score (%)**


ONE
TEAM APPROACH
GREAT
PLACE
TO WORK
HONESTY
AND
openness
ENGAGE
AS A
TEAM
VIBRANT
AND
EVERY
VOICE TO BE
HEARD
FAST
PACED
EMBRACE
DIVERSITY AND DIFFERENCE
PERFORM
AT OUR VERY
BEST

# I VALUE Teamwork

***"Everyone in the team had a different approach, skill set and experience to offer, and through regular collaboration sessions, everyone's views were heard. The diversity of opinion, as well as the empowerment of various teams, made this a successful project that brought with it new solutions to problems."***

**Maliq Ali**
Quality Assurance Manager, Gibraltar

Building the new content management system for Grosvenor's digital website was a two-year-long project for our digital team. And the final stage was critical, transferring customers successfully to the new site in a controlled way.

A 28-strong team with different skill sets and based in different locations, from Gibraltar to Sheffield and Maidenhead, came together to provide solutions that not only supported the business objective but improved our customers' experience.

Our offering encouraged customers to try the new site, while enabling them to go back to what they were used to if they wished. They were in control.

Once the technology team had completed the change, customers were contacted about how they felt about it, good and bad.

"This project has been a key enabler within the digital business," says Maliq. "And this final stage has excelled due to the collaboration across teams and locations that had previously not worked together."

# Our purpose

**Our purpose – working together to create exciting environments that reflect the changing needs and expectations of our customers and colleagues, delivering stimulating and entertaining experiences every time, To Excite and To Entertain.**

# Our customers…

## Safer gambling 2018/19 in review

Rank is committed to providing a safe gambling environment for its customers, and developing a culture where the desire to do so is evident in the decisions that we make, the products that we offer and the service we deliver.

As the emphasis during the year has shifted towards 'safer' gambling, rather than simply promoting responsible gambling, we have focused on two clear objectives, namely to:

- consider the products and the environments where we offer gambling, assess their risks, and work to make them safer in the first instance; and
- promote safer participation by our customers in the gaming that we do offer.

This developed into a refreshed policy and new strategy endorsed by the safer gambling committee, and a specific workstream within the transformation programme, with initiatives proposed from around the business.

During the year some of the initiatives that launched or progressed are:

- a trial in five casinos of complex algorithms developed in partnership with the Canadian company Focal Research, designed to help us detect potentially at-risk behaviour among slot machine players. Grosvenor is committed to completing this trial and to extending the use of the ALeRT system across all casinos in the coming year;
- establishing a dedicated safer gambling team within our Sheffield Customer Solutions Hub;
- a trial of affordability modelling in our digital business and a proof-of-concept (in partnership with Experian) to examine the potential use of open-banking as a way of improving customer due diligence;
- implementing the first phase of time and money controls to our casinos' slot and electronic roulette machines.

## Cross-industry working

In collaboration with other operators, we continue to examine how to support better youth education, industry marketing codes of practice, and improvements to the controls and tools we offer to customers to manage their gambling.

Rank is committed to working with others to help fund a truly national programme of education and treatment for problem gambling. We believe that these vital services should be readily accessible to anyone who may benefit from them.

## Safer gambling in the year ahead

During 2019/20 our initiatives will focus on:

- better targeting of our customer interactions with those most at risk;
- reducing our reliance on less-sophisticated systems of triggers and alerts in our retail businesses;
- further pursuing the assessment of affordability risk, reducing our reliance on generic thresholds and those based only on financial metrics;
- sharing best practice internationally between our business units; and
- refreshing and reinvigorating our approach to customer messaging to encourage safer gambling behaviour.

We are increasingly moving away from considering the risks of, for example, money laundering and problem gambling in isolation. Instead, we are making progress towards a more holistic review of customer risk and we will continue to invest in this area in the year ahead. Specifically, we will start using socio-economic and demographic data to inform our risk assessments and interaction with customers who may be playing beyond their means or may be at risk of gambling-related harm. We will also continue to improve the quality and accessibility of our player data, including cross-channel transaction data, to support a better overview of risk for customers that play both online and offline.

As policy-makers, regulators and stakeholders more generally continue to pay close attention to gambling to ensure it operates in a responsible and safe manner, and as our business continues its wider transformation, we must ensure that our approach to safer gambling develops in tandem. We are committed to doing so.

# Our employees…

## Culture

Every day, we rely on our employees to deliver our promise to excite and entertain. In return, our employees rely on us to deliver what they need. Culture isn't a one-way street.

That's why in Q2 we asked if our values (Service, Teamwork, Ambition, Responsibility and Solutions) are still the right fit.

The overwhelming answer was yes.

There were some "buts…" But that's why we asked the question in the first place.

So, over the past year we have:

- updated how we describe our STARS values;
- created a culture dashboard;
- increased internal engagement through focused employee sessions and the Group's intranet; and
- reviewed the Group's ambition, purpose and strategic pillars to ensure they are relevant and appropriate.

As part of the transformation programme, for example, we have focused on ensuring our employees have the capability to work in, and contribute to, a high-performance culture. By that we mean an environment where colleagues strive to do their best and take ownership in delivering. Such a move should help us to achieve our ambition, purpose and strategic goals.

The Group already has established cultural attributes, such as ensuring our customers are provided with an experience that is both safe and fair. This culture is underpinned by sub-cultures across our businesses respecting diversity and difference, so workplace transformation and transition can occur more effectively.

During 2019/20 we will continue to focus on boosting engagement and embedding a high-performance culture across the organisation.

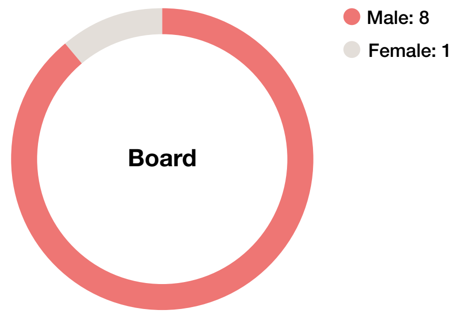
## Diversity and inclusion

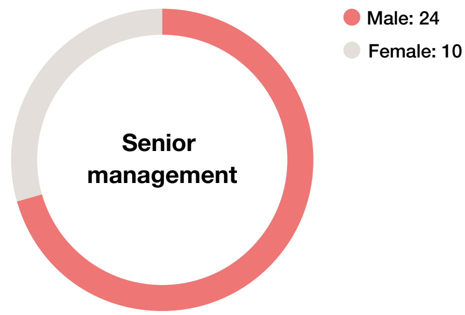
When it comes to enhancing diversity, our actions need to be… well, diverse. And during the year we have:

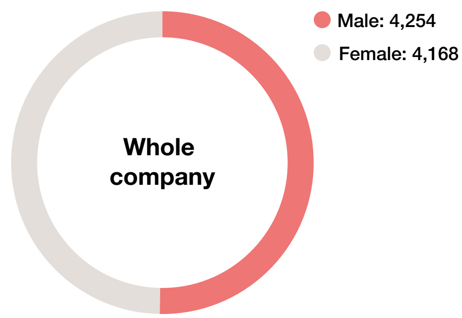
- partnered with Global Diversity Partnership to deliver unconscious bias workshops across the business;
- appointed diversity champions across our business to help roll-out diversity and inclusion and unconscious bias awareness training;
- implemented a diversity dashboard
- improved recruitment processes with a focus on gender;
- integrated diversity into our key development programme, 'Managing at Rank,' and Leading in Rank course; and
- made Enhanced Paternity Pay available to senior employees.

In addition, we continued our partnership with WiH2020 and our employees took part in their mentoring programme and masterclass series. We also created a new family network group to provide support for employees who have recently started a family and for those about to have children[1].

| | Male | Female |
|---|---|---|
| Board | 8 (89%) | 1 (11%) |
| Senior management | 24 (71%) | 10 (29%) |
| Whole Company | 4,254 (51%) | 4,168 (49%) |




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

## Employee engagement

The Group takes employee engagement very seriously and is always looking at ways to ensure that colleagues have a chance to share their views on what works well and what could be improved. There are a variety of forums for employees to participate in throughout the year.

### Employee voice:

Employee voice meetings are held bi-annually and are attended by elected representatives from different areas of the business. They are also attended by John O'Reilly, chief executive, and other members of the Rank executive committee who are there to listen and assist with any required action planning. Subjects discussed included working environments and Group policies.

### Talking STARS and Leading STARS:

The Talking STARS and Leading STARS forums are new forums created to supplement the already established employee voice meetings. Key individuals from across the business were invited to debate key strategic issues impacting the Group.

Talking STARS participants included colleagues from across the business whereas Leading STARS was aimed more at colleagues from Rank's leadership community.

Following these meetings, the following were identified as areas that required attention going forward:

- improvement of cross Group communications centrally and by managers;
- greater awareness needed of personal development opportunities; and
- issues around attracting talent to the Group.

### Employee opinion survey:

During the year, the Group moved from running two full Group-wide employee opinion surveys to just one in July 2019, however a high level 'pulse' survey was carried out in January 2019 to 'temperature check' engagement across the Group.

Outputs from all the above forums are shared with the Rank executive committee and the Rank Board.

The results from the 2019 opinion survey are currently under review and were not available for this report.

However, the pulse survey, carried out in January 2019, showed employee engagement fell by 8ppts to 66%.

The results from the 2019 engagement survey are under review and further detail will be available in the 2020 Annual Report and Financial Statements.

**66%**

**Engagement score**

Pulse survey January 2019.

## Disability

Rank is committed to ensuring that people with disabilities are encouraged to apply for roles with the Group and are supported while at work.

## Human rights

The Board agreed that it is not necessary for the Group to operate a specific human rights policy at the moment. Our policies already comply with relevant laws and respect the human rights of our employees and other stakeholders in the business.

## Health and safety

The key objectives within the 2018/19 health and safety (H&S) plan were to:

- improve H&S awareness across the Group;
- reduce paperwork by introducing a computerised system for assessing display screen equipment, and using a central database for training, for example in knife handling, and ensuring that chemical and food allergen training is completed for all 134 UK clubs; and
- reduce the number of employee and customer slips, trips and falls (STF) as well as burns accidents in the UK by 5% compared to the previous year.

Over the year we ensured that general managers were trained in the Risk Assessment process; that data sheets and assessments were in place for maintenance chemicals; and that our fire door training project was prepared and signed-off with a start date of 1 July 2019.

We launched the display screen equipment project in July 2019, and all other training including knife handling, COSHH and allergen training has been put in place.

We looked to reduce both burns and slips, trips and falls (STF) by 5%. Year to date we have exceeded our objectives, with burns reduced by 26% and STFs reduced by 29% across the Group.

# Our communities…
# Rank Cares

Rank has been supporting Carers Trust since 2014, and we're pleased to say we will be doing so again in 2019/20.

Our employees are incredible ambassadors for Rank Cares and have raised a further £0.3m in the year bringing the total since the start of the partnership to £2.3m – a truly fantastic achievement. We have baked, cycled, run and walked all in the name of fundraising, as well as donating a total of 277 volunteer hours in 2018/19.

The money raised is made available to the charity's grant-giving programme and has so far provided support to 11,000 carers.

## About Carers Trust

Carers Trust works to improve support, services and recognition for anyone living with the challenges of caring, unpaid, for a family member or friend who is ill, frail, disabled or has mental health or addiction problems.

It does this with a UK-wide network of quality assured independent partners and through the provision of grants to help carers get the extra help they need to live their own lives.

With locally based Network Partners they are able to support carers in their homes through the provision of replacement care, and in the community with information, advice, emotional support, hands-on practical help and access to much needed breaks.

It offers specialist services for carers of people of all ages and conditions and a range of individually tailored support and group activities.

To find out more about the work Carers Trust does visit its website at carers.org

**£0.3m**
Raised by Rank Cares

**11,000**
Carers received support

**277**
Volunteer hours by Rank employees

## Operating Review



# I See Ambition

***"The transformation programme is clear about its mission. We not only aim to achieve the Group's £1bn ambition, but we want to be the best in our sector and outshine our competition. We will do this by using the full diversity of our resources."***

**Neil Brown,**
Programme Change Manager, Maidenhead

A is for Ambition. And what we're ambitious about is transforming our business, delivering a step change in performance and ensuring the Group achieves its full potential.

Our five-year transformation programme was launched in December 2018 by Jim Marsh, our chief transformation officer.

There are 13 workstreams within the programme, each owned by an executive committee member or senior leader. These fall into three main categories:

- fixing the basics to build a more capable business;
- managing our cost base better; and
- driving performance to grow revenue.

By 2023 we expect revenue to be £1bn. We expect to double our operating profit and to have made the best use of our people.

That's ambition.

Relentless will to win
Clarity of mission
Achieve
Outshine the competition
Our rank ambition
Common goals
Realise our potential
Be the best
Being hungry for commercial success
Pro active
Positive

# Grosvenor venues

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

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

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

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

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

### Key financial performance indicators*

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

1. Excludes venues openings, closures and relocations.
2. Before adjustments for customer incentives.
3. Before exceptional items.
4. Adjusted for the reallocation of beamed roulette from Provinces to London following tax treatment agreement with HMRC.

* From 1 July 2018, figures exclude the contribution of the Belgian casino which is now reported under International venues.

### Venues revenue analysis

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

5. Excludes venues openings, closures and relocations.

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

### Key non-financial performance indicators

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

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

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

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

# Mecca venues

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

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

Mecca's offer was further enhanced by a number of transformation initiatives including the development of new games and side bets and extending the length of afternoon bingo sessions.

The drive to improve the offer began to bear fruit in H2 with Mecca growing revenue, albeit modestly and against a weak comparative period, the first time since H2 2016.

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

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

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

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

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

## Key financial performance indicators

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

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

## Key non-financial performance indicators

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

4. Excludes venues opening, closures and relocations.
5. Unaudited.

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

## Venues revenue analysis

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

6. Excludes venues openings, closures and relocations.

## Luda

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

# International venues

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

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

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

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

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

## Key financial performance indicators

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

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

## Key non-financial performance indicators – Enracha only

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

4. Unaudited.

# Digital


MECCA
SIGN IN
SIGN UP
Play daily for free*
WINNER SPINNER
PLAY BINGO NOW
Bingo
Slots & Games

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

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

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

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

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

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

## Key financial performance indicators

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

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

## Key non-financial performance indicators (UK only)

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

4. Unaudited.

## YoBingo

| | H1 2018/19 | H2 2018/19 | 2018/19 |
|---|---|---|---|
| NGR growth | **39%** | 3% | 18% |

# Financial performance

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

1. Before exceptionals as per note 2.
2. Adjusted profit before taxation is calculated as adjusted profit from continuing operations before taxation to exclude exceptional items, the unwinding of the discount on disposal provisions and other financial gains and losses.
3. Adjusted EPS is calculated using adjusted profit which excludes exceptional items, other financial gains or losses, unwinding of the discount on disposal provisions and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

For the year ended 30 June 2019, statutory revenue increased by 1% to £695.1m reflecting the acquisition of YoBingo and the growth in our digital business offset by revenue decline in our venues businesses.

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

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

## Exceptional items

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

Details of exceptional items can be found in note 4 to the financial statements.

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

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

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

## Earnings per share

Statutory EPS was down 20% to 7.4 pence. Adjusted EPS was down 1% to 14.8 pence. For further details refer to note 9 to the financial statements.

## Taxation

The Group's effective corporation tax rate in the year was 17.2% (2017/18: 21.1%) based on a tax charge of £12.0m on adjusted profit before taxation. This is lower than the Group's anticipated effective tax rate of 18.5% for the year as a result of prior year adjustments. Further details on the taxation charge are provided in note 6 to the financial statements.

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

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## Cash tax rate

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

## Cash flow and net cash

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

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

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

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

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

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

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

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

## Acquisition of YoBingo

On 21 May 2018, Rank Digital Holdings Limited (a wholly owned Group company) acquired the entire share capital of QSB Gaming Limited, the owner of YoBingo, the leading online bingo operator in Spain for total consideration of €52.0m. The results of that business have been incorporated into the digital segment. Contingent consideration of €28.1m was subsequently paid in the year.

## Taxation changes

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

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

From 2019/20 onwards 100% of UK tax will be payable in the year to which it relates under the new rules.

## IFRS 16 – Leases

IFRS 16 'Leases' will replace IAS 17 in its entirety and will be effective for the Group from its 2019/20 accounting year. It will result in most leases being recognised in the Statement of Financial Position, with additional fixed assets and liabilities being recognised. The Group intends to apply the modified retrospective approach with the cumulative effect of initially applying IFRS 16 being recognised as an adjustment to the opening balance of retained earnings at the date of initial application. The directors believe that the new standard will have a material impact upon the Group's reported performance with increases in EBITDA being offset by increases in both depreciation and finance charges and increases in operating profit offset by increases in interest charges. There is no current expectation that the Group's cash flows will be materially impacted. Please refer to the accounting policies for further detail.

## IFRS 9 and IFRS 15

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

## Going concern

In adopting the going concern basis for preparing the consolidated and Company financial statements, the directors have considered the issues impacting the Group during the period as detailed in the operating review and have reviewed the Group's projected compliance with its banking covenants detailed in the financial review. Based on the Group's cash flow forecasts and operating budgets, the directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate.

# Approach to tax

## Rank is committed to acting responsibly in all areas, including taxation.

### Total tax contribution

In the year 2018/19 Rank paid £191.1m (2017/18: £187.8m) to tax authorities and local governments in irrecoverable VAT, gambling taxes, corporate tax, employer's national insurance and local business rates. Rank has provided employment to approximately 8,400 (2017/18: 10,000) people across the Group. The broader impact of Rank's operations, including taxes paid by supplier companies, is harder to quantify but no less significant.

### Tax strategy

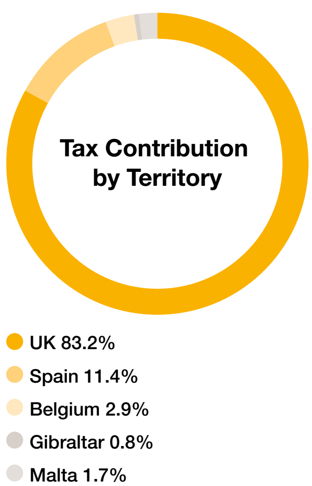
The taxation of betting and gaming is complex, involving many different taxes and duties. Rank's aim is to ensure that all taxes are correctly accounted for and that tax returns are submitted accurately, on time and that all tax liabilities are paid.

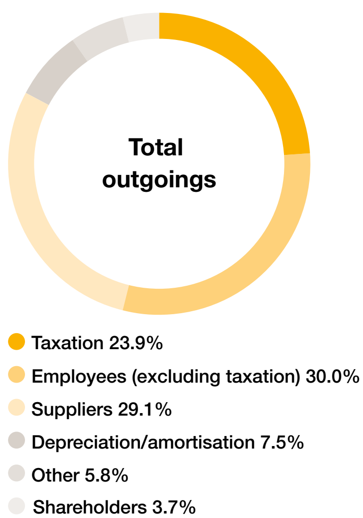
Rank is committed to acting with honesty and integrity in all matters with a strong emphasis on corporate reputation, social responsibility and maintaining good relationships with governments.

The Board reviews and approves the Group's tax strategy annually, which is published on Rank's website. The chief financial officer is responsible for ensuring that the Group complies with the documented tax strategy, supported by appropriately trained and qualified staff. Any significant decisions relating to tax are taken to the Board for prior approval, including decisions on whether to litigate and the approach to dealing with disputes with tax authorities. External advice is taken when required. The Board is kept informed of future tax changes, including potential impacts from tax consultations.

From an accounting perspective, Rank takes a prudent approach to areas of dispute, providing for areas of uncertainty and not recognising claims unless they are certain to be received. Systems, processes and controls are in place to ensure that tax returns are correctly prepared, accounted for and taxes paid. Senior Accounting Officer documentation is reviewed and updated as appropriate on an annual basis as a minimum and there are procedures in place to ensure that adequate reviews are undertaken.

Rank complies with all applicable laws, regulations and disclosure requirements in relation to tax, exercising professional care and judgement in relation to decisions reached. Such decisions are fully documented and audited as appropriate. Rank is committed to operating responsibly and considers the reputational impact of transactions as well as their direct financial implications. The Group does not actively seek to enter into aggressive tax avoidance transactions and any tax planning will revolve around the commercial needs of the business.

When undertaking commercial transactions, the Group will take advantage of tax reliefs, incentives and exemptions in accordance with the relevant tax legislation.

Rank's tax risks are managed as part of the Group's overall comprehensive risk management methodology, that balances risk and opportunities to achieve strategic objectives. Each risk is identified, mitigated, monitored and reviewed based on its specific facts and circumstances.

The tax team collaborates with colleagues across the business at the start of projects to ensure that tax costs and tax risks are taken into consideration as part of any decision-making process.

Where tax issues are particularly complex or uncertain, or if it is considered that HMRC may take a different view than that adopted by Rank, external advice is taken by professional advisers or tax counsel as appropriate.

Rank is committed to having an open and honest relationship with the tax authorities, fully cooperating with any enquiries and helping the tax authorities to understand Rank's business and any significant transactions. If the Group disagrees with a tax authority about the correct treatment of a tax issue, the Group aims to reach resolution as quickly as possible whilst also defending its position robustly with a view to protecting shareholder value and taking into account the cost of defending audits or assessments in relation to the amounts of tax at stake. Rank will consider litigation provided that the grounds of appeal stand a good chance of success in litigation and that there is sufficient tax at stake to warrant the cost of litigation.

Rank actively and positively participates in all relevant tax consultations to help shape changes to tax legislation or policy that are relevant to the business.

## Tax rates and performance

The Group's effective corporation tax rate in 2018/19 was 17.2% (2017/18: 21.1%) based on a tax charge of £12.0m on adjusted profit before taxation. This is lower than the Group's anticipated effective tax rate of 21%-23% for the year as a result of prior year adjustments. Further details on the taxation charge are provided in note 6 to the financial statements.

In the year ended 30 June 2019 the Group had an effective cash tax rate of 15.3% on adjusted profit (19.4% in the year ended 30 June 2018). The cash tax rate is lower than the effective tax rate mainly as a result of the use of losses within the Group and the timing of tax instalment payments.

The effective corporation tax rate for 2019/20 is expected to be 18%-19%, being slightly above the UK statutory tax rate as a result of some overseas profits being taxed at higher rates, non-deductible expenses and depreciation of assets that do not qualify for capital allowances, offset in part by other overseas profits being taxed at lower rates than the UK.

The Group is expected to have a cash tax rate of approximately 23% in the year ended 30 June 2020. This is higher than the effective tax rate as a result of changes to the dates of instalment payments in the UK, which means that all UK current tax arising is payable in the year to which it relates, whereas previously 50% was paid in the year and 50% the following year.

## Gambling taxes

### United Kingdom

Changes to Remote Gaming Duty in relation to freeplays and non-cash prizes were effective for Rank from October 2017. From April 2019 the rate of Remote Gaming Duty was increased to 21% (a rate that was intended to be revenue neutral from HMRC's perspective to offset reduced tax revenues from changes to the maximum stakes of Fixed Odds Betting Terminals ('FOBTs')). The taxation of freeplays and the increase in Remote Gaming Duty has resulted in additional tax of £5.1m in the year ended 30 June 2019.

Rank has submitted repayment claims totalling £13.3m to protect its position in relation to Gaming Duty on free bet vouchers or casino chips provided by the casino to the player free of charge. This follows a judgment for another casino operator, which stated that these items should not be included in the calculation of gross gaming yield for Gaming Duty purposes. HMRC's appeal was heard at the Court of Appeal in March 2018, with the decision finding in favour of the taxpayer. These claims have not been recognised in the P&L and will be discussed further with HMRC after the Supreme Court hearing.

In 2015/16 the Group trialled an improvement to Rank's electronic roulette offering across the casino estate where live or automated wheels operated in one casino may be beamed to electronic roulette terminals located in another casino (referred to as 'Rush Roulette'). This was driven by commercial factors which include improved customer service by being able to offer dealer-operated tables 24 hours a day, consistency of play for customers, more optimal use of licensed gaming space across the casino estate and labour cost savings through one dealer being able to cover more than one casino. Rank took external advice to clarify the tax treatment of the transactions, but HMRC did not agree with the analysis. Rank has decided not to enter into litigation and all amounts previously in dispute have now been paid or provided for.

Rank considers that the current tax regime for gaming in Great Britain remains unduly complex resulting in an inconsistent tax treatment for some products offered to customers. Legislation also does not fully reflect technological advances that are taking place within the industry. Gaming Duty in casinos ranges from 15% to 50%, whereas similar games played online are subject to Remote Gaming Duty at 21%. Rank promotes multi-channel gaming to its customers and is in favour of a simpler unified tax regime that encourages sustained growth and investment.

### Spain

Remote Gaming Duty was reduced to 20% of gross gambling revenue (GGR) from 1 July 2018. This differs from the taxation of land-based businesses, which although taxed at similar rates (of between 5% to 25%), are taxed on stakes received rather than revenue generated.

### Belgium

As a result of the reform of the corporate income tax regime, profits arising in Belgium will be taxed at 29.6% in 2018/19 (34.0% in 2017/18). The corporate income tax rate will reduce to 25% in 2020/21. The Belgian government introduced a taxation and licensing framework for online gaming companies in 2011. Companies may only apply for an online gaming licence in Belgium if they already hold a land-based gaming licence. Rank currently holds one digital licence that it allows a third-party operator to use in exchange for a revenue share. Online gaming in Belgium is subject to Remote Gaming Duty at a rate of 11%.

## VAT

As gambling is exempt from VAT in the UK, Rank pays significant amounts of irrecoverable VAT (£21.5m for the UK in 2018/19 and £20.0m for the UK in 2017/18). Rank has withdrawn appeals relating to prior periods and all VAT assessments in relation to partial exemption have been paid. VAT returns are filed using a turnover based method for recovery of residual VAT. Rank is in the process of agreeing a partial exemption special method with HMRC.

## VAT claims

The following VAT recovery claims are outstanding:

| | VAT (£m) | Status |
|---|---|---|
| October 2002 to September 2005 | 25.2 | Found in favour of HMRC at the Supreme Court in July 2015. Remitted back to the First Tier Tribunal ('FTT') to consider similarities between amusement machines and fixed odds betting terminals ('FOBTs'). In July 2018 the FTT found in favour of Rank. HMRC's appeal to the Upper Tier ('UT') is expected to take place in January 2020. |
| April 2006 to January 2013 | 80.4 | Rank is taking litigation to the FTT in May 2020. The issue is whether certain amusement machines were similar to FOBTs and online games which were exempt from VAT during the period. |
| June 1973 to September 1996<br>December 2002 to June 2004<br>March 2003 to June 2009 | 67.0 | Bingo VAT claim found in favour of HMRC at UT. Rank has appealed to the Court of Appeal. This matter relates to whether input VAT was correctly offset against previous bingo VAT repayments. |

Rank believes that it has a reasonable chance of success in all of the claims above, although as is the case with any litigation, there is a risk that the courts will take a different view.

## UK tax regime

| | Gaming Duty/Gross profits tax |
|---|---|
| **Mecca – venues** | |
| Category B3 gaming machines | 20% |
| Category C gaming machines | 20% |
| Category D gaming machines | 5% |
| Main stage bingo | 10% |
| Interval bingo | 10% |
| **Grosvenor Casinos – venues** | |
| Casino games and poker (tax on gaming win in a six-month period) | 15% – £0 to £2,423.5k |
| | 20% – £2,423.5k to £4,094k |
| | 30% – £4,094k to £7,019.5k |
| | 40% – £7,019.5k to £13,195k |
| | 50% – over £13,195k |
| Category B1 gaming machines | 20% |
| **Digital** | |
| meccabingo.com* | 21% |
| grosvenorcasinos.com* | 21% |
| Sportsbook | 15% |

* Rank's online business is based offshore (Alderney, Channel Islands) and has been subject to UK Remote Gaming Duty with effect from 1 December 2014.

## Spanish tax regime

| | Bingo duty* | Remote Gaming Duty** | Licence (annual average) |
|---|---|---|---|
| Bingo tax set by region | 5% to 25% | – | – |
| Category B2/3 gaming machines | – | – | €3,650 |
| Multi-post electronics | – | – | €10,600 |
| enracha.es and YoBingo.es | – | 20% | – |

* Calculated as a percentage of stake.
** 20% with effect from 1 July 2018.

## Belgian tax regime

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

# Non-financial information statement

| Reporting requirement | Some of our relevant policies | Where to read more in this report | Page(s) |
|---|---|---|---|
| Business model | | Our business model | 12-13 |
| Employees | Group health and safety policy | Our people<br>Diversity<br>Equal opportunities<br>Health and safety | 28-30 |
| Human rights | Human rights policy<br>Modern slavery policy statement | Human rights | 30 |
| Social matters | | Our communities | 31 |
| Anti-corruption and bribery | Anti-corruption and bribery, gifts and hospitality policy | Governance and compliance | 67 |
| Environmental matters | | Carbon reporting | 47 |
| Principal risks | Risk policy | Description of risk processes, risk management, risk governance. | 48-51 |

## Greenhouse gas emissions

| | **Year ended 30 June 2019** | | | Year ended 30 June 2018 | | |
|---|---|---|---|---|---|---|
| | **Tonnes of $CO_2e$[1]** | **%** | **Tonnes of $CO_2e$/£m revenue** | Tonnes of $CO_2e$[1] | % | Tonnes of $CO_2e$/£m revenue |
| Scope 1 | | | | | | |
| Comprises gas use (plus gasoil in Belgium), owned transport and fugitive F-gas emissions | **14,534** | **34** | | 16,681 | 34 | |
| Scope 2 | | | | | | |
| Comprises electricity generation | **19,694** | **46** | | 21,798 | 44 | |
| Scope 3[2] | | | | | | |
| Comprises waste, materials use, flights, electricity transmission and distribution | **8,274** | **20** | | 11,077 | 22 | |
| Outside of scopes[3] | | | | | | |
| Represents the biogenic proportion of petrol and diesel | **36** | **–** | | 28 | – | |
| Total | **42,538** | **100** | **57.0** | 49,584 | 100 | 66.9 |

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

# How we manage risks

## Our risk management framework

**Board**

Overall responsibility for risk management framework and processes

Sets risk appetite

Reviews the Group's risk profile

**Audit committee**

Oversees risk management framework and processes

Reviews action plans to manage significant risks

**Risk committee**

Reviews corporate risk register

Carries out 'deep dive' reviews into the risk registers of specific departments and support functions

Identifies and manages risks as they arise

Provides a forum to ensure the adequate and timely progress of risk-mitigation actions

**Group Internal Audit**

Develops a risk-based internal audit programme

Audits the risk processes across the organisation

Receives and provides assurance on the management of risk

Reports on the efficiency and effectiveness of internal controls

Understanding, accepting and managing risk are fundamental to Rank's strategy and success. We have an enterprise-wide risk management approach in place, which is integrated into our organisational management structure and responsibilities. The principal aim is to provide oversight and governance of the key risks we face, as well as monitoring upcoming and emerging risks.

Over the past year we have sought to improve our enterprise risk management framework, and enhance our ability to identify, mitigate, monitor and review these principal risks. For each risk we had identified, we assessed the likelihood and consequence, and appointed a 'risk owner' who is a member of the executive committee. The risk owner is responsible for defining mitigations, which are reviewed for appropriateness and monitored regularly.

Throughout the year the risk management approach is subject to continuous review and updated to reflect new and emerging risks, which are themselves reviewed to understand their potential significance to the business. Risks are identified and monitored through risk registers at Group level and within key business units, ensuring both a top-down and bottom-up approach.

The Board has overall responsibility for the risk management framework and for establishing the Group's risk appetite, as well as ensuring that the approach is embedded into the operations of the business. The audit committee is responsible for assessing the ongoing effectiveness of the risk management framework and processes, and for undertaking an independent review of the mitigation plans for material risks.

Additional committee working sessions are held with departmental and divisional management to ensure that risks are being identified in a timely manner, mitigating controls over identified risks are appropriate and effective and action plans are put into place for emerging risks. This approach ensures that risks are being identified in both a 'top-down' and a 'bottom-up' manner to give assurance that risk registers are appropriate and comprehensive.

Group Internal Audit helps to manage risk identification by conducting independent reviews of both the risks to the business and progress in performing mitigation action plans. Their assessments are reported to the risk committee.

## Going concern

In adopting the going concern basis for preparing the financial information, the directors have considered the issues impacting the Group during the period as detailed in the operating review on pages 34 to 41 and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, the directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the approval of this report and will comply with its banking covenants.

## Viability statement

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

The directors have considered the current position of the Group, its prospects and longer-term viability over a period of three years to June 2022. Although longer periods are used when making significant strategic decisions, three years has been used as it is considered the longest period of time over which suitable certainty for key assumptions in the gambling sector can be made.

In making this statement, the directors have performed a robust assessment of the principal risks facing the Group which includes consideration of both financial and non-financial risks that may threaten the business model, future performance, liquidity and solvency of the Group. The principal risks facing The Rank Group Plc and our approach to risk management are set out on pages 50 to 51 and include consideration of the impact of each risk, the direction of travel and actions taken to mitigate these risks. The risks considered included:

- a decline in retail revenue;
- adverse changes to rates of tax;
- adverse regulation;
- adverse gaming win;
- breaches of regulation;
- loss of licences; and
- technological risks (including cyber security).

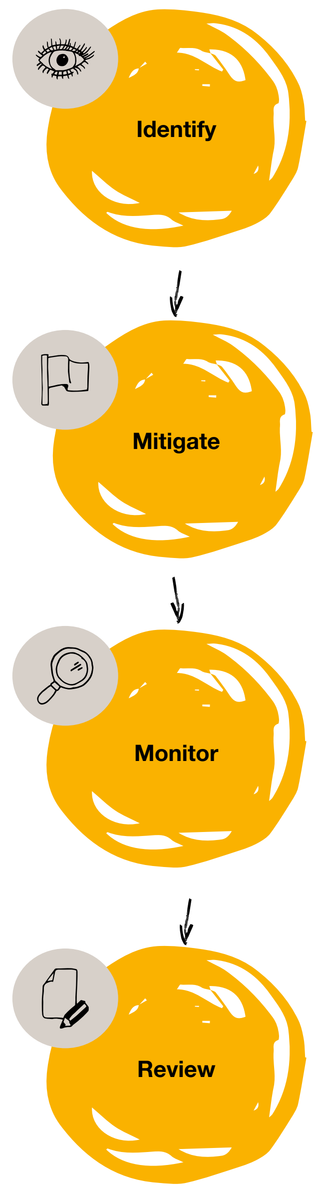
The Group strategic plan is updated annually and considers current trading trends, the impacts from capital projects, existing debt facilities, and expected changes to the regulatory and competitive environment as well as expectations for consumer disposable income. In carrying out the assessment the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

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

- gaming legislation;
- gaming duties;
- societal attitudes to gambling; and
- licences required to operate gambling.

A 'reverse stress test' was also carried out in order to analyse combinations of the above risks which could bring about insolvency; in such cases it is anticipated that mitigation measures (including a reduction in dividends and capital expenditure) could be implemented in order to forestall such an outcome.

# Our risk management process



# Principal risks and uncertainties

The risks outlined in this section are the principal risks we have identified as are material to the Group. They represent a 'point-in-time' assessment, as the environment in which the Group operates is constantly changing and new risks may always arise.

Additionally, the potential impact of known risks may increase or decrease, and our assessment of a risk may change over time.

The risks below are not set out in any order of priority, and do not include all risks associated with the Group's activities. Additional risks not presently known to management, or currently deemed less material, may also have an adverse effect on the business. Examples of other emerging risks include ongoing changes in the macroeconomic environment including Brexit. Risks such as these are not raised as principal risks but are nevertheless constantly monitored for their impact on the Group.

| Principal risk | Change in risk/impact | Risk mitigation strategy | Link to strategy |
|---|---|---|---|
| **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.<br>Current key risk areas include:<br>• responsible gambling (including adverse impact on brand and reputation);<br>• enhanced due diligence requirements in relation to anti money laundering (AML); and<br>• jurisdiction management. | **Increasing**<br>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:<br>• actively provides and promotes a compliant environment in which customers can play safely;<br>• 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;<br>• works with stakeholders and customers to help public understanding of the gaming offers it provides; and<br>• engages with regulators as appropriate and examines the learnings from, and measures adopted by, other operators and sectors of the gambling industry. | **Be committed to safe and fair gambling** |
| **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.<br>Current key risk areas include:<br>• Remote Gaming Duty;<br>• Machine Gaming Duty; and<br>• Gaming Duty | **Stable**<br>It is envisaged that there will be no further changes in taxation in the immediate future. | The Group ensures that it:<br>• continues to monitor taxation legislation;<br>• performs regular analysis of the financial impact to the organisation of changes to taxation rates; and<br>• develops organisational contingency plans as appropriate. | |

| Principal risk | Change in risk/impact | Risk mitigation strategy | Link to strategy |
|---|---|---|---|
| **Changing consumer needs (retail)** | | | |
| Progressive changes over time in retail consumer spending habits are resulting in lower numbers of customer visits. This can also be attributable to the overall retail proposition declining in relevance to the consumer and changes in the macroeconomic environment. | **Increasing**<br>With the retail macroeconomic environment and continuous changes in consumer spending habits, there is an ever-increasing need for the Group to focus on assessing the relevance of our customer proposition. | The Group monitors financial performance across the clubs with clubs performing adversely being raised for remedial attention with customer satisfaction metrics being used to also monitor club performance.<br>Changing the club product and service offering to have greater appeal to today's more leisure-oriented customer is a priority within the transformation programme. | **Consistently evolve our venue proposition**<br>**Consistently improve our customer experience through innovation** |
| **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**<br>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:<br>• are subjected to detailed management oversight as well as having sponsorship from a senior-level stakeholder;<br>• use a structured and disciplined delivery methodology to ensure that they are robustly managed to achieve their outcome; and<br>• use a comprehensive risk management approach managed by experienced project and programme managers. | **Create a compelling multi-channel offer**<br>**Build digital capability and scale** |
| **Business continuity planning and disaster recovery** | | | |
| Planning and preparation of the organisation, to ensure it 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.<br>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. | **Stable**<br>The geographical nature of the operating environment and key risk exposures have not changed significantly and are known and understood. | Group business continuity plans are being refreshed for key sites and business areas.<br>This approach includes the development, embedding and refinement of the incident and crisis management approach for the Group in order to proactively manage these incidents. | **Build digital capability and scale** |
| **Data management** | | | |
| Processing of personal customer data (including name, address, age, bank details and betting/gaming history) is performed and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates, for example GDPR. | **Stable**<br>The Group has developed a robust control environment in relation to customer data controls and the regulatory requirements. | The Group addresses this risk by way of continued programmes for awareness, ongoing training for all colleagues and an experienced data protection officer to oversee ongoing data regulation compliance.<br>A programme of activity ensures that the Group continues to improve its control environment. | **Build digital capability and scale**<br>**Consistently improve our customer experience through innovation** |
| **Cyber security and operational resilience** | | | |
| Cyber-attacks can disrupt and cause considerable financial and reputational damage to the Group. If a cyber-attack were to occur the Group could lose assets, reputation and business, and potentially face regulatory fines and litigation – as well as the costs of remediation.<br>Operations are highly dependent on technology and advanced information systems (such as cloud computing) and there is a risk that such technology or systems could fail, or outages occur. | **Increasing**<br>Due to the persistent nature of this threat and reliance on core technology systems, this is considered an increasing risk to the Group. | We have carried out external cyber benchmarking to understand the maturity of controls, with a roadmap of further work planned to enhance them within the current IT estate.<br>A programme of work is ongoing to enhance cyber security and resilience within the IT estate with dedicated, specialised resources. | **Build digital capability and scale** |
| **Third-party supply chain** | | | |
| The Group is dependent on a number of third-party suppliers for the operation of its business. The withdrawal or removal from the market of one or more of these third-party suppliers, or failure of these suppliers to comply with contractual obligations, could adversely affect operations, especially where these suppliers are niche. | **Stable**<br>The third-party operating environment and key risk exposures remain unchanged. | • The Group has a central team in place to oversee the process for acquisition of suppliers across the Group together with the development of a supplier risk management framework.<br>• 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. | |


ACT WITH RESPECT
OWNERSHIP
HOLDING EACH OTHER TO ACCOUNT
EMPOWERMENT
SPEAKING UP WITHOUT FEAR
INTEGRITY AND HONESTY
TO ALL IN OUR COMMUNITIES
CAN-DO ATTITUDE

## Governance



# I TAKE Responsibility

***"Responsibility means creating a safe environment for all our customers whilst maintaining an entertaining experience whether that's in club or online. Our responsibility to the communities that we serve extends far beyond simply delivering an entertaining gambling experience."***

**Liam Smith**
Director of Customer Contact, Sheffield.

Our Customer Solutions Hub in Sheffield provides a wide range of customer services, from VIP management to safer gambling. Having these functions integrated into one business unit allows us to manage our customers more effectively and provides a value-add customer experience.

The Hub's strategy is to create a customer service experience that delivers what our customers need in a safe, exciting and entertaining way. Whether that be supporting one of our traditional retail bingo customers, one of our new retail customers from our entertainment events or one of our many online customers.

Looking after our customers in every respect is at the core of Customer Solutions Hub responsibilities; from fielding service issues and giving information, to supporting health and safety, to of course, ensuring gambling with us is always fun. Bringing together our existing retail and digital safer gambling support within the Hub as a newly established safer gambling team in 2019 has provided us with a more holistic view of a customer's play and is particularly important for our new Grosvenor One account. The range of safer gambling controls and safeguards present in our retail and digital businesses focus on harm prevention and help ensure we keep pace with regulation and deliver on our Group values.

# Dear shareholder

Promoting and supporting our strategy

I am pleased to present this year's directors' and corporate governance report ('Report').

As a Board, we remain committed to achieving the highest standards of corporate governance and integrity. We recognise the importance of a strong governance framework to underpin Rank's strategic objectives and promote the culture that we wish to instil throughout the Group.

The following pages set out detail on the composition of our Board, its corporate governance arrangements, processes and activities during the 2018/19 financial year, together with reports from each of the Board's committees.

## Board composition

There have been a number of changes to the Board's composition.

In November 2018, Bill Floydd was appointed as chief financial officer. He subsequently joined the Board on 1 May 2019. More detail on the appointment process can be found on page 71 and details of Bill's experience and background can be found on page 58. Tang Hong Cheong joined the Board as a non-executive director on 15 January 2019, as the majority shareholder's representative. Further detail about Hong Cheong's appointment and his experience can be found on pages 71 and 58 respectively.

In April 2019, we announced that Alan Morgan had resigned from the Company and he stepped down from the Board and left the Company on 31 July 2019. I would like to take this opportunity to thank Alan for his valuable contribution to the Company.

In May 2019, the Board announced my intention to retire from the Board and step down as chairman at the annual general meeting on 17 October 2019 ('2019 AGM'). Chris Bell, as senior independent director, led the process to appoint my successor, further to which the Board has approved the appointment of Alex Thursby as independent non-executive chairman with effect from the end of the 2019 AGM. Further detail on the process for his appointment is set out on page 70.

As mentioned in our 2018 report, Clive Jennings, finance director, left the business in August 2018, and Lord Kilmorey, non-executive director, stepped down from the Board in October 2018.

## Continued focus on regulatory developments

Over the past 12 months there has been a continued focus by regulators, politicians, the media and consumers on issues relating to the gambling industry, and most notably in relation to operating responsibly. Further to the findings of the UK Gambling Commission investigation in October 2018, pursuant to which the Company made a payment in lieu of financial penalty of £500,000 in respect of weaknesses in social responsibility controls, the Board has rightly continued to devote significant time to considering how the Group can raise standards in its operations. The Company recognises that conducting business responsibly is fundamental

**Ian Burke**
Chair

More information

Operating responsibly

Page 26

to its future success, and this is reflected in safe and fair gambling becoming a standalone pillar under the revised strategic pillars for the business as set out on page 21. The Board also welcomes the introduction of the Company's refreshed policy and new three-year strategy for safer gambling (please see page 74), enabling the conversion of this understanding into initiatives that will embed the principles of safer gambling throughout the Group for the benefit of all stakeholders.

## Governance – key features

During the year, The Companies (Miscellaneous Reporting) Regulations 2018 and the FRC Corporate Governance Code 2018 ('2018 Code') came into effect ('Regulatory Changes'). The Regulatory Changes seek to drive a number of changes to companies' underlying corporate governance processes, and encourage companies to demonstrate how good governance contributes to the achievement of long-term sustainable success and wider objectives. The Board has reviewed the key changes arising from the Regulatory Changes and the process to embed such changes has commenced. An example of this is Alex Thursby's appointment during the year as the designated non-executive director responsible for workforce engagement. We will report against the 2018 Code in next year's annual report.

This annual report has been prepared against the FRC Corporate Governance Code 2016 ('2016 Code') and I am pleased to report that we were in full compliance. The table below summarises the key features of governance required by the 2016 Code and indicates where more information can be found in this Report.

## Board evaluation

As anticipated in last year's annual report, during the 2018/19 financial year, an external evaluation was carried out in respect of our Board and its committees (other than the finance and safer gambling committees where it was felt that the timing for such a review was not appropriate in light of membership changes). I will be handing over to my successor responsibility for the ongoing delivery of the recommendations from a Board perspective, and I am confident that each committee chair is committed to the implementation of the findings and recommendations for their respective committee. Further detail is set out later in this report.

## Annual General Meeting

Our responsibilities as a Board include setting the Company's strategic aims, providing the leadership to put them into effect and supervising the management of the business. The Board also takes responsibility, as a whole, for ensuring that a satisfactory dialogue with shareholders takes place. With this in mind, I would like to welcome all shareholders to attend our annual general meeting, which is scheduled for 11am on 17 October 2019 at TOR, Saint-Cloud Way, Maidenhead, Berkshire SL6 8BN. The meeting provides an important opportunity for the Board to meet with shareholders and we look forward to seeing you there.

The 2018/19 financial year was significant for the Company, introducing much change. The Board made some important strategic decisions, most notably approving the introduction of the transformation programme and the offer to acquire Stride Gaming plc. As a result of such decisions, our colleagues have had to embrace change, new challenges and new ways of working, which has not gone unrecognised by the Board, but which we are confident has laid, and is enabling us to start to build on, the foundations for a growing, sustainable business. I would like to take this opportunity on behalf of the Board to thank the management team for their commitment during the year and also to thank my fellow Board members for their contributions and support.

In closing, it has been a privilege to serve as chairman of the Company for the last eight years, and before that as chief executive. This annual report reflects the Company's move into the next phase of transformation and, in conjunction with that, I feel it is the right time to hand over the reins to a new chair. In doing so, I am confident that Alex, as my successor, will continue the crucial role of the chair in promoting and supporting our strategy for the long-term benefit of our shareholders, customers, employees and other stakeholders.

**Ian Burke**
Chair

21 August 2019

| | | Page |
|---|---|---|
| **Independence** | Over half of the Board (excluding the chairman) is made up of independent non-executive directors. | 58 |
| **Senior independent director** | The senior independent director is Chris Bell. | 61 |
| **Composition, competence and experience** | The composition of the Board and all its committees complies with the 2016 Code. In particular, the requirements for recent and relevant financial experience and sector experience and the DTRs requirement for competence in accounting or auditing and sector competence are met. | 61-72 |
| **Responsibilities and election** | There are clear terms of reference for the Board and its committees and there is a clear separation of duties between the chairman and chief executive roles. All directors stand for re-election annually. | 60-64 |
| **Attendance** | The directors have all attended an acceptable number of Board and committee meetings. | 63 |
| **Evaluation** | Individual director evaluations were completed. An external Board evaluation was completed during the year under review. | 63-64 |
| **Internal audit** | Details of the internal audit function can be found in the audit committee report. | 67-68 |
| **External audit** | An external audit tender process took place during the year. The Board is recommending the reappointment of Ernst & Young LLP for approval at the Company's 2019 AGM. | 67 |
| **Non-audit work policy** | The Company has a policy governing the award of non-audit work to its external auditor and non-audit work undertaken has been disclosed. | 67 |
| **Remuneration** | During the year, the Board and its remuneration committee have received briefings on external factors influencing executive pay and are mindful of the need to curb excessive remuneration, to align incentives with the long-term interests of the Company and shareholders, and to increase transparency. | 76-77 |

# DELIVERING TEAMWORK

**Tang Hong Cheong**
Non-executive Director

**William (Bill) Floydd**
Chief Financial Officer

**Ian Burke**
Chairman

**Steven Esom**
Non-executive Director

**Susan Hooper**
Non-executive Director


**John O'Reilly**
Chief Executive

**Alex Thursby**
Non-executive Director

**Luisa Wright**
Company Secretary

**Chris Bell**
Senior Independent Director

## William (Bill) Floydd
Chief Financial Officer

**Appointment** May 2019

### Experience
Bill joined Rank in November 2018 as chief financial officer, and was appointed to the Board on 1 May 2019. Most recently, Bill was CFO at Experian Plc's UK and Ireland region where he contributed to strong revenue and EBIT growth while overseeing Experian's FCA authorisation process. Prior to this Bill spent 12 years in a variety of leadership positions at Logica Plc, where he led a turnaround of the UK business and a transformation of the global finance function. Bill is a chartered accountant, having qualified with Price Waterhouse.

### Committee membership
F

## Tang Hong Cheong
Non-executive Director

**Appointment** January 2019

### Experience
Hong Cheong has over 40 years of experience in finance, treasury, risk management, operations and strategic planning. He possesses broad-based and C-suite expertise in investment, manufacturing, financial services, property development, gaming and hospitality industries. Hong Cheong has been with the Hong Leong Group for more than 40 years holding various senior management positions.

### Other roles
Hong Cheong is a Director and the President and CEO of Guoco Group Limited and the Group Managing Director of GL Limited as well as a Director of GuocoLand Limited, both listed on the Singapore Stock Exchange, and a non-executive director of Lam Soon (Hong Kong) Limited which is listed on the Main Board of the Hong Kong Stock Exchange. He is also a member of the Malaysian Institute of Accountants.

## Ian Burke
Chairman

**Appointment** March 2006*

### Experience
Ian has spent most of his career in the leisure industry, initially in bingo clubs, then hotels and health and fitness clubs. He was chief executive of Rank from March 2006 to May 2014, of the Holmes Place Group from July 2003 to February 2006 and of Thistle Hotels plc from May 1998 to May 2003. He also held various roles with Bass plc between 1990 and 1998, including managing director of Gala Clubs and managing director of Holiday Inns. Ian was executive chairman of Studio Retail Group plc (formerly Findel plc) from January to April 2017.

### Other roles
Ian is non-executive chairman of Studio Retail Group plc (formerly Findel plc) and chairs the nominations committee. He is also non-executive director of Intu Properties Plc, where he chairs the remuneration committee and is a member of the audit and nominations committees.

### Committee membership
N F S

## Steven Esom
Non-executive Director

**Appointment** March 2016

### Experience
Steven has extensive commercial experience gained within several consumer-focused multi-site retail businesses. He had a 12-year career at Waitrose, the last five years of which were as managing director, and he has held several other senior and non-executive positions within the food sector. He was chairman of The Ice Organisation Limited from September 2011 to August 2015 and a non-executive director of The Carphone Warehouse Group plc from September 2005 to July 2009 and of Ocado Limited from October 2000 to February 2004.

### Other roles
Steven is non-executive chairman of The Advantage Travel Partnership, BRC Global Standards and Sedex, as well as the independent chairman of the GB Boxing Board.

### Committee membership
A N R

## Susan Hooper
Non-executive Director

**Appointment** September 2015

### Experience
Susan has extensive experience gained within large consumer-facing businesses combined with broad commercial non-executive experience. Susan was managing director of British Gas Residential Services from January to October 2014 and chief executive of Acromas Group's travel division from March 2009 to November 2013. Prior to 2009 she held senior roles at Royal Caribbean International, Avis Europe, PepsiCo International, McKinsey & Co, and Saatchi & Saatchi. She has also served as a non-executive director of Whitbread PLC (September 2011 to January 2014); First Choice Holidays Limited (April 2005 to September 2007); RSA Insurance Group plc (August 2001 to March 2004); and Courtaulds Textiles Limited (October 1999 to June 2000).

### Other roles
Susan is a non-executive director of the Department for Exiting the European Union (DExEU) where she also serves on its audit and risk assurance committee. She is a non-executive director of Wizz Air Holdings Plc, Uber Britannia Limited and Uber London Limited and of Affinity Water Limited where she also serves as chairman of the remuneration committee.

### Committee membership
N R S

## Board independence

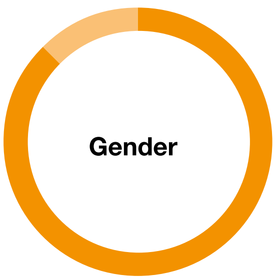
| Name | Independent | Appointed |
|---|---|---|
| **Chairman** | | |
| Ian Burke* | n/a | March 2006 |
| **Executive** | | |
| John O'Reilly | no | May 2018 |
| Bill Floydd | no | May 2019 |
| **Non-executive** | | |
| Chris Bell | yes | June 2015 |
| Steven Esom | yes | March 2016 |
| Susan Hooper | yes | September 2015 |
| Tang Hong Cheong | no | January 2019 |
| Alex Thursby | yes | August 2017 |

* Ian Burke was originally appointed to the Board on 6 March 2006. He resigned from the Board on 28 June 2011 and was reappointed on 3 July 2011. On 15 July 2011 he became executive chairman. On 6 May 2014 he resigned his role as chief executive and became non-executive chairman with effect from that date.

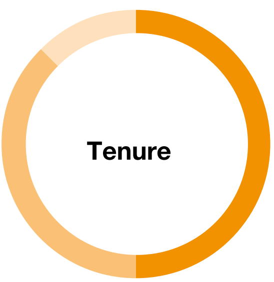
### Committee key

- A Audit
- N Nomination
- F Finance
- R Remuneration
- S Safer gambling
- Chair


- 50-59: 5
- 60+: 3




- Male: 7
- Female: 1




- 0-3 years: 4
- 3-6 years: 3
- 6-9 years: 1

## John O'Reilly
Chief Executive

**Appointment** May 2018

### Experience
John has extensive experience within the betting and gaming industry. He was a senior executive at Gala Coral Group between August 2011 and April 2015, prior to which he had a 19-year career at Ladbrokes. During his time at Ladbrokes, he held several senior positions, including managing director of remote betting and gaming, and also served as an executive director on the board of Ladbrokes plc between 2006 and 2010. He was a non-executive director of William Hill PLC between January 2017 and April 2018 and non-executive chairman of Grand Parade Limited between June 2015 and August 2016, when Grand Parade was sold to William Hill. John was also a non-executive director and chair of the remuneration committee at Telecity Group plc between September 2007 and January 2016.

### Other roles
John is a member of the board of trustees of the prisoner befriending charity, New Bridge Foundation and is non-executive director of Weatherbys Limited.

### Committee membership
F S

## Alex Thursby
Non-executive Director

**Appointment** August 2017

### Experience
Alex has over 30 years of experience within the banking sector. He was chief executive officer of National Bank of Abu Dhabi from 2013 to 2016 and he held senior roles at Australia and New Zealand Banking Group from 2007 to 2013 and at Standard Chartered Bank from 1987 to 2007. From 2008 to 2013 he was a non-independent non-executive director of the Bursa Malaysia listed AMMB Holdings Berhad, part of the AmBank Group, one of the largest banking groups in Malaysia.

### Other roles
Alex is non-executive director of Barclays Bank Plc, Trustee and Head of the Finance/Treasury committee at Eden Rivers Trust, and Governor and Chairman of the Board of Governors at Giggleswick School.

### Committee membership
A N R

## Chris Bell
Senior Independent Director

**Appointment** June 2015

### Experience
Chris has over 20 years' experience in the betting and gaming industry. He joined the Hilton Group in 1991 and became managing director of its Ladbrokes Worldwide business in 1994, he joined the board of Hilton Group Plc in 2000 and, following the disposal of its hotels division, became chief executive when it was renamed Ladbrokes Plc where he remained until May 2010. Prior to joining the Hilton Group, Chris held several senior positions at Allied Lyons for 12 years. Chris was a non-executive director of Spirit Pub Company plc from August 2011 to June 2015, a senior independent director of Quintain Estates & Development plc from September 2010 to September 2015, and chairman of The GAME Group plc from January 2003 to March 2012. He was also a trustee of Northern Racing College from June 2014 to March 2017.

### Other roles
Chris is non-executive chairman of XLMedia PLC, where he chairs the risk committee as well as being a member of the audit and remuneration committees. He is non-executive chairman of TechFinancials where he also serves on the audit and remuneration committees and of OnTheMarket Plc where he chairs the remuneration and nominations committees and is a member of the audit committee. Chris is non-executive chairman of Team17 Group Plc, where he chairs the nominations committee and serves on the audit and remuneration committees. He is also non-executive director of The Royal Airforce Charitable Trust Enterprises.

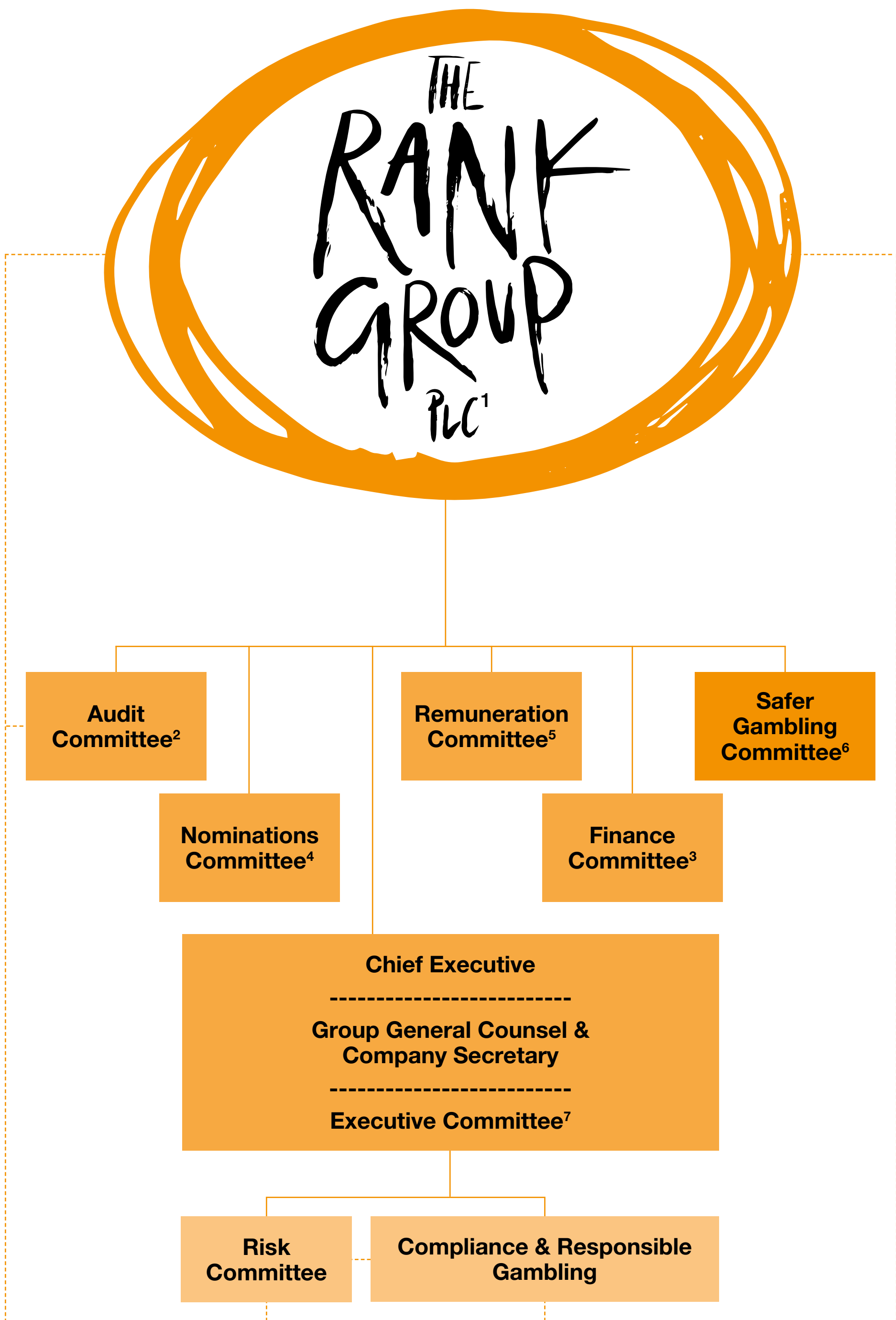
### Committee membership
A N R S

## Luisa Wright
Company Secretary

**Appointment** May 2018

### Experience
Luisa was appointed interim company secretary in May 2018, becoming Group general counsel and company secretary in November 2018. Before joining Rank, she spent six years as group general counsel and company secretary at international betting technology company Sportech PLC. Prior to that, Luisa spent ten years at Olswang LLP, where she specialised in advising clients in the gambling, sport and media sectors.

## Rank Group – Governance structure




### Structure

The Board is ultimately responsible to shareholders for the direction, management, performance and long-term success of the Company. It sets the Group's strategy and objectives and oversees and monitors the performance, internal controls, risk management, principal risks, policies, governance and viability of the Company.

The Board delegates certain matters to its five principal committees: audit, nominations, remuneration, safer gambling (formerly responsible gambling) and finance. These committees operate within defined terms of reference, which can be obtained from our website at www.rank.com/en/investors/corporate-governance/terms-of-reference.html, or by writing to the company secretary. Each committee chair reports to the Board on the committee's activities following each committee meeting. In addition, the Board from time to time delegates specific responsibilities to the executive directors and/or to other committees. For example, this year an M&A sub-committee was delegated authority to oversee the finalisation of documents relating to the offer to acquire Stride Gaming Plc.

The Board delegates the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business to the executive directors. The executive directors, together with the executive committee, conduct the Company's business within clearly defined limits delegated by the Board and subject to those matters reserved to the Board.

Two other committees, the risk committee and the compliance & responsible gambling committee, assist and support the Board, the audit committee and the executive committee by ensuring that the appropriate internal controls for risk management are implemented and monitored.

1. See pages 58 to 59 for a list of Board members.
2. Members are Alex Thursby (Chair), Chris Bell and Steven Esom.
3. Members are Ian Burke (Chair), John O'Reilly and Bill Floydd.
4. Members are Ian Burke (Chair), Chris Bell, Steven Esom, Susan Hooper and Alex Thursby.
5. Members are Steven Esom (Chair), Chris Bell, Susan Hooper and Alex Thursby.
6. Members are Susan Hooper (Chair), Chris Bell, Ian Burke and John O'Reilly.
7. Executive committee comprises: chief executive, chief financial officer, Group general counsel & company secretary, managing director digital, managing director international, chief transformation officer, chief information officer, Group human resources director, director of investor relations & communications.

## Roles and responsibilities

There is a clear division of responsibilities between the chair and chief executive.

**The chair's role is to**

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

**The chief executive's role is to**

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

**Non-executive directors**

The non-executive directors support the chair and provide objective and constructive challenge to management. They are required by their role, amongst other things, to oversee the delivery of the strategy within the risk appetite set by the Board, scrutinise the performance of management in meeting agreed goals and objectives, monitor the reporting of performance and ensure compliance with regulatory requirements.

The senior independent director, in addition, provides a sounding board for the chair and serves as an intermediary for the chief executive and other directors when necessary. He leads the process of evaluating the chair's performance and is available if shareholders have any concerns that they have been unable to resolve through the normal channels.

**Company secretary**

The company secretary makes sure that appropriate and timely information is provided to the Board and its committees and is responsible for advising and supporting the chair and the Board on all governance matters. All directors have access to the company secretary and may take independent professional advice at the Company's expense in conducting their duties.

The Company has arranged insurance cover and indemnifies directors in respect of legal action against them to the extent permitted by law. Neither the insurance nor the indemnity applies in situations where a director has acted fraudulently or dishonestly.

## Composition of the Board and its committees

As at the date of this report, the Board comprises: a non-executive chairman; a non-executive director; four independent non-executive directors and two executive directors – the chief executive and the chief financial officer, as set out on page 58. The names and biographies of all directors are published on pages 58 to 59.

The nominations committee keeps the Board's size and structure under review. It considers the Board to be well-balanced, providing a collective competence to suit the Group's developing needs and an appropriate blend of executive and non-executive skill. More than half of the Board, excluding the chairman, is independent.

The principal terms and conditions of appointment for each director are set out on pages 84 to 85, and their interests in Rank shares are detailed on page 91. All non-executive directors are required to disclose their other significant commitments, both before appointment and following subsequent changes, so that the Board can satisfy itself that each director has sufficient time to allocate to the Company to discharge their responsibilities effectively. Other than pre-existing roles expressly approved on their appointment, executive directors are not permitted to take up non-executive directorships outside the Group. Notably, during the year, Ian Burke was appointed as a non-executive director of Intu Properties Plc and Chris Bell was appointed as non-executive chair of Team17 Group Plc.

The directors have a statutory duty to avoid conflicts of interest. In accordance with the Company's articles of association, it has adopted a policy and procedure for managing and, if appropriate, authorising actual or potential conflicts of interest. The Board also assesses conflicts of interest before making any new appointments.

The composition and chairmanship of the committees are considered annually and have been considered during the period under review. Composition is also considered on an ad hoc basis as required.

## 2018/19 Board programme

The Board is responsible for ensuring that the Group is appropriately managed and achieves the strategic objectives that it sets. The Board discharges its responsibilities through an annual programme of meetings and during the year focused on a number of specific areas as set out in the table below.

**2018/19 Board activities**

### Strategy and operational matters

- considered operational and business performance
- discussed opportunities for domestic and international business growth, including approving the offer to acquire Stride Gaming Plc
- approved the transformation programme and its 13 workstreams
- reviewed transformation programme updates against business synergies and effectiveness against the approved plan
- monitored business and transformation programme progress against the revised six strategic pillars
- received updates on material communications with regulators and considered impact of changes in regulation and regulatory headwinds on the business

### Financial performance

- reviewed financial performance and forecasts
- considered and approved the 2019/20 budget
- considered and agreed treasury, tax and financial facility related matters
- approved the tax strategy
- reviewed and approved results announcements and trading statements
- approved payment of the interim dividend and recommended payment of the final dividend

### Governance

- reviewed and approved 2018 annual report
- approved 2019 notice of annual general meeting
- considered output from the evaluation process
- considered impact of new corporate governance requirements, including the 2018 Code
- considered and agreed risk appetite and principal risks
- agreed Modern Slavery Act statement

### Leadership and stakeholders

- discussed feedback from shareholders and analysts' reports
- approved the appointment of Bill Floydd and Tang Hong Cheong to the Board
- approved the appointment of the interim company secretary as group general counsel and company secretary
- endorsed appointments to the executive committee
- discussed revised approach to workforce engagement
- considered updates on diversity and succession planning

## Board and committee meeting attendance

The directors' attendance at formally scheduled Board and committee meetings during the year is recorded in the table below. It shows the number of formally scheduled Board and committee meetings attended by each director against the number of such meetings that the relevant director was eligible to attend.

| Name | Full Board | Audit committee | Nominations committee | Finance committee | Remuneration committee | Safer gambling committee |
|---|---|---|---|---|---|---|
| Chris Bell | 8/8 | 4/4 | 2/2 | n/a | 4/4 | 3/3 |
| Ian Burke | 8/8 | n/a | 2/2 | 9/9 | n/a | 3/3 |
| Steven Esom | 8/8 | 4/4 | 2/2 | n/a | 4/4 | n/a |
| Bill Floydd[1] | 1/1 | n/a | n/a | 5/6 | n/a | n/a |
| Susan Hooper | 8/8 | n/a | 2/2 | n/a | 4/4 | 3/3 |
| Clive Jennings[2] | 1/1 | n/a | n/a | 0/1 | n/a | n/a |
| Lord Kilmorey[3] | 1/3 | n/a | 0/0 | n/a | n/a | 0/0 |
| Alan Morgan[4] | 8/8 | n/a | n/a | 7/9 | n/a | n/a |
| John O'Reilly | 8/8 | n/a | n/a | 9/9 | n/a | 3/3 |
| Tang Hong Cheong | 4/4 | n/a | n/a | n/a | n/a | n/a |
| Alex Thursby | 8/8 | 4/4 | 2/2 | n/a | 4/4 | n/a |

1. Bill Floydd was appointed to the Board on 1 May 2019
2. Clive Jennings resigned from the Board and left the Company on 17 August 2018
3. Lord Kilmorey resigned from the Board on 18 October 2018 choosing not to stand for re-election at the 2018 AGM
4. Alan Morgan resigned from the Board and left the Company on 31 July 2019
5. Hong Cheong was appointed to the Board on 15 January 2019

## Effectiveness

### Induction

All new Board members receive an induction following their appointment to the Board, led by the company secretary, which is made up of both a general and a personalised programme. The general induction includes their duties and responsibilities as a director of a listed company and the Company's corporate governance structure, whilst the personalised induction is then devised and tailored to each new director's background, experience and role. This approach was taken upon Bill Floydd's appointment to the Board, bearing in mind a detailed induction took place when he joined the Company as chief financial officer six months prior. The induction programme for non-executive directors includes initial meetings with members of the executive committee and other senior management to explain the Company's business and financial structure, the commercial and regulatory environment in which the Company operates, our competitors, an investor's perspective and site visits. This was substantially tailored in relation to Hong Cheong's appointment, due to his existing familiarity with the business.

### Knowledge

During the year, the directors received information and training (amongst other things) on regulatory developments to the UK Listing Rules, Market Abuse Regulation (MAR), corporate governance and the implementation of the Shareholder Rights Directive, diversity and gender pay gap reporting and gambling regulatory and compliance matters. All directors are also given regular briefings with regard to matters affecting the Group's businesses, such as the political and regulatory environment and corporate governance reform. Additionally, at the Board's request, the Group's auditor keeps the Board abreast of key impact items such as political and regulatory initiatives with regard to narrative reporting, executive remuneration, going concern and the role of the audit committee.

Directors are invited to identify to the company secretary or Group human resources director any desired skills and knowledge enhancements that they require so that appropriate additional training can be arranged. Furthermore, once a year, the directors have an opportunity to review and agree their respective training and development needs during their one-on-one meetings with the chairman.

### Information and support

Assisted by the company secretary, the chairman is responsible for ensuring that directors receive accurate and timely information on all relevant matters. The directors receive a monthly report of current and forecast trading results and treasury positions. A rolling programme of items sets the agenda for Board discussion. This is regularly reviewed and updated to cover topical issues and developments. Comprehensive briefing papers on substantive agenda items are circulated at least five working days before meetings where possible. These contain detailed background information, thus freeing time for informed debate. Members of the management team also make regular presentations to the Board to ensure a flow of operational information reaches the directors in a timely way.

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

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

### Evaluation

The Board notes the requirement under the Code for an independent external review of its effectiveness, and that of its committees and individual directors, every three years. As anticipated in the prior year's annual report, during the 2018/19 financial year, an external evaluation was carried out by Lintstock Limited ('Lintstock'). Lintstock does not provide any other services to the Group and is considered independent. The evaluation was carried out over a period of three months, involving detailed questionnaires for completion by each Board and committee member, as well as the company secretary. The review was designed to help the Board prepare for the future, by building on existing strengths, considering progress made to date particularly in relation to the transformation programme and identifying and preparing for challenges ahead. It also considered the balance, skills and experience of the Board.

The review culminated in the delivery of an independent report outlining the Board and each committee's respective strengths and weaknesses, the relevant sections of which were presented and discussed at the Board and each committee meeting. Individual non-executive director reports were utilised as part of individual private meetings held between the chairman and each such Board member at which feedback was given on individual performance. Following a private meeting of the non-executive directors, a private meeting took place between the senior independent director and the chairman, at which feedback was given on the performance of the chairman, which similarly utilised feedback from the Linstock report.

The chairman, together with two non-executive directors, met and evaluated the performance of the chief executive, including the findings of the Lintstock report in such review. The outcome was then fed back to and discussed with the other non-executive directors. The content of the Lintstock report was also considered by the chief executive in his performance evaluation for the chief financial officer.

The Board and each respective committee identified from the Lintstock report a number of actions and/or matters for particular focus for the forthcoming year. The key areas of focus agreed by each committee can be found in each committee report. The Board itself acknowledged in particular the need to focus on (i) the transformation programme, including supporting senior management in connection with its delivery, (ii) continuing its dialogue with shareholders, (iii) diversity, (iv) enabling innovation, (v) culture and (vi) the process for attracting, managing and developing talent. Plans of action are being developed for each of these areas, as appropriate, overseen by the chair.

At year end, in addition to having considered the outcome of the external evaluation process, the Board considered its effectiveness and that of the committees during the year under review and concluded that, overall, it had functioned effectively during this period, and that the committees continued to discharge their duties in line with their respective terms of reference.

## Relations with stakeholders

The Board as a whole takes responsibility for ensuring dialogue with all key stakeholder groups as summarised on page 17. In particular, Alex Thursby was nominated as the designated non-executive director responsible for enabling the Board to understand the views of the workforce and ensure that such views are fed into the Board's decision-making process.

With respect to shareholders, the Board takes responsibility for ensuring that satisfactory dialogue takes place. The principal method of communicating with all shareholders is via the corporate website, www.rank.com.

During the year, directors received updates on shareholder opinion, including formal briefings on shareholder opinion after presentation of the Company's interim and annual results.

As at 30 June 2019, 56.15% of Rank's shares were held by a majority shareholder, Hong Leong Company (Malaysia) Berhad ('Hong Leong'), and a further 39.35% were held by 20 institutional shareholders.

Given that Rank is a 56.15% subsidiary of Hong Leong, the chief executive and other members of Rank's executive management team met with representatives of Hong Leong four times during the year to discuss business performance and other issues that could impact their financial statements.

The Company liaises with its institutional shareholders and city analysts through a programme of investor relations and regular meetings with principal shareholders conducted by the chief executive, chief financial officer and director of investor relations and communications. During the period under review, a total of 44 meetings with such shareholders were attended by one or more of the chief executive, the chief financial officer and the chairman. In addition, the senior independent director and chair of the remuneration committee engaged with six institutional investors in relation to chair succession planning and in order to enable them to raise any particular remuneration or other corporate governance concerns.

## Annual general meeting

The 2019 AGM will be held on 17 October 2019 and the full text of the notice of meeting, together with explanatory notes, is set out in a separate document at www.rank.com/en/investors/shareholder-centre/shareholder-meetings.html. If a shareholder has elected for paper information, this will be enclosed with their hard copy of this annual report. Shareholders wishing to change that election may do so at any time by contacting the Company's registrar, details of which can be found on page 158 and on our website at www.rank.com/en/investors/shareholder-centre/contacts.html.

All shareholders are welcome to attend the meeting. Private investors are encouraged to ask questions. The chairman and chairs of the audit and remuneration committees will all be present.

Shareholders are invited to vote on the formal resolutions contained in the notice of meeting, which is published at least 20 working days beforehand. In this regard, shareholders may note that all new directors must stand for election at the first annual general meeting after their appointment. This therefore applies in respect of Bill Floydd and Tang Hong Cheong. Furthermore, as required by the 2016 Code and the Company's articles of association, all other directors will be submitting themselves for re-election at the meeting, save that, as announced on 1 May 2019, Ian Burke will not be standing for re-election.

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

Following the meeting, the business presentation, voting results and a summary of the questions and answers are made available at www.rank.com, or in printed format on request.

This corporate governance statement forms part of the directors' report and accordingly is approved by the Board and signed on its behalf by the company secretary. Certain parts of this corporate governance statement have been reviewed by the Company's auditors, Ernst & Young LLP, for compliance with the 2016 Code, to the extent required.

# Audit
## committee

FURTHER DEVELOPING OUR CONTROL FRAMEWORK

### Introduction

The role of the audit committee (the 'Committee') is primarily to support the Board in fulfilling its corporate governance obligations so far as they relate to the Group's risk management systems, financial reporting and internal controls. This report provides an overview of the Committee's remit and an insight into the activities undertaken or overseen by the Committee in fulfilling its role during the year.

An important focus for the Committee this year has been a full review and refresh of the enterprise risk management framework and its ongoing effectiveness in the oversight of compliance controls within the business. These exercises, together with details of the Committee's scrutiny of further enhancements to internal controls and financial reporting systems and processes, are covered below.

In addition, during the year, the Committee completed a competitive audit contract tender, further details of which are on page 67. It also underwent an external evaluation to assess its performance as part of the wider Board evaluation process (see pages 63 to 64). Overall, the performance of the Committee was rated highly, and it was concluded by the Committee and the Board that the Committee is operating effectively. The Committee determined from such process, with a view to further improving its performance, that it might consider additional ways to support management with transformation activities from a risk and controls perspective. In addition, it determined that its key areas of focus over the forthcoming year will be building the relationship with the new external audit partner and monitoring progress on the ongoing development of the control framework (as set out in more detail below).

### Members and meetings

The Committee comprises three independent non-executive directors. The company secretary acts as secretary to the Committee. Details of all members during the year are set out on page 69.

The chair, Alex Thursby, has extensive banking industry experience and is considered by the Board to have recent and relevant experience as required by the FRC Corporate Governance Code 2016. Furthermore, the Board is satisfied that the Committee has the resources and expertise to fulfil its responsibilities.

The Committee's terms of reference are available from the Company's website at www.rank.com or by writing to the company secretary. It met on four formally scheduled occasions during the year and attendance at such meetings is set out on page 63.

Members of the Committee met separately during the year under review to discuss matters without the presence of management. Each of the external auditor and the internal auditor were also provided the opportunity at each meeting to discuss any issues with the Committee without the presence of executive management.

**Alex Thursby**
Chair

**Other committee members**
**Chris Bell**
**Steven Esom**

**Other attendees**
Chief executive
Chief financial officer
Company secretary
Director of internal audit
Group financial controller
External auditor

## 2018/19 activity

| Areas of focus | Matters discussed | Frequency |
|---|---|---|
| **Financial reporting** | • reviewed the integrity of all draft financial statements (including narrative) | P |
| | • considered approval process for confirming and recommending to the Board that the 2018 annual report is fair, balanced and understandable | A |
| | • reviewed and recommended approval of the annual report | A |
| | • reviewed appropriateness of accounting policies and going concern assumptions | A |
| | • reviewed and recommended inclusion of the viability and going concern statements in the annual report | A |
| | • reviewed and recommended approval of interim and preliminary results announcements and dividends | B |
| | • reviewed Group accounting policies with particular emphasis on the impact of the IFRS 16 leasing standard that will be effective from the start of the 2019/20 financial year | B |
| | • reviewed accounting developments and their impacts and significant accounting issues | P |
| | • reviewed director and officer expenses | A |
| **Internal audit** | • monitored the effectiveness of the internal audit function | P |
| | • reviewed the 2018/19 annual audit plan | B |
| | • reviewed major audit findings and approved remediation plans | Q |
| | • reviewed the scope of audit coverage and approved planned work for 2019/20 | A |
| **External auditor** | • considered the external auditor's reports and views | Q |
| | • reviewed the objectivity, independence and expertise of the external auditor | A |
| | • considered the auditor's report on the 2017/18 annual results | A |
| | • assessed the effectiveness of the 2017/18 external audit | A |
| | • reviewed and approved the 2018/19 annual audit plan and fee proposal | A |
| | • considered the initial results of the 2018/19 external audit | A |
| | • reviewed audit and non-audit fees incurred during 2018/19 | A |
| | • undertook an audit tendering process and made a recommendation to the Board following the outcome of that process, and recommended that the Committee agree the auditor's remuneration | P |
| **Risk and internal control** | • reviewed the risk management framework across the Group and the internal governance structure (further detail on Rank's approach to the management of risk, its principal risks and uncertainties and the controls in place to mitigate them can be found on pages 48 to 51) | A |
| | • reviewed and assessed the corporate risk register (including emerging risks) | B |
| | • reviewed risk management reports and risk committee updates | Q |
| | • reviewed and monitored developments in relation to information security and data protection | B |
| | • reviewed anti-money laundering matters and matters relating to source of funds and enhanced due diligence | B |
| | • oversaw the implementation of changes to internal processes as a result of matters reported as key events to regulatory bodies and guidance published by regulatory bodies as learnings for the gaming industry | P |
| | • monitored general ledger system migration | Q |
| **Governance and other** | • reviewed notifications made under the Group's whistleblowing policy and code of conduct, ensured appropriate actions are taken following investigation of notifications and requested a review of such process | B |
| | • considered and approved tax strategy and reviewed tax matters | A & P |
| | • considered litigation matters | B |
| | • reviewed the Committee's terms of reference and confirmed adherence during 2018/19 | A |
| | • reviewed feedback and recommendations following Committee evaluation | A |
| | • reviewed internal financial controls | A |
| | • met privately with the director of internal audit and the external auditors | Q |
| | • received corporate governance updates | P |

A = Annual B = Biannual Q = Quarterly P = Periodically

## External auditor

The Company's external auditor is engaged to express an opinion on the financial statements. It reviews the data contained in the financial statements to the extent necessary to express its opinion. It discusses with management the reporting of operational results and the financial position of the Group, and presents findings to the Committee. The directors in office at the date of this report are not aware of any relevant information that has not been made available to the auditor and each director has taken steps to be aware of all such information and to ensure it is available to the Company's auditor. Ernst & Young LLP's ('EY') audit report is published on page 102.

In order to assess the effectiveness and independence of the external auditors, the Committee carried out an assessment. This was facilitated by use of a questionnaire which posed questions in relation to different aspects of the external audit process. Those individuals employed by Rank most actively involved with the day-to-day aspects of the audit provided responses to certain questions asked. The feedback was considered, discussed and summarised by management and reported to the Committee and Board. Having conducted such review, and reviewed overall performance, the Company has concluded that EY has demonstrated appropriate qualifications and expertise throughout the period under review, and that the audit process was effective.

The Committee oversees the nature and amount of any non-audit work undertaken by the auditor to ensure that it remains independent. Consequently, the Committee is required to approve in advance all non-audit services priced above £25,000. When seeking external accountancy advice in relation to non-audit matters, the Group's policy is to invite competitive tenders where appropriate. It is also the Group's policy to balance the need to maintain audit independence with the desirability of taking advice from the leading firm in relation to the matter concerned and being efficient.

The total non-audit fees paid to EY during the period under review was £58,000. Rank is satisfied that the objectivity and independence of the audit partner and the audit engagement team have not been compromised by the fees paid for the non-audit work undertaken by EY. Rank has used the services of other accounting firms for non-audit work during the period under review.

## External audit tendering

EY has been the Company's external auditor since 2010. In accordance with its regulatory requirements, the Committee undertook a formal competitive tender process during the year for the provision of statutory external audit services with effect from October 2019.

The tender process was initiated by forming a working group led by the chairman of the Committee and also comprising the chief financial officer, director of internal audit and Group financial controller.

The working group considered a range of firms. A request for proposal was then sent to four prospective firms (comprising firms from and outside of the "Big 4") in December 2018. Two of the four confirmed their independence and wish to tender, one confirmed its wish to tender but highlighted a potential conflict (which the Committee concluded should mean they withdraw), and one declined the opportunity due to a conflict of interest. Meetings with key individuals and information sharing took place in February 2019, with written proposal documents received the following month (as well as the review of the recent FRC AQR results). Both firms then presented to the Committee in April 2019. A detailed weighted scorecard was developed and utilised in the decision-making process, which prioritised the criteria considered most important. Following completion of such process, EY was recommended by the chairman to the Committee to continue as the Group's external auditor with effect for the financial year ending 30 June 2020, it having been acknowledged and understood that there will require a rotation of the current audit engagement partner. This recommendation was supported by the Committee and recommended to, and subsequently approved by, the Board on 26 June 2019, subject to approval by shareholders at the Company's 2019 AGM.

The Company confirms that it complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review.

## Internal controls

During the year, there have been a number of Committee activities that have focused on the control environment, namely:

- **Enterprise risk management:** At the request of the Committee, the chief financial officer and director of internal audit led a full review and refresh of the Company's enterprise risk management framework (including a review of the effectiveness of its first, second and third lines of defence). This was supported by the appointment of an enterprise and operational risk manager to support the embedding of the refresh.
- **Regulation (gambling):** Following the outcome of the UK Gambling Commission investigation in October 2018, pursuant to which the Company made a payment in lieu of financial penalty of £500,000 in respect of weaknesses in its social responsibility controls, the Committee continued to examine the effectiveness of the Company's framework of compliance controls. This included internal audit reviews, management biannual reports and presentations on anti-money laundering ('AML'), consideration of internal and external matters of potential fraud and reviews of progress made on areas requiring improvement. The Committee also acknowledged the work of the safer gambling committee in developing a refreshed policy and new strategy for the Group, and will monitor its impact on the effectiveness of the Company's internal controls as actions are delivered.
- **Regulation (HMRC):** As mentioned on page 42, some of the Company's pay practices, though designed to help employees, have technically not complied with the National Minimum Wage (NMW) Regulations. The Committee has received regular updates throughout the investigation into this matter and, although the calculation of underpayment has not yet been finalised, has approved the £8.0m provision referred to in note 4 on page 128 on the basis that it represents Rank's current best estimate of payments that are required to be made for the previous six years and in fines to HMRC.
- **Code of conduct and whistleblowing:** The Committee monitored management reports on employee conduct, including whistleblowing. It requested a refresh of the whistleblowing policy and process to ensure that it will continue to meet the needs of the business in line with strategy.

- **Information security and data privacy:** At the request of the Committee, an annual cyber benchmarking review was performed to understand the maturity of controls within our IT estate. This has helped to give greater visibility of key risk areas and to support the action required across the estate in response. In addition, the Committee received regular updates on the Company's GDPR programme and approved the transition of such programme into business-as-usual.
- **General ledger migration:** The Committee requested periodic updates from management on the progress being made on, and key challenges to achieving, migration of the general ledger.
- **Transformation:** The Company has adopted a risk-based approach to the initiatives implemented under the transformation programme, involving all three lines of defence. From the Committee's perspective, this led to a focus on areas of the business affected by such initiatives where changes in systems, personnel or processes could lead to weaknesses in internal controls.
- **International:** With the expansion of the business, the Committee requested greater central control oversight of international activities.

The key areas of focus for the Committee during 2019/20 in relation to internal controls will be:

- **Enterprise risk management:** embedding of the changes made to the framework;
- **Regulation:** Ongoing improvements in AML, as well as safer gambling activities, and continued oversight of the NMW matter referred to above;
- **Digital and technology:** Review of ongoing activities in relation to technology enhancements and operational resilience;
- **Transformation:** ongoing oversight of initiatives from a risk perspective; and
- **International:** increased controls oversight of the International business.

## Key judgements and financial reporting matters

The Committee assesses and challenges whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. Key accounting judgements considered, conclusions reached by the Committee and their financial impacts during the year under review are set out in the following table. Additionally, the Committee and the external auditors have discussed the significant issues addressed by the Committee during the year and the areas of particular focus, as described in the independent auditor's report on pages 103 to 106:

| Key judgements and financial reporting matters 2018/19 | Audit committee review and conclusions |
|---|---|
| **Treatment of exceptional items** | |
| Only items that are exceptional due to size and nature should be disclosed as an exceptional item by the Group. | The Committee reviewed the accounting treatment of exceptional items and agreed that the items listed in note 4 are exceptional in size and nature in relation to the Group and therefore it is appropriate to disclose them separately. The Committee noted that from a quality of earnings perspective, both accretive and dilutive impacts had been recorded in exceptional items in the current and prior years. |
| **Impairment review** | |
| For goodwill and indefinite-life assets, the Group performs an annual impairment review. In addition, the Group reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate that the carrying amount of an asset or cash-generating unit may not be recoverable. If an asset has previously been impaired the Group considers whether there has been a change in circumstances or event that may indicate the impairment is no longer required. The Group considers each venue to be a cash-generating unit and the review covers approximately 150 individual cash-generating units. | The Committee reviewed management's impairment review process including, where applicable, the potential indicators of impairment and/or reversal, cash flow projections, growth rates and discount rates used to derive a value in use, and the sensitivity to assumptions made.<br>During the year, the Committee reviewed total exceptional impairment charges of £11.1m in respect of venues where performance has been below expectations and is not expected to improve and challenged the long-term assessment of such venues in light of corporate risks.<br>The Committee concluded that the total impairment charge recognised of £11.1m was appropriate. Further details of the impairment charges and reversals are disclosed in note 4 on pages 128 to 129. |
| **Significant provisions for property leases** | |
| The nature of provisions is that they require judgement due to uncertainty regarding their timing and amount. The Group holds several large provisions for onerous property leases.<br>In assessing the appropriate liability, the Group must estimate cash flows associated with the property. This may include consideration of the forecast profitability of a club which still operates at the site, potential sub-let income and estimates of any dilapidation obligations. | At both the half and the full year, the Committee considered the Group's approach to property lease provisions, the discount rates applied and management's recommendations, in order to satisfy itself how management came to its best estimate of onerous property lease obligations.<br>The Committee noted that the Group has a number of property leasehold contracts and was of the view that appropriate provision had been made against those property leases where the unavoidable costs exceed the economic benefit expected to be derived from the property.<br>During the year, the Committee reviewed the exceptional charge from property leases of £1.4m, the majority of which was due to the decision to close three clubs.<br>The Committee was of the view that the net charge was appropriate. Further details of the property lease provisions held are disclosed in note 21 and the net exceptional charge made in the current year are disclosed in note 4. |

| Key judgements and financial reporting matters 2018/19 | Audit committee review and conclusions |
|---|---|
| **Significant tax provisions** | |
| The Group holds provisions for certain tax matters, in addition to the normal provisions for corporation tax.<br>In assessing the appropriateness of indirect tax provisions, the Group must estimate the likely outcome of uncertain tax positions where judgement is subject to interpretation and remains to be agreed with the relevant authority. | At both the half and the full year, the Committee considered the Group's approach to tax provisioning, in order to satisfy itself how management came to its best estimate of the likely outcome.<br>The Committee also received and considered an update paper covering the Group's ongoing direct and indirect tax matters. This covered both continuing operations where tax returns submitted have been, or are likely to be, challenged by the relevant tax authority and discontinued operations with historic tax audits.<br>The Committee considered that management's best estimate of tax liabilities is appropriate. |
| **Financial impact of new accounting standards** | |
| New accounting standards can materially impact trading results. | The Committee considered the impact of new accounting standards.<br>It was noted there were no significant changes which impacted results in the current year with the adoption of IFRS15–Revenue from Contracts with Customer and IFRS9–Financial Instruments.<br>Except for IFRS 16 (which will apply to the Group from 1 July 2019), it is not expected that any new accounting standards will materially impact future results.<br>The Committee assessed the challenge of providing a valuation of the Group's investment in an unlisted technology provider against readily available external benchmarks and reviewed management's methodology in doing so. |
| **Contingent assets and liabilities** | |
| In determining the accounting treatment of potential assets and liabilities, management has applied judgement in assessing the probability of the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. | The Committee received updates throughout the year from management, incorporating legal and professional advice as appropriate, on the accounting treatment for potential assets and liabilities in relation to disclosure or recognition. The Committee was of the view that management has appropriately treated such items in the financial statements. Details of the liabilities are included in note 30. |
| **Going concern** | |
| The directors must determine that the business is a going concern for at least 12 months from the date of signing the accounts. | The Committee conducted an annual assessment pursuant to which the directors were able to conclude that it is appropriate to prepare the financial statements on a going concern basis, as set out in more detail on page 43. |
| **Viability statement** | |
| The directors are required to make a statement in the annual report as to the longer-term viability of the Group. | The Committee evaluated management's work in conducting a robust assessment of the Group's longer-term viability. The Committee affirmed the reasonableness of the assumptions, considered whether a viability period of three financial years remained most appropriate, and confirmed that it was part of a recommendation to the Board.<br>For further information on the viability statement, see page 49. |

## Membership of Committee during year

| Name | Committee membership since | Notes |
|---|---|---|
| Chris Bell | June 2015 | |
| Steven Esom | March 2016 | |
| Alex Thursby (chair) | August 2017 | Alex Thursby became chair in October 2017 |

**Alex Thursby**
Chair of the audit committee

21 August 2019

# Nominations
## committee

SUPPORTING CHANGE

**Ian Burke**
Chair

**Other committee members**
**Chris Bell**
**Steven Esom**
**Susan Hooper**
**Alex Thursby**

**Other attendees**
Company secretary

## Introduction

The nominations committee (the 'Committee') is responsible for assisting the chairman in keeping the composition of the Board and executive committee under review, and leading the nominations process to the Board. It carries out its duties with due regard for best practice corporate governance standards.

The formal terms of reference of the Committee are available on our website at www.rank.com or by written request to the company secretary.

## Members and meetings

The Committee comprises the chairman and all the independent non-executive directors. The company secretary acts as secretary to the Committee. Details of all members during the year are set out on page 72.

The Committee met on two formally scheduled occasions during the year under review and the attendance of its members at such meetings is set out on page 63.

## Process for appointment of chair

On 30 April 2019, Ian Burke informed the Board of his intention to step down as chair immediately following the Company's 2019 AGM on 17 October 2019. An announcement to this effect was made on 1 May 2019 and the Committee commenced the process for the appointment of his successor.

Led by the senior independent director, the Committee (i) considered the key skills and experience desirable for a new chair, (ii) confirmed that such successor should be independent; (iii) determined the external headhunters it would engage to assist with a new appointment, being Korn Ferry, (iv) discussed with the Company's majority shareholder and other major shareholders the skills they saw as desirable for the new chair, together with any other matters they wished to raise in connection with such appointment and the process relating to the same; and (v) considered the timetable for such process, noting the preference for there to be an orderly handover of responsibilities. Further to this, briefing sessions were held with all non-executive and executive directors, and the company secretary to review the candidate brief and assessment criteria. A long-list of 15 candidates was discussed and then narrowed down to a shortlist of six, and then three. Following interviews with the three candidates, and a presentation to the Committee by the preferred candidate, the process concluded with the recommendation to the Board by the Committee that Alex Thursby be appointed with effect from the conclusion of the 2019 AGM. Alex joined the Rank board in August 2017 and has chaired the audit committee since October 2017.

Upon his appointment Alex will step down as chair of Rank's audit committee. The search for a new audit committee chair has commenced. Details of Alex's experience and other roles can be found on page 59.

## Appointment of chief financial officer

Bill Floydd was appointed as chief financial officer, and to the executive and finance committees, with effect from 12 November 2018. He was subsequently appointed to the Board on 1 May 2019.

The search process for the chief financial officer was conducted by the chief executive officer and Group human resources director, assisted by an external agency, Odgers Berndtson. A long-list of candidates was reviewed and a shortlist of five people was interviewed. The preferred candidate was then met by other members of the Board, including the chairman, and members of the executive committee, who each then provided their feedback. Thereafter the chief executive officer made a recommendation to the Committee. Following a meeting of the Committee, Bill was recommended for appointment to the role. Details of Bill's experience and former roles can be found on page 58.

## Appointment of non-executive director

Following notification from the majority shareholder that it wished to nominate a Guoco representative to the Board (pursuant to the Relationship Agreement between the Company, Hong Leong and Guoco (see page 96 for more information)), Tang Hong Cheong was appointed as a non-executive director with effect from 15 January 2019. The chairman sought views from other major shareholders in relation to such appointment. The Committee noted that Hong Cheong had been working with the management of Rank since 2010. It considered that Hong Cheong has appropriate and extensive commercial experience to make a valuable contribution to the Board and was comfortable that such appointment will further enhance the communication between Rank and its majority shareholder. The Committee therefore recommended such appointment to the Board, which duly approved the same. Details of Hong Cheong's experience can be found on page 58.

## Executive committee appointments

Following search processes conducted by the chief executive officer and Group human resources director, with external agency assistance as appropriate, the Committee recommended the following appointments to the executive committee:

- Chief information officer – Jonathan Greensted joined the Company in August 2018 as chief information officer. He joined from Travelodge where he was chief technology officer.
- Chief transformation officer – Jim Marsh joined in October 2018 as chief transformation officer. He joined from McKinsey & Company where he was a partner in the transformation team.
- Group general counsel & company secretary – Luisa Wright, who had previously been serving as interim company secretary, was appointed as Group general counsel and company secretary in November 2018.
- Retail managing director – Jonathon Swaine will be joining in October 2019 as the retail managing director. He will be joining from Fullers, Smith and Turner plc where he has been managing director of Fullers Inns since 2012.

## Board and senior management diversity

During the period under review, the Committee has considered the issue of diversity and inclusion in the context of both the Board and senior management.

The Board's diversity and inclusion policy is to recruit the best candidate having regard to the skills and experience required, but with a mind to diversity, including gender and ethnic diversity. As at 30 June 2019, 11.11% of the Board was female (12.5% at the date of this report), 20% of the executive committee (25% as at the date of this report) and 30% of direct reports to the executive committee (35.3% as at the date of this report). The Board currently has one BAME director on the Board and remains committed to ensuring this remains the case, as recommended by the Parker Report. The Committee continues to be mindful of the benefits that diversity brings and is conscious that further work is required in this area, as referenced below as an outcome from the Committee evaluation process.

On 4 April 2019, and in accordance with the requirements of the Equality Act 2010, the Company published its gender pay gap figures for the UK Group as at 5 April 2018. This included the four legal entities where the Group employs more than 250 people in the UK. Further details can be found at www.rank.com.

There are several initiatives in place to reinforce the Company's commitment to reduce the gap further and increase gender diversity at a senior level. These include a high potential sponsorship programme focused on offering females across the organisation appropriate support to develop their careers; family support policies; and enhanced maternity pay for women in leadership/management roles or 'pathway' positions into senior management. Further detail can be found on page 28 of this report and at http://www.rank.com/en/responsibility.html.

Further details of the gender breakdown of directors, senior management and the Group can be found on page 28 of this report.

## Succession planning

As noted elsewhere in this report, there have been considerable changes to personnel at an executive committee level over the past 12 months and the Committee has, as a result, delayed succession planning for senior management. During the coming year, the Committee will have renewed focus on succession plans for senior management, as well as the Board, so as to ensure an appropriate balance of skills and experience is maintained within the Company on an ongoing basis. The process for the appointment of a new chair is underway as outlined earlier in this report.

## Governance

During the year, the Committee received briefings from the company secretary on corporate governance reform, and specifically the changes that will apply pursuant to the FRC's Corporate Governance Code 2018 ('2018 Code'), which will apply to the Company in respect of the 2019/20 financial year. It has noted in particular the expansion of its responsibilities to include reporting on its approach to succession planning and overseeing a diverse pipeline of talent to both Board and senior management positions. It has further noted the focus under the 2018 Code on Board refreshment and overboarding, which it will also consider in more detail during the forthcoming financial year.

## Board, committee and executive committee composition, Board tenure and review of Board skills

The Committee keeps the Board's size and structure under review. The current directors have a wide range of backgrounds and knowledge of a number of different sectors, including gambling and leisure, as more particularly described in their respective biographies on pages 58 to 59. Their skills include business development, retail, finance, hospitality, property, governance and risk management. The Committee is of the view that the Board is well balanced, providing a collective competence to suit the Group's current needs and an appropriate blend of executive and non-executive skills. However, it is committed to keeping this under review as such needs change. The Committee believes that all the directors are suitably qualified to help steer and challenge Group strategy.

The composition and chairmanship of the Board's committees are considered annually and have been considered during the period under review. Additionally, details of length of tenure can be found on page 59.
The Committee has also, during the year, consistently reviewed the composition of the executive committee.

## Committee evaluation

The Committee's evaluation exercise, externally facilitated by Lintstock Limited, concluded that the Committee continues to operate effectively. Having considered the findings, it was agreed that the Committee's effectiveness could be further improved by:

- a renewed focus on succession planning; and
- a review of the approach to Board and executive committee appointments around key additional skills and capability needs as the business further develops, with a renewed focus on diversity.

Following such exercise, the Committee reiterated the need for closer monitoring of plans, actions and progress in the areas of succession planning and diversity in the forthcoming year, noting also the requirements of the 2018 Code in this regard.

## Committee membership during the year

| Name | Committee member since | Notes |
|---|---|---|
| Chris Bell | July 2015 | |
| Ian Burke (chair) | June 2014 | Ian Burke will step down from the Committee in October 2019 |
| Steven Esom | March 2016 | |
| Susan Hooper | September 2015 | |
| Lord Kilmorey | February 2014 | Lord Kilmorey stood down from the Committee in October 2018 |
| Alex Thursby | August 2017 | |

# Safer gambling

## committee

PROVIDING A SAFER GAMBLING ENVIRONMENT

### Introduction

The safer gambling committee (the 'Committee') (formerly the responsible gambling committee) assists in the formulation and monitoring of the Group's safer gambling strategy and enables particular focus to be placed on this important topic.

During the year, under the new chair, the Committee challenged itself and the Company to focus on what it really means to be committed to safe and fair gambling. The Committee also acknowledged the need to ensure that such commitment, one of the Company's strategic pillars, is truly embedded within the business as part of its culture.

With this in mind, during the year, the Committee focused in particular on the development of a refreshed policy and new strategy, with the aim of ensuring Rank pro-actively pursues improvements in the promotion and delivery of safer gambling. The Committee has also endorsed the inclusion of a specific safer gambling workstream within the transformation programme to increase pace and build momentum, such that the aspirations set out in the new policy are delivered in the manner and timescales intended by this Committee.

### Members and meetings

The Committee comprises two non-executive directors, the chair of the Board and the chief executive. The director of compliance and responsible gambling acts as secretary to the Committee. Details of all members during the year are set out on page 74.

The Committee met on three formally scheduled occasions during the year under review and the attendance of its members at such meetings is set out on page 63.

### Responsibilities and activities during 2018/19

The Committee's responsibilities under its refreshed terms of reference, approved on 26 June 2019, include:

- reviewing and making recommendations in relation to Rank's strategy and policy so far as gambling regulation relating to the prevention of gambling-related harm is concerned in each of the jurisdictions and channels in which it operates;
- reviewing the results of safer gambling research projects undertaken by Rank or by third parties at the request of Rank or utilising Rank's data;

**Susan Hooper**
Chair

**Other committee members**
**Chris Bell**
**Ian Burke**
**John O'Reilly**

**Other attendees**
Company secretary
Director of compliance and responsible gambling
Director of public affairs
Head of responsible gambling

- keeping under review Rank's policies and systems designed to protect children and other vulnerable persons from being harmed or exploited by gambling;
- keeping under review the effectiveness of Rank's systems for identifying and interacting with customers who are at risk of becoming problem gamblers;
- reviewing and making recommendations in relation to the resources available within, and to, Rank with the aim of ensuring that vulnerable or potentially vulnerable persons are identified, interacted with and, where appropriate, promptly denied access to Rank's facilities for gambling; and
- reviewing and approving substantive changes to Rank's planned safer gambling activity in all the jurisdictions and channels in which it operates.

The Committee reports to the Board, which retains principal oversight of matters relating to gambling-related harm reduction and gambling regulation. It also refers matters to the audit committee as appropriate. The formal terms of reference of the Committee are available at www.rank.com or by written request to the company secretary.

During the year under review, the Committee spent significant time on the development of the policy, which has since been communicated throughout the business, and a new three-year safer gambling strategy, which is reflected in the safer gambling transformation workstream that will engage the entire business. Its other activities included:

- ensuring throughout the year that it is aware of, and Rank contributes to, upcoming developments across the industry. In particular, the Committee continued to monitor the progress of the UK Gambling Commission in reviewing the sufficiency of rules relating to online gambling. The Committee welcomed improvements to age and identify verification controls in the UK and keenly follows discussions relating to how operators may better assess customer affordability to support the earlier identification of those who may be gambling beyond their means;
- overseeing the Company's work in response to the Department for Digital, Culture, Media and Sport's review of gaming machines and social responsibility measures. The Committee welcomed the launch in Grosvenor casinos and Mecca bingo of a package of controls to improve protections on machines. These controls will continue to develop in the coming year and the Committee will monitor their progress and the evaluation of their uptake and effectiveness;
- examining the UK Gambling Commission's proposals for the new industry safer gambling strategy (launched as the National Strategy to Reduce Gambling Harms) and advising on the Company's response to the corresponding consultation;
- reviewing and advising on the draft content in respect of responsible gambling and social responsibility that formed part of the Group's response to the UK Gambling Commission's Annual Assurance Statement;
- following initiatives launched or progressed by the business, including the trial in five Grosvenor casinos of the ALeRT system, designed by Focal Research using available machine data to detect signs of potential at-risk and problem play; and
- refreshing its terms of reference to, amongst other things, ensure it has an even clearer focus and to more clearly bring the Company's international business within its remit.

## Conclusion

Rank remains committed to providing a safe gambling environment for customers to enjoy the services that we provide. We are also committed to working constructively with regulators, including the UK Gambling Commission, and our industry peers. The Committee looks forward to reporting on the advanced progress that will be made in this area over the forthcoming year.

## Committee membership during the year

| Name | Committee membership since | Notes |
|---|---|---|
| Chris Bell | March 2016 | |
| Ian Burke | March 2016 | Ian Burke will step down from the Committee in October 2019 |
| Susan Hooper (chair) | July 2017 | Susan Hooper became Committee chair in October 2018 |
| Lord Kilmorey | March 2016 | Lord Kilmorey stepped down as chair in October 2018 |
| John O'Reilly | May 2018 | |

# Finance
## committee

CONSIDERING OPPORTUNITIES

**Ian Burke**
Chair

**Other committee members**
**John O'Reilly**
**Bill Floydd**

**Other attendees**
Company secretary

### Introduction

The finance committee (the 'Committee') is authorised by the Board to approve capital expenditure and make financing decisions for the Group up to authorised limits. The Committee also acts as the Board's disclosure committee for the purposes of the Market Abuse Regulation (MAR) which came into force on 3 July 2016.

The Committee's terms of reference are available from the Company's website at www.rank.com or by writing to the company secretary.

### Members and meetings

The Committee comprises the chairman, chief executive and chief financial officer. The company secretary acts as secretary to the Committee. Details of all members during the year are set out below.

### 2018/19 activity

The Committee met on nine formally scheduled occasions during the year and the issues it discussed included:

- trading;
- financial reporting;
- estate management issues;
- delegations of authority;
- insurance cover and uninsured risks;
- review of non-executive director fees;
- review of Group subsidiaries' board composition;
- M&A opportunities;
- post-completion matters relating to the YoBingo acquisition; and
- commercial agreements within its delegated authority.

### Committee membership during the year

| Name | Committee membership since | Notes |
|---|---|---|
| Ian Burke (chair) | March 2006 | Ian Burke will step down from the Committee in October 2019 |
| Bill Floydd | November 2018 | |
| Clive Jennings | July 2011 | Clive Jennings stepped down from the Committee in August 2018 |
| Alan Morgan | August 2018 | Alan Morgan stepped down in July 2019 |
| James Pizey* | August 2018 | James Pizey, who was interim chief financial officer, stepped down in November 2018 |
| John O'Reilly | May 2018 | |

1. James Pizey attended two scheduled meetings during his period as interim chief financial officer.

# Remuneration

## committee

CONTINUING TO REVIEW OUR REMUNERATION STRUCTURE

## Annual Statement

### Introduction

On behalf of the Board, I am pleased to present Rank's remuneration report for the year ended 30 June 2019. This report comprises my annual statement, our remuneration policy ('Policy'), which was approved at a General Meeting held on 25 April 2018, and our annual report on remuneration. This statement and the annual report on remuneration will be subject to an advisory vote at the 2019 AGM.

### Overview of 2018/19

The 2018/19 financial year was significant for the Company, with the launch of the Group's transformation programme setting out the ambition of becoming a £1 billion revenue international gaming company by 2023. However, whilst the programme is starting to drive Group performance, the remuneration committee's ('Committee') decision-making on the performance outcomes for executive directors, as set out below, is reflective of the overall financial performance for the year.

The Committee has been particularly mindful during the year of the critical need to attract and retain key talent to drive the targeted future revenue growth outlined in the strategic report. Whilst we saw a number of departures at a senior management level during the year, we also welcomed arrivals in the form of chief financial officer, chief transformation officer, chief information officer and Group general counsel & company secretary.

Now that we are well over halfway through the first year of the transformation programme, there is greater clarity around the key challenges and opportunities for our business and we will continue to ensure during the forthcoming year that management is, and remains, appropriately incentivised to achieve our strategic goals.

### Base salaries

The Committee reviewed the executive director base salaries during the year. It determined not to increase such salaries, which therefore remained unchanged at 1 April 2019, the effective date for any increases, versus the prior year.

**Steven Esom**
Chair

**Other committee members**
**Chris Bell**
**Susan Hooper**
**Alex Thursby**

**Other attendees**
Chief executive
Company secretary
Group human resources director

## 2018/19 bonus

The annual bonus for the 2018/19 financial year was based on a challenging profit after tax target. Performance resulted in the financial targets under the bonus scheme not being met and consequently no annual bonus pay-out being recommended for the chief executive or the chief financial officer in respect of the 2018/19 financial year. Further details on performance against targets are outlined on page 87.

## LTIP grants during 2018/19

The Company's long-term incentive plan ('LTIP') structure covers four financial years, with vesting phased in three tranches. As stated in last year's report, a single award was made in June 2018 to the executive directors at that time ('2017/18 award') and no further award was made to such directors, or will be made, until the 2021/22 financial year.

However, a mid-period award was granted under the LTIP to Bill Floydd, chief financial officer, on 22 November 2018 on similar terms to the 2017/18 award. Such award was pro-rated to 400% of salary based on the number of months remaining until the end of the performance period. The performance conditions (a mix of financial and non-financial targets) are based on performance in 2020/21 as further detailed on page 88. The award will vest, subject to meeting the performance targets and continued employment, in three tranches, with tranche 1 vesting on 22 November 2021 (being the third anniversary of the date of grant), tranche 2 vesting on 1 October 2022 and tranche 3 vesting on 1 October 2023. No further award will be made to Bill Floydd until the 2021/22 financial year.

## Board changes

As announced on 1 May 2019, Ian Burke notified the Company that he does not intend to stand for re-election as chair at the AGM on 17 October 2019. The senior independent director, Chris Bell, led the process to appoint his successor, Alex Thursby, referring to the Committee for approval of the remuneration for such role.

On 1 May 2019, Bill Floydd, chief financial officer, was appointed to the Board. The Committee approved his remuneration prior to his appointment as chief financial officer in November 2018 and such terms are in accordance with the Policy.

Tang Hong Cheong was appointed to the Board as a non-executive director on 15 January 2019, as a representative of the Company's majority shareholder, Guoco Group Limited, and no fees are payable to Hong Cheong in connection with such appointment.

In April 2019, the Company announced that Alan Morgan, managing director, retail, had resigned. He subsequently stepped down from the Board and left the business on 31 July 2019. Alan was not eligible for any bonus payment for the 2018/19 financial year and his unvested LTIP awards lapsed on 31 July 2019.

As reported in last year's report, Clive Jennings, the former finance director, stepped down from the Board on 8 August 2018, and subsequently left the business on 17 August 2018.

Lord Kilmorey stepped down from the Board with effect from 18 October 2018.

The details of the termination arrangements for all departing directors are set out on page 90, the terms of which are in accordance with the Policy.

## Governance

The Committee has taken a close interest in the requirements of the FRC's UK Corporate Governance Code 2018 ('2018 Code') and welcomes the increased focus on broader stakeholders and the expanded remit of the Committee. The Committee already has a degree of oversight of reward policies across the Group, and we will continue to refine and enhance this in the coming year as we seek to embed the principles of the 2018 Code and the government's package of measures on executive pay. I look forward to providing an update on the implementation of changes in next year's report.

## Looking ahead

During the year, I welcomed the opportunity to discuss remuneration matters with our majority shareholder and, together with our senior independent director, institutional investors. The Company operates in an industry where changes are bringing significant challenges as well as opportunities. For the Committee, this brings with it challenges from a remuneration perspective as we seek a balance between the expectations of investors and the formulation of remuneration arrangements that facilitate the recruitment, retention and motivation of management. With this in mind, we continue to keep remuneration arrangements under review and will continue our dialogue with shareholders in relation to the same. In the meantime, I would like to thank shareholders for the support they have given in the past and I look forward to your continued support at the forthcoming 2019 AGM.

**Steven Esom**
Chair of the remuneration committee

# Directors' remuneration policy

This report sets out the Policy for the Company which was prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Policy was adopted following a binding shareholder vote at the General Meeting held on 25 April 2018 and took effect from the date of approval. This policy report has been reproduced for information and updated to reflect the passage of time, such as change in tense and page references and the executive directors' current remuneration packages for the purposes of the charts illustrating the application of the Policy in the coming year.

## Remuneration and components

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

The performance of the Company is dependent upon the quality of its directors, senior executives and employees and therefore the Group seeks to attract, retain and motivate skilled directors and senior executives of the highest calibre. In order to attract such individuals, the Committee needs to ensure that the remuneration packages properly reflect an individual's duties and responsibilities, are appropriate and competitive (not paying more than is necessary), sensitive to pay elsewhere within the Group and directly linked to performance.

## Remuneration policy table

The key components of executive directors' remuneration are summarised below:

| Component and link to business strategy | Operation |
|---|---|
| **Base salary**<br>To attract and retain skilled, high-calibre individuals to deliver the Group's strategy. | Base salaries are typically reviewed annually, with any change normally effective from 1 April.<br>Any increases take into account:<br>• the role's scope, responsibility and accountabilities;<br>• market positioning, including pay levels at other gaming operators;<br>• general rates of increase across the Group; and<br>• the performance and effectiveness of the individual and the Group. |
| **Insured and other benefits**<br>Insured and other benefits are offered to executive directors as part of a competitive remuneration package. | Insured benefits may comprise private healthcare insurance for executive directors and dependants, life assurance and permanent health insurance.<br>Other benefits comprise a cash car allowance and the fuel cost of all mileage (private and business). The amount of the cash car allowance is reviewed periodically by the Committee in the light of market conditions.<br>Other benefits, in line with the provision to other employees, may be offered as appropriate and travel and related expenses may be reimbursed.<br>The Committee retains the discretion to offer relocation assistance in the form of an allowance or otherwise to support the movement of executive talent across the business. If provided, the Committee aims to ensure payments are not excessive and support business needs. As such, relocation assistance will be reviewed on a case-by-case basis taking into account factors such as the individual's circumstances and the geographies involved, meaning that there is no prescribed formula for calculating the level or structure of payments. Tax equalisation and overseas tax advisory fees may be payable.<br>Executive directors may participate in HMRC-approved all-employee schemes up to HMRC limits. |
| **Retirement provisions**<br>Rewards sustained contribution and encourages retention. | Executive directors are offered membership of the Rank Group Retirement Savings Plan (the 'Pension Plan') or a cash allowance of equivalent value to the employer's contribution to the Pension Plan. An executive director may be automatically enrolled in The Rank Group Workplace Pension Scheme (the 'Pension Scheme') in accordance with the Company's obligations under the Pensions Act 2008. The Company will contribute into the Pension Plan at the rate of 10% of the executive director's base salary, up to any maximum contribution levels set annually by HMRC. Either part or the full value of the annual 10% of base salary pension employer contribution may instead be paid as a cash allowance.<br>The Committee retains the discretion to honour all contractual pension arrangements agreed prior to the application of this Policy. |

## Committee's approach to setting pay

The Committee intends that the base salary and total remuneration of executive directors should be competitive against other similar gaming peers and companies of a broadly similar size. Remuneration is benchmarked against rewards available for equivalent roles in suitable comparator companies, with the aim of paying neither significantly above nor below market levels for each element of remuneration at target performance levels.

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

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

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

| Performance metrics | **Maximum opportunity** |
|---|---|
| Not applicable although the individual's performance will be taken into account when determining the level of increase, if any. | While there is no maximum annual increase, ordinarily any increases in executive directors' base salaries will be limited, in percentage of base salary terms, to those received by the wider workforce during the year.<br>Where the Committee considers it necessary or appropriate, larger increases may be awarded in individual circumstances, such as a change in scope or responsibility or alignment to market levels.<br>For new hires, the Committee has the flexibility to set the salary at a below-market level initially and to realign it over the following years as the individual gains experience in the role. In exceptional circumstances, the Committee may agree to pay above-market levels to secure or retain an individual who is considered by the Committee to possess significant and relevant experience which is critical to the delivery of the Group's strategy. |
| Not applicable. | It is anticipated that the provision of insured and other benefits will not form a significant part of the package in financial terms.<br>The cost of the benefits provided may change in accordance with market conditions or in the event of the payment of relocation assistance. |
| Not applicable. | For all new appointments, the maximum pension contribution (defined contribution or cash supplement) will be 10% of base salary, less the lower earnings limit.<br>Legacy arrangements to be honoured: Finance Directors –15% of base salary, less the lower earnings limit. |

## **Remuneration policy table** continued

| Component and link to business strategy | Operation |
|---|---|
| **Annual bonus**<br>Motivates the achievement of annual strategic, financial and personal performance. Rewards individual contribution to the success of the Group. | Rank operates an annual bonus scheme in which executive directors participate.<br>The bonus is based on stretching targets set annually. Bonus pay-outs are determined by the Committee after the year end following the Committee's assessment of performance relative to the targets set.<br>To allow the Committee to assess the quality of earnings over the year and to introduce an element of retention, any cash bonuses earned by the executive directors will be subject to a six-month deferral period and will be paid in the December following the 30 June financial year end.<br>Any bonus earned by the chief executive above 100% of base salary and 80% of base salary for other executive directors will be deferred (normally in shares) for a period of two years.<br>Recovery and withholding provisions apply in the event of a material misstatement, an act of gross misconduct or an error in the assessment of performance targets. |
| **Long-term incentive plan**<br>The long-term incentive plan is intended to align the interests of the executive directors and shareholders through the creation of shareholder value over the long term. | The Rank Group Plc 2010 Long-Term Incentive Plan (LTIP) is currently the only long-term equity-based incentive scheme in place for the executive directors and other senior executives.<br>Consistent with the structure of the 2014/15 award, it was proposed that there be a single grant of contingent share awards under the LTIP in 2017/18 to cover four years of annual grants. Performance is measured over four years (based on targets relating to performance in 2020/21) and awards vest in three tranches with one third in October 2021, one third in October 2022 and one third in October 2023.<br>A holding period applies to the first and second vested tranches to create a five-year period between grant and the first available opportunity to sell vested awards (save for any sale to settle personal tax obligations).<br>A single block award was made to the current directors under the LTIP, in June 2018 to John O'Reilly and in November 2018 to Bill Floydd. There will be no further grants of long-term incentives to those directors in the next two financial years (2019/20 and 2020/21).<br>New employees joining during the life of this Policy may receive an award at or around the time of joining either on similar terms as the 2017/18 grant or as annual awards of up to 200% of base salary, and in either case with different performance criteria and a different vesting period provided that in no case shall an award have a vesting period of less than three years.<br>An award under this plan may be made to a new director in any year of the three-year policy.<br>Clawback and malus provisions apply in the event of a material misstatement, an act of gross misconduct or an error in the assessment of performance targets or in respect of Awards granted on or after 25 April 2018, a material financial loss to the Group or a material deterioration in Group profits which is inconsistent with the financial performance of the gaming industry. |
| **Share ownership guideline**<br>To create greater alignment between executives and shareholders. | Subject to there being sufficient free float, a market standard 200% of base salary guideline will apply for executive directors. |

| Performance metrics | Maximum opportunity |
| --- | --- |
| The bonus will be based primarily on the achievement of financial performance targets and may, from time to time as considered appropriate by the Committee, include non-financial measures and strategic and/or personal objectives.<br>Performance below threshold will result in zero payment. Up to 25% of the opportunity available may be payable for achieving a threshold level of performance.<br>A full description of the performance measures in place and performance against them will be provided in the Annual Remuneration Report on a retrospective basis, to the extent they are not considered to be commercially sensitive.<br>The Committee retains the discretion, acting fairly and reasonably, to alter the bonus outcome in light of the underlying performance of the Group or the individual, taking account of any factors it considers relevant.<br>For the 2018/19 financial year, the bonus is based primarily on profit-after-tax targets. | Chief executive: 150% of base salary<br>Other directors: 120% of base salary |
| 2017/18 award<br>For awards granted in 2017/18:<br>i. vesting will be based 40% on earnings per share, 7.5% on digital revenue, 7.5% on digital profit, 7.5% on Grosvenor London revenue and 7.5% on Grosvenor London profit. The remaining 30% of the award is based primarily on strategic measures relating to individual business units. The measures were set out in the notice of general meeting to approve the Policy. Performance is measured over the four-year period commencing in 2017/18 and ending in 2020/21.<br>ii. for each financial performance measure (covering 70% of the overall award), performance below threshold results in zero vesting. 50% of the award may vest for target performance with 100% vesting for achieving maximum performance. Vesting occurs on a straight-line basis between target and maximum.<br>At the end of the performance period, the Committee will have absolute discretion to determine the extent to which the awards will vest, if at all, taking account of underlying Group, individual and share price performance. The Committee may, in its absolute discretion, adjust upwards or downwards including to nil the number of shares under an award which would otherwise vest.<br>If discretion is applied, the level and reasons for its application will be fully disclosed in the following year's Annual Remuneration Report.<br>If awards are granted in the second and third years of the three-year Policy period, the Committee will determine measures and targets at the time to ensure continuing alignment with strategy. Performance targets may relate to both financial and non-financial measures linked to the Group's long-term business strategy, including but not limited to:<br>• Group or business unit profit;<br>• Group or business unit revenue;<br>• return on capital; and<br>• strategic objectives of the Group. | The maximum award level for awards granted in 2017/18 has been set at 600% of base salary for the Chief Executive and 450% of base salary for the other directors. This is the aggregate maximum covering four years and the intention was that the maximum award will be granted in 2017/18 with no further awards being made until 2021/22.<br>For new directors, a single grant of up to 600% of base salary may be made in the Policy period. Alternatively, annual awards of up to 200% of base salary per annum may be granted. |
| Not applicable. | Not applicable. |

## Setting of performance measures and targets

The Committee reviews and selects performance measures at the beginning of each award cycle under both the annual bonus plan and the LTIP, being informed by the short- and long-term priorities of the Group at the time. The Committee considers the Group's key performance indicators and strategic business plan when selecting measures and calibrating targets. The Committee is aware that targets for both financial and non-financial measures should be appropriately stretching yet achievable. Details of these are included in the annual report each year. Factors that the Committee may consider include the strategic plan, the annual budget, economic conditions, individuals' areas of responsibility, the Committee's expectations over the relevant period and input from the major shareholder.

## Committee discretion in operation of variable pay schemes

The Committee operates under the powers it has been delegated by the Board. In addition, it complies with rules that are either subject to shareholder approval (the LTIP) or approval from the Board (the annual bonus scheme). These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Policy is fair, both to the individual director and to shareholders. The Committee also has discretion to set components of remuneration within a range, from time to time. The extent of such discretion is set out in the relevant rules, the maximum opportunity or the performance metrics section of the Policy table above. To ensure the efficient administration of the variable incentive plans outlined above, the Committee will apply certain operational discretions. These include the following:

- selecting the participants in the plans;
- determining the timing of grants of awards and/or payments;
- determining the quantum of awards and/or payments (within the limits set out in the Policy table above);
- determining the choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the Policy set out above and the rules of each plan;
- determining the extent of vesting based on the assessment of performance and discretion relating to measurement of performance in certain events such as a change of control or reconstruction;
- whether malus and clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which they shall be applied;
- making appropriate adjustments required in certain circumstances, for instance for changes in capital structure;
- determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan, where applicable, from year to year.

If an event occurs which results in the annual bonus plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. material acquisition or divestment or an unforeseen material change in gaming regulation or taxation which was unforeseen at the time the measures and targets were set), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions. Any use of the above discretion would, where relevant, be explained in the annual report on remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

## Legacy arrangements

The Committee may approve payments to satisfy commitments agreed prior to the approval of this Policy. This includes previous incentive awards that are currently outstanding such as the 2014/15 LTIP award. The Committee may also approve payments outside of the Policy in order to satisfy legacy arrangements made to an employee prior to (and not in contemplation of) promotion to the Board.

All historic awards that were granted but remain outstanding are eligible to vest, based on their original award terms.

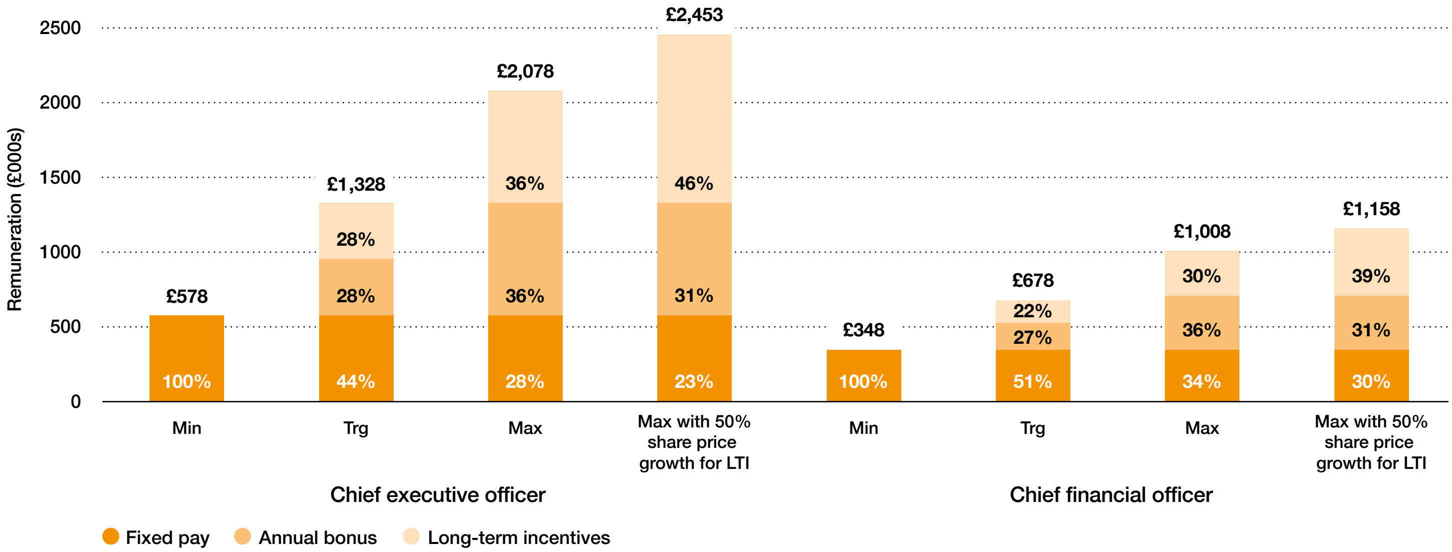
## Differences in the Policy for executives relative to the broader employee population

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

- salaries are reviewed annually with regard to the same factors as those set out in the Policy table for executive directors;
- members of the executive committee participate in an annual bonus plan dependent on profit performance of the Group. Other members of senior management participate in the same plan, dependent on profit performance of the Group or EBITDA performance of brand, according to their role and level;
- members of the senior management team can be considered for awards under the LTIP. This is intended to encourage share ownership in the Company and align the management team with the strategic business plan; and
- eligibility for and provision of benefits and allowances varies by level and local market practice. It is standard for senior executives to receive a company car allowance. Pension provision below Board level is overall at lower contribution rates, with the majority of the Group's eligible employees now being automatically enrolled into the NEST Workplace Pension Scheme with contributions in line with legislative requirements. However, a significant proportion of employees remain in the Group's Retirement Savings Plan, with contribution levels higher than mandatorily required.

## Potential reward opportunities at different levels of performance

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




**Minimum:** Comprises the value of fixed pay using the current base salary and pension and the value of last year's benefits.

**Target:** Minimum plus assumes half of the bonus is earned and the LTIP vests at 50%.

**Maximum:** Minimum plus assumes full bonus is earned and the LTIP vests in full.

Actual LTIP awards made during 2017/18 to the chief executive and chief financial officer are shown on an annualised basis reflecting no grants until 2021/22.

## Remuneration for appointments

The Committee will apply the existing Policy to new executive directors in respect of all components of remuneration. Base salary and benefits will be set in accordance with the Policy and relocation assistance may be provided for both internal and external appointments, if necessary. In addition, the maximum level of annual bonus which may be earned is 150% of base salary for a chief executive and 120% of base salary for other executive directors.

New directors may participate in the LTIP and receive an award of up to 600% of base salary for a chief executive and 450% of base salary for other directors. These are the aggregate limits that may be made over a four-year period. Annual grants at lower values may be made as long as the aggregate value over a four-year period does not exceed the limits set out above and in the Policy table.

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

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

## Approach to termination payments

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

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

Annual bonus awards will normally lapse in their entirety in the event an individual is no longer employed or serving their notice period at the time of pay-out. For certain good leaver reasons, a bonus may become payable at the discretion of the Committee.

If the holder of a LTIP award ceases, for any reason, to be an executive director or employee of a Group company, that holder's LTIP award shall lapse immediately upon them ceasing to be an executive director or employee. However, the Committee may in its absolute discretion allow awards to continue until the normal vesting date or for vesting to be accelerated to the date of cessation and in either case the extent to which that award shall vest may be subject to the achievement of the relevant performance conditions and pro-ration on a time-apportioned basis at the Committee's discretion. Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to past performance to the date of leaving.

## Change of control

In the event of a change of control, the Committee has absolute discretion as to whether and on what basis awards should vest under the LTIP. The Committee would normally allow awards to vest upon a change of control subject to satisfaction of performance criteria and reduction on a time-apportioned basis.

## Executive directors' service agreements

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

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

| Provision | Detailed terms |
|---|---|
| Remuneration | • Base salary, pension and benefits<br>• Cash car allowance<br>• Private health insurance for director and dependants<br>• Life assurance<br>• Permanent health insurance<br>• Participation in annual bonus plan, subject to plan rules<br>• Participation in LTIP, subject to plan rules<br>• 25 days' paid annual leave, increasing to 30 days with length of service |
| Notice period | Six months' notice from both the Company and the director. |
| Termination payment | Payment in lieu of notice equal to:<br>• six months' base salary<br>• cash car allowance<br>• pension supplement<br>All of the above would be paid in monthly instalments, subject to an obligation on the part of the director to mitigate his loss such that payments would either reduce, or cease completely, in the event that the director gained new employment. |
| Restrictive covenants | During employment and for six months after leaving. |

Copies of the executive directors' service contracts are available for inspection at the Company's registered office.

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

Length of service for executive directors who served on the Board during the year, together with the date of their respective service agreements, is as follows:

| Position | Name | Date of contract | Length of Board service as at 30 June 2019 |
|---|---|---|---|
| Chief executive | John O'Reilly | 30 April 2018 | **1 year 2 months** |
| Finance director | Clive Jennings | 27 July 2011 | **7 years**[1] |
| Managing director, retail | Alan Morgan | 6 September 2016 | **1 year 2 months**[2] |
| Chief financial officer | Bill Floydd | 12 November 2018 | **2 months**[3] |

1. Clive Jennings stepped down from the Board and left the Company on 17 August 2018.
2. Alan Morgan stepped down from the Board and left the Company on 31 July 2019.
3. Bill Floydd was appointed to the Board on 1 May 2019.

## Chairman

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

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

On 1 May 2019, the Company announced that it had been notified by the chair that he does not intend to stand for re-election at the Company's AGM on 17 October 2019 ("2019 AGM"). Following the approval of the Board, Alex Thursby will succeed Ian Burke as chair with effect from the end of the 2019 AGM. Alex has a letter of engagement dated 21 August 2019, which is effective from 17 October 2019 and will replace his non-executive director letter of engagement dated 21 June 2017. The terms of his appointment are the same as those that apply to the current chair.

## Policy for non-executive directors

| Component | **Purpose and link to business strategy** | Mechanics operation and performance framework | **Maximum** |
|---|---|---|---|
| Fees | To attract and retain skilled, high-calibre individuals to deliver the Group's strategy. | Fees are reviewed in the final quarter of each calendar year to reflect appropriate market conditions.<br>Fee increases, if applicable, are effective from 1 April the following year.<br>The base fee includes membership of the audit, remuneration, nominations and finance committees.<br>Non-executive directors are not entitled to any benefits in kind and are not eligible for pension scheme membership, bonus or incentive arrangements. | Aggregate annual fees limited to £750,000 by the Company's articles of association.<br>Current fee levels are set out in the annual report on remuneration. |

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

| Non-executive director | Original date of appointment | Date of letter of engagement | **Total length of service as at 30 June 2019** |
|---|---|---|---|
| Lord Kilmorey | 1 May 2012 | 29 March 2012 | **6 years 5 months[1]** |
| Chris Bell | 1 June 2015 | 5 May 2015 | **4 years 1 month** |
| Susan Hooper | 1 September 2015 | 11 August 2015 | **3 years 10 months** |
| Steven Esom | 1 March 2016 | 24 February 2016 | **3 years 4 months** |
| Alex Thursby | 1 August 2017 | 21 June 2017 | **1 year 11 months** |
| Tang Hong Cheong | 15 January 2019 | 15 January 2019 | **5 months** |

1. Lord Kilmorey did not offer himself for re-election by shareholders at the 2018 AGM and stepped down from the Board on 18 October 2018.

## Shareholder engagement

In designing the Policy, the Committee consulted with the majority shareholder and took into account the latest trends in executive pay and good governance. While the concept of a block award as set out in the Policy is out of line with typical practice in the UK, the Committee took advice from the majority shareholder who supports this type of structure. The Committee does, however, remain mindful of shareholders' concerns and will keep the block award structure under review. The Committee informs major shareholders in advance of any material changes to the Policy and will offer a meeting to discuss these details, if required.

## Statement of consideration of employment conditions elsewhere in the Group

As described in the notes to the Policy table on page 82, the overarching themes of the Policy in place for executive directors are broadly consistent with those applied to the wider employee population. The Committee is informed of pay and conditions in the wider employee population and takes this into account when setting senior executive pay.

## Annual remuneration report

The directors' remuneration report has been prepared on behalf of the Board by the Committee, under the chairmanship of Steven Esom.

The Committee has applied the principles of good governance set out in the FRC's Corporate Governance Code 2016 and, in preparing this report, has complied with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'). The FRC's Corporate Governance Code 2018 ('2018 Code') does not apply to this report; it will apply to the Company in respect of its 2019/20 financial year. The Committee will review the remuneration practice during the course of 2019/20 financial year and report on how the new governance requirements and shareholder expectations will be reflected in our practice in the directors' remuneration report for 2019.

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

### Directors' single remuneration figure (Audited)

The table below presents a single remuneration figure for each director for the years ended 30 June 2019 and 30 June 2018 in respect of performance during the years ended on those dates:

| | Fixed pay (£) | | | | Performance pay (£) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2018/19 | Salary/fees | Taxable benefits[5] | Pension | Sub-total | Cash bonus | Deferred bonus | 3-year block LTIP award vesting | Sub-total | 2018/19 total remuneration (£) |
| **Executive directors** | | | | | | | | | |
| John O'Reilly | **500,000** | **30,864** | **49,464** | **580,328** | **0** | **0** | **n/a** | **0** | **580,328** |
| Bill Floydd[1] | **50,000** | **3,370** | **3,995** | **57,365** | **0** | **0** | **n/a** | **0** | **57,365** |
| Clive Jennings[2] | **32,793** | **3,168** | **6,309** | **42,270** | **0** | **0** | **n/a** | **0** | **42,270** |
| Alan Morgan | **375,000** | **23,590** | **37,567** | **436,157** | **0** | **0** | **n/a** | **0** | **436,157** |
| **Non-executive directors** | | | | | | | | | |
| Chris Bell | **52,500** | **n/a** | **n/a** | **52,500** | **n/a** | **n/a** | **n/a** | **n/a** | **52,500** |
| Ian Burke | **160,000** | **n/a** | **n/a** | **160,000** | **n/a** | **n/a** | **n/a** | **n/a** | **160,000** |
| Steven Esom | **57,500** | **n/a** | **n/a** | **57,500** | **n/a** | **n/a** | **n/a** | **n/a** | **57,500** |
| Susan Hooper | **52,468** | **n/a** | **n/a** | **52,468** | **n/a** | **n/a** | **n/a** | **n/a** | **52,468** |
| Lord Kilmorey[3] | **16,256** | **n/a** | **n/a** | **16,256** | **n/a** | **n/a** | **n/a** | **n/a** | **16,256** |
| Tang Hong Cheong[4] | **n/a** | **n/a** | **n/a** | **0** | **n/a** | **n/a** | **n/a** | **n/a** | **0** |
| Alex Thursby | **59,000** | **n/a** | **n/a** | **59,000** | **n/a** | **n/a** | **n/a** | **n/a** | **59,000** |

| | Fixed pay (£) | | | | Performance pay (£) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2017/18 | Salary/fees | Taxable benefits[5] | Pension | Sub-total | Cash bonus | Deferred bonus | 3-year block LTIP award vesting | Sub-total | 2017/18 total remuneration (£) |
| **Executive directors** | | | | | | | | | |
| John O'Reilly | 76,282 | 4,268 | 7,536 | 88,086 | 0 | 0 | n/a | 0 | 88,086 |
| Clive Jennings[6] | 319,730 | 21,093 | 46,540 | 383,816 | 10,000 | 0 | n/a | 10,000 | 393,816 |
| Alan Morgan | 55,769 | 3,437 | 5,411 | 64,617 | 25,675 | 0 | n/a | 25,675 | 90,292 |
| **Non-executive directors** | | | | | | | | | |
| Chris Bell | 52,500 | n/a | n/a | 52,500 | n/a | n/a | n/a | n/a | 52,500 |
| Ian Burke | 160,000 | n/a | n/a | 160,000 | n/a | n/a | n/a | n/a | 160,000 |
| Steven Esom | 57,500 | n/a | n/a | 57,500 | n/a | n/a | n/a | n/a | 57,500 |
| Susan Hooper | 50,000 | n/a | n/a | 50,000 | n/a | n/a | n/a | n/a | 50,000 |
| Lord Kilmorey | 50,875 | n/a | n/a | 50,875 | n/a | n/a | n/a | n/a | 50,875 |
| Alex Thursby | 52,209 | n/a | n/a | 52,209 | n/a | n/a | n/a | n/a | 52,209 |

1. Bill Floydd was appointed to the Board on 1 May 2019.
2. Unaudited note: Clive Jennings stepped down from the Board on 17 August 2018. He received a 2014/15 LTIP award, which was a 'block award' covering three annual awards with no awards made in 2015/16 and 2016/17, and a performance period ending on 30 June 2017. This structure resulted in a reported LTIP vesting value for 2016/17 once the performance period had finished with no vesting value in 2017/18 or 2018/19. If this value was spread by reference to the tranches capable of vesting each year, the 2018/19 vesting value would be £80,658 for the finance director (reflecting the third tranche that vested early on 3 December 2018 based on the share price of £1.4153 on the date of vesting), making his respective 2018/19 total remuneration £122,928.
3. Lord Kilmorey stepped down from the Board on 18 October 2018.
4. Tang Hong Cheong was appointed to the Board on 15 January 2019. He does not receive any payment for his role as a non-executive director.
5. Taxable benefits comprise car allowance, fuel benefit, and life, long-term disability and private medical insurances, as detailed on page 78.
6. Unaudited note: the 2014/15 LTIP award was a 'block award' covering three annual awards with no awards made in 2015/16 and 2016/17, and a performance period ending on 30 June 2017. This structure resulted in a reported LTIP vesting value for 2016/17 once the performance period had finished with no vesting value in 2017/18 or 2018/19. If this value was spread by reference to the tranches capable of vesting each year, the 2017/18 vesting value would be £148,998 for the finance director (reflecting the second tranche that vested on 1 December 2018 based on the average share price for the three months to 30 June 2018 of £2.1787), making his respective 2017/18 total remuneration £542,814.

Non-executive directors receive fees only, details of which are provided on page 86 together with the non-executive chairman's fees. These amounts are within the maximum annual aggregate amount of £750,000 currently permitted by the Company's articles of association.

The aggregate total annual amount received by all directors during the year ended 30 June 2019 is shown below:

| | 2018/19[1] | 2017/18[2] |
|---|---|---|
| Executive directors | £1,116,120 | £1,059,200 |
| Chairman and non-executive directors | £397,724 | £441,004 |
| Total | £1,513,844 | £1,500,204 |

1. Unaudited note: Clive Jennings received a 2014/15 LTIP award, which was a 'block award' covering three annual awards with no awards made in 2015/16 and 2016/17, and a performance period ending on 30 June 2017. This structure resulted in a reported LTIP vesting value for 2016/17 once the performance period had finished with no vesting value in 2017/18 or 2018/19. If this value was spread by reference to the tranches capable of vesting each year, the 2018/19 vesting value would be £80,658 for the finance director (reflecting the third tranche that vested early on 3 December 2018 based on the share price of £1.4153 on the date of vesting), making his respective 2018/19 total remuneration £122,928.
2. Unaudited note: the 2014/15 LTIP award was a 'block award' covering three annual awards with no awards made in 2015/16 and 2016/17, and a performance period ending on 30 June 2017. This structure resulted in a reported LTIP vesting value for 2016/17 once the performance period had finished with no vesting value in 2017/18 or 2018/19. If this value was spread by reference to the tranches capable of vesting each year, the 2017/18 vesting value would be £148,998 for the finance director (reflecting the second tranche that vested on 1 December 2018 based on the average share price for the three months to 30 June 2018 of £2.1787), making his respective 2017/18 total remuneration £542,814.

## Base salary (Audited)

Salaries were subject to a review during the year with any increases applying from the salary review date, 1 April 2019. No increases were awarded and therefore base salaries remain unchanged.

| | 1 April 2019 | 1 April 2018 | % change |
|---|---|---|---|
| Chief executive | £500,000 | £500,000 | 0% |
| Chief financial officer | £300,000 | – | N/A |

## Annual bonus plan (Audited)

The bonus for 2018/19 was based primarily on the following challenging profit-after-tax targets. Straight line vesting applies between threshold and maximum.

| Pay-out | Threshold (0%) | Target (50%) | Maximum (100%) | Actual | Payout (% of max) |
|---|---|---|---|---|---|
| PAT | £57.73m | £60.77m | £66.84m | £57.70m | 0% |

Alan Morgan, managing director, retail, was not eligible for a bonus in respect of the 2018/19 financial year following his notice of resignation in April 2019. Below threshold target performance meant that no payments were made to executive directors under the annual bonus plan on the basis of these financial measures and, whilst the Committee has discretion under the Policy, acting fairly and reasonably, to alter the bonus outcome in light of the underlying performance of the Group or an individual, taking account of any factors it considers relevant, no such discretion was exercised in respect of the 2018/19 financial year.

## Long-term incentives (Audited)

The LTIP is currently the only long-term incentive scheme in place for the executive directors and other senior executives. A single LTIP award was granted on 28 June 2018 to John O'Reilly and Alan Morgan, and on 22 November 2018 to Bill Floydd, based on performance over the four-year period ending 30 June 2021. The awards made will cover four years of annual grants.

| Director | Single award made in 2017/18 and 2018/19 | | |
|---|---|---|---|
| | Chief executive (John O'Reilly) | Managing director, retail (Alan Morgan)[2] | Chief financial officer (Bill Floydd) |
| Plan | 2010 LTIP | 2010 LTIP | 2010 LTIP |
| Date of grant | 28 June 2018 | 28 June 2018 | 22 November 2018 |
| Number of shares comprised in award | 1,594,387 | 896,843 | 770,713 |
| Performance period | | | 1 July 2017 to 30 June 2021 |
| Earliest vest date for first instalment[1] | | | 1 October 2021 (33.3%) |
| Vest date for second instalment | | | 1 October 2022 (33.3%) |
| Vest date for third instalment | | | 1 October 2023 (33.4%) |

1. The first instalment of Bill Floydd's LTIP award will vest on 22 November 2021, with the following instalments vesting on the same dates as the other directors.
2. Alan Morgan left the Company on 31 July 2019 and his LTIP award, as set out in this table, lapsed on such date.

70% of the award is subject to financial performance measured over the four financial years to 30 June 2021 with the remaining 30% of the award based on strategic measures relating to individual business units, as detailed below:

## Financial performance targets

| | | Target | | Stretch | |
|---|---|---|---|---|---|
| Financial performance target | Weighting | Required performance | Extent of vesting of applicable part of award | Required performance | Extent of vesting of applicable part of award |
| EPS | 40% | 21.9p | 50% | 25.8p or above | 100% |
| Digital net gaming revenue | 7.5% | £173.9m | 50% | £212m or above | 100% |
| Digital profit | 7.5% | £41.3m | 50% | £56.9m or above | 100% |
| London revenue | 7.5% | £170.3m | 50% | £183.6m or above | 100% |
| London profit | 7.5% | £34.7m | 50% | £38.8m or above | 100% |

## Strategic performance targets

| | | | Target | | Stretch | |
|---|---|---|---|---|---|---|
| Strategic performance target CEO & Corporate Office | Measure | Weighting | Required performance | Extent of vesting of applicable part of award | Required performance | Extent of vesting of applicable part of award |
| Capital value creation (20%) | International revenue | 10% | €85.2m | 50% | €107.0m | 100% |
| | Operating margin as a percentage of target | 10% | 11.0% | 50% | 12.0% | 100% |
| Digital division targets (5%) | Achievement of the strategic targets for digital (as set out below) | 5% | 50% | 50% | 100% | 100% |
| Retail division targets (5%) | Achievement of the strategic targets for retail (as set out below) | 5% | 50% | 50% | 100% | 100% |

| | | | Target | | Stretch | |
|---|---|---|---|---|---|---|
| Strategic performance target Digital | Measure | Weighting | Required performance | Extent of vesting of applicable part of award | Required performance | Extent of vesting of applicable part of award |
| Capital value creation (20%) | Digital revenue growth | 10% | £159.9m | 50% | £197.3m | 100% |
| | Digital operating margin | 10% | 19.5% | 50% | 22.0% | 100% |
| Digital division targets (5%) | Digital operating profit | 5% | £32.5m | 50% | £44.1m | 100% |
| Retail division targets (5%) | Percentage of retail to digital customer crossover | 5% | 10.8% | 50% | 15.0% | 100% |

| | | | Target | | Stretch | |
|---|---|---|---|---|---|---|
| Strategic performance target Retail | Measure | Weighting | Required performance | Extent of vesting of applicable part of award | Required performance | Extent of vesting of applicable part of award |
| Capital value creation (20%) | Retail revenue growth | 10% | £572.0m | 50% | £573.4m | 100% |
| | Retail operating margin | 10% | 13.6% | 50% | 13.9% | 100% |
| Digital division targets (5%) | Percentage of retail to digital customer crossover | 5% | 10.8% | 50% | 15.0% | 100% |
| Retail division targets (5%) | Retail operating profit | 5% | £77.7m | 50% | £79.7m | 100% |

## Appointment of Bill Floydd as the chief financial officer

Bill Floydd was appointed as chief financial officer on 12 November 2018 and subsequently to the Board on 1 May 2019. His remuneration package was approved by the Committee and is in line with the Policy. It comprises an annual salary of £300,000, a pension allowance of 10% of salary (less lower earnings limit offset), and benefits in line with Policy. Bill is eligible to participate in the Company's annual bonus, receiving a maximum bonus opportunity of 120% of salary, and he received an LTIP award of 400% of salary (as compared to a maximum award under the Policy for new directors of 600%).

## Appointment of Tang Hong Cheong as a non-executive director

Tang Hong Cheong was appointed to the Board as a non-executive director on 15 January 2019, as a representative of the Company's majority shareholder, Guoco Group Limited, and no fees are payable to Hong Cheong in connection with such appointment.

## Historic chief executive pay and TSR chart (unaudited)

The tables below show former and current chief executive total remuneration over the last ten years and their achieved annual variable and long-term incentive pay awards as a percentage of the plan maximum:

| John O'Reilly (from 7 May 2018) | | Single figure of total remuneration | Annual cash bonus: actual pay out vs. maximum opportunity | LTIP vesting rates against maximum opportunity |
|---|---|---|---|---|
| 2018/19 | (12 months) | 580,328 | 0% | n/a |
| 2017/18 | (2 months) | £88,086 | 0% | n/a |

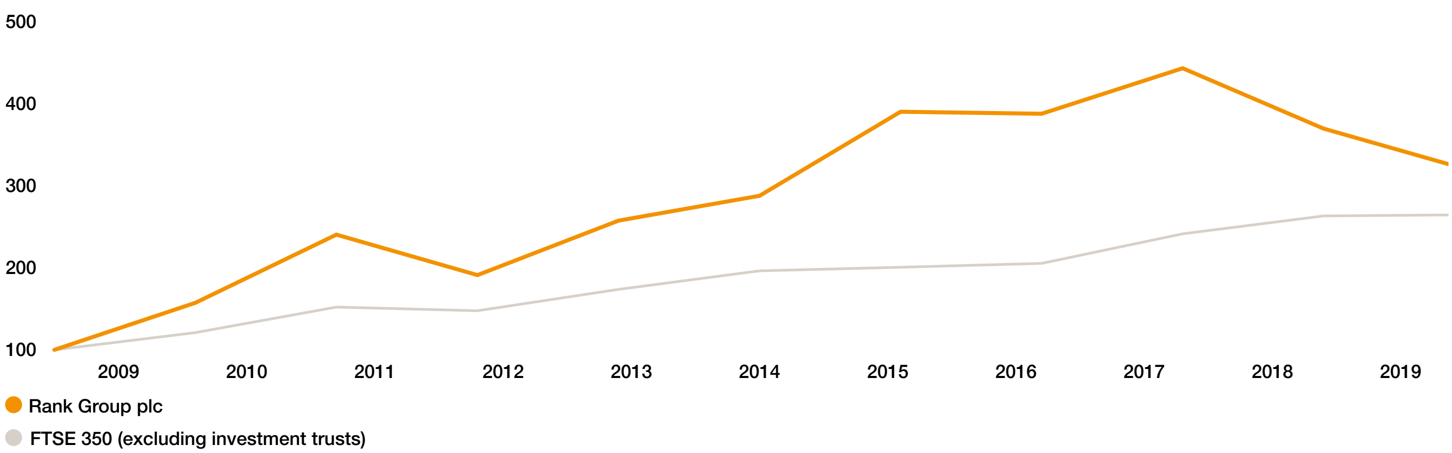
| Henry Birch (from 6 May 2014 until 7 May 2018) | | Single figure of total remuneration | Annual cash bonus: actual pay out vs. maximum opportunity | LTIP vesting rates against maximum opportunity |
|---|---|---|---|---|
| 2017/18 | (10 months) | £487,006 | 0.00% | n/a |
| 2016/17 | (12 months) | £886,144 | 63.15% | 37.50% |
| 2015/16 | (12 months) | £932,639 | 80.00% | n/a |
| 2014/15 | (12 months) | £916,010 | 87.20% | n/a |
| 2013/14 | (2 months) | £81,850 | 0.00% | n/a |

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

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

The following graph illustrates the Company's total shareholder return ('TSR') performance compared with the FTSE 350 index (excluding investment trusts) for the ten years to 30 June 2019. The Committee has selected this index as the Company was a constituent of the FTSE 350 for the entirety of this period.

### Total shareholder return




This graph shows the value, by 30 June 2019, of £100 invested in Rank Group plc on 30 June 2009, compared with the value of £100 invested in the FTSE 350 (excl. investment trusts) Index on the same date.

## Benefits

| Executive director | Company car | Other benefits | Total benefits paid |
|---|---|---|---|
| John O'Reilly | **£20,000** | **£10,864** | **£30,864** |
| Bill Floydd | **£2,125** | **£1,245** | **£3,370** |
| Clive Jennings | **£1,663** | **£1,505** | **£3,168** |
| Alan Morgan | **£12,750** | **£10,840** | **£23,590** |

## Leaving arrangements (Audited)

As previously disclosed in last year's report, Clive Jennings, former finance director, stepped down from the Board and left the business on 17 August 2018 ('Leaving Date'). Clive was subject to a 12-month contractual notice period. However, by agreement with the Company, his employment terminated on the Leaving Date and he received payment in lieu of his notice period in respect of his base salary, car allowance and pension contribution salary supplement in monthly instalments, subject to a duty to mitigate. In recognition of his loyalty to, and significant contribution to the development of, the Company, the Committee exercised its discretion to treat Clive as a good leaver in respect of his right to receive an annual bonus in respect of 2017/18 financial year and awarded him a bonus of £10,000 (3.13% of salary) to reflect his individual performance during the year. No annual cash bonus would be payable to Clive for the financial year ending 30 June 2019. Also in recognition of his loyalty to, and significant contribution to the development of, the Company, the Committee exercised its discretion to treat Clive as a 'good leaver' in respect of the LTIP award made in 2015 to the extent it was still to vest (being 55% of such award, in two remaining tranches of 30% and 25%), and to accelerate the vesting of the final tranche of such award such that the remaining two tranches vested together in December 2018. Such award was not pro-rated, on the basis that the performance period in respect of such award ended on 30 June 2017. The award made in 2018 lapsed on the Leaving Date. Clive has not and will not receive any payment for loss of office. The Committee approved these arrangements, in line with the Policy.

Lord Kilmorey stepped down from the Board on 18 October 2018. Lord Kilmorey did not receive any payment in lieu of notice or any payment for loss of office.

Alan Morgan stepped down from the Board and left the business on 31 July 2019. His employment terminated on this date and Alan did not receive any payment in lieu of notice or any payment for loss of office. His 2017/18 LTIP awards lapsed in full.

The position adopted in relation to such departing directors is, in each case, in accordance with the Policy.

## External appointments (Unaudited)

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

## Share ownership guidelines and directors' interests in shares (Audited)

Increased share ownership guidelines of 200% of salary for all executive directors were approved at the 2018 General Meeting, subject to there being sufficient free float. Executives will have five years from appointment to build up shareholdings.

Shareholdings of directors of the Company and its subsidiaries are not considered to be in public hands for the purposes of determining the sufficiency of the percentage of shares in public hands (the 'free float') in the context of qualification for a listing on the UKLA's premium market. In view of the low level of free float following the completion of Guoco Group Limited's general offer for Rank in July 2011, the non-executive director quarterly share purchase programme and the shareholding guidelines for executive directors and other members of the executive committee who are directors of Rank subsidiary companies were suspended on 14 December 2011. The suspension was lifted on 2 March 2015 when free float was comfortably in excess of 25% but the guidelines were re-suspended on 22 June 2016 pending a restoration of the Company's free float to a higher level. At present, such guidelines remain suspended. For further information with regard to the Company's free float position, please see page 97.

Directors' shareholdings as at 30 June 2019 are set out in the table below:

| Name | **Ordinary shares as at 30 June 2019** | Ordinary shares as at 30 June 2018 | Ordinary shares as at 30 June 2017 |
|---|---|---|---|
| **Non-executive directors** | | | |
| Chris Bell | **0** | 0 | 0 |
| Ian Burke | **579,556** | 579,556 | 763,556 |
| Steven Esom | **0** | 0 | 0 |
| Susan Hooper | **0** | 0 | 0 |
| Lord Kilmorey | **21,100**[1] | 21,100 | 21,100 |
| Tang Hong Cheong | **70,000** | n/a | n/a |
| Alex Thursby | **0** | 0 | n/a |
| **Executive directors** | | | |
| John O'Reilly | **160,000** | 160,000 | n/a |
| Bill Floydd | **0** | n/a | n/a |
| Clive Jennings | **119,071**[2] | 119,071 | 62,500 |
| Alan Morgan[3] | **0** | 0 | n/a |

1. Lord Kilmorey's shareholding is as at 18 October 2018, when he stepped down from the Board.
2. Clive Jennings' shareholding is as at 17 August 2018, when he stepped down from the Board.
3. Alan Morgan stepped down from the Board on 31 July 2019.

## Dilution limits

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

The Committee regularly monitors the position and prior to the making of any award considers the effect of potential vesting of awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market-purchased shares are excluded from the calculations. No treasury shares were held or utilised in the year ended 30 June 2019.

## Relative importance of spend on pay (Unaudited)

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

| | **2018/19** | 2017/18 | Percentage change |
|---|---|---|---|
| Overall expenditure on pay | **£201.3m** | £214.3m | (6.1%) |
| Dividend paid in the year | **£29.1m** | £29.1m | 0% |
| Share buyback | **nil** | nil | n/a |

## Statement of change in pay of chief executive compared with other employees (Unaudited)

The table below sets out the chief executive's base salary, benefits and annual bonus amounts for the year ended 30 June 2019, alongside the average change in gross earnings for all UK employees across the Group.

| | Chief executive | | All UK employees[1] |
|---|---|---|---|
| | **12 months to 30 June 2019** | Percentage change (2017/18 vs 2018/19) | Percentage change (2017/18 vs 2018/19) |
| Salary | **£500,000** | 0.7% | n/a |
| Benefits | **£30,864** | 4.1.% | n/a |
| Bonus | **£0** | 0.0% | n/a |
| Gross earnings[2] | **£530,864** | 0.9% | -6.87% |

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

## Role and remit of the Committee (Unaudited)

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

The Committee ordinarily has four formally scheduled meetings a year to discuss a rolling agenda of items and additional meetings are convened as necessary. The Committee's formal terms of reference are available on Rank's website at www.rank.com or by written request to the company secretary.

## Committee membership during the year and attendance (Unaudited)

The Committee comprises all the independent non-executive directors. The company secretary acts as secretary to the Committee. Details of all members during the year are set out below.

The Committee met on four formally scheduled occasions during the year under review and the attendance of its members at such meetings is set out on page 63.

## Committee activity during the year (Unaudited)

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

- the ongoing suitability of the remuneration policy;
- shareholder feedback on the annual remuneration report and on remuneration matters following meetings with major shareholders;
- April 2019 fixed pay review;
- 2017/18 and 2018/19 annual bonus payments;
- 2019/20 annual bonus plan structure and targets;
- outcome of the 2014/15 to 2016/17 LTIP grant;
- proposed 2017/18 LTIP strategic targets;
- remuneration of new executive directors and executive committee members appointed during 2018/19;
- arrangements in relation to departing directors;
- corporate governance and regulatory matters;
- executive director shareholding guidelines and the Company's free float position;
- review and approval of annual remuneration report;
- review and approval of the Company's gender pay gap report; and
- the Committee's effectiveness.

## Committee membership during the year

| Name | **Committee membership since** | Notes |
|---|---|---|
| Chris Bell | June 2018 | |
| Steven Esom (chair) | March 2016 | Steven Esom became Committee chair in March 2016 |
| Susan Hooper | September 2015 | |
| Alex Thursby | August 2017 | |

## Advisers to the Committee (Unaudited)

The Committee has access to external information and research on market data and trends from independent consultants. The Committee is advised by the Executive Compensation practice of Aon plc ('Aon'), who were appointed as external remuneration advisers to the Committee in January 2017. Aon is a founder member of the Remuneration Consultants' Group and complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence.

During the year, the Committee requested Aon to advise on all aspects of remuneration practice. Aon also provided the TSR performance graph for the directors' remuneration report. Aon was paid fees totalling £55,671 for services provided to the Committee during the year (fees are based on hours spent). Aon did not provide any other services to the Group during the period under review.

## Committee evaluation (Unaudited)

The Committee noted the findings of the externally facilitated committee evaluation exercise, conducted by Lintstock Limited during the financial year. It concluded that the Committee operates effectively and identified from such findings that the main areas on which it should focus in the forthcoming year are:

- reviewing executive incentives and reward and considering the extent to which management incentives are, and continue to be, aligned with the Company's strategic aims, its long-term sustainable success and the expectations of investors;
- continuing to engage with shareholders; and
- playing its part in supporting the executive to truly embrace diversity and place further focus on the reduction of pay gaps within the business.

## Statement of shareholder voting (Unaudited)

The table below shows the voting outcome of the directors' remuneration policy at the April 2018 General Meeting and the voting outcome for the 2017/18 directors' remuneration report at the October 2018 Annual General Meeting. Votes are shown both including and excluding the Company's majority shareholder:

**April 2018 Approval of Directors' Remuneration Policy**

| | No. of votes 'For' and 'Discretionary' | % of votes cast | No. of votes 'Against' | % of votes cast | Total no. of votes cast | % of total shareholders eligible to vote | No. of votes 'Withheld'[1] |
|---|---|---|---|---|---|---|---|
| Including majority shareholder | 296,837,071 | 91.41% | 27,877,602 | 8.59% | 324,714,673 | 83.11% | 35,361,974 |
| Excluding majority shareholder | 77,416,850 | 73.52% | 27,877,602 | 26.48% | 105,294,452 | 61.46% | 35,361,974 |

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

**October 2018 2017/18 Annual Report on Directors' remuneration**

| | No. of votes 'For' and 'Discretionary' | % of votes cast | No. of votes 'Against' | % of votes cast | Total no. of votes cast | % of total shareholders eligible to vote | No. of votes 'Withheld'[1] |
|---|---|---|---|---|---|---|---|
| Including majority shareholder | 323,451,489 | 95.56% | 15,018,245 | 4.44% | 338,469,734 | 86.64% | 36,186,671 |
| Excluding majority shareholder | 104,101,268 | 87.39% | 15,018,245 | 12.61% | 119,119,513 | 69.53% | 36,186,671 |

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

Following the 2018 Annual General Meeting, the Committee reflected on the voting of its shareholders (excluding the majority shareholder) on the 2017/18 report and, during the year, the senior non-executive director and the chair of the Committee engaged with institutional investors providing an opportunity to raise any concerns and give further feedback.

## Implementation of policy in 2019/20 (Unaudited)

### Salaries

Salaries will be reviewed during the year with any changes effective 1 April 2020. Current base salaries are as follows:

- John O'Reilly – £500,000
- Bill Floydd – £300,000

### Pension policy

There will be no change to pension arrangements:

- John O'Reilly – 10% of salary (less lower earnings limited offset)
- Bill Floydd – 10% of salary (less lower earnings limited offset)

## Annual bonus

The maximum bonus potential for the chief executive is 150% of salary and 120% of salary for the chief financial officer. Performance will continue to be based on stretching profit-after-tax targets. Disclosure of the targets is considered commercially sensitive and therefore will be disclosed retrospectively in next year's report. Any bonus payable in excess of 100% of salary for the chief executive and 80% of salary for the chief financial officer will be deferred into shares for two years. The remainder will be payable in cash.

## Long-term incentive

No awards will be made to existing executive directors in FY 2019/20.

## Non-executive director fees

Non-executive director annual base and additional fees effective 1 April 2020 comprise:

| | |
|---|---|
| Base non-executive annual fee | £50,000 |
| Audit committee chair | £9,000 |
| Remuneration committee chair | £7,500 |
| Safer gambling committee chair | £3,500 |
| Senior independent director | £2,500 |

# Directors' report

The directors present their report together with the audited consolidated financial statements for the year ended 30 June 2019.

The Companies Act 2006 ('CA 2006'), the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the '2008 Regulations'), the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, the Financial Reporting Council's UK Corporate Governance Code (April 2016) (the 'Code'), the Financial Conduct Authority's (FCA) Listing Rules (LR) and the FCA's Disclosure Rules and Transparency Rules ('DTR') contain mandatory disclosure requirements in relation to this annual report in respect of the year ended 30 June 2019.

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

Strategic report disclosures – Information that the Board considers to be of strategic importance which would otherwise need to be disclosed in the directors' report has been included in the strategic report as permitted by Section 414C(11) of the CA 2006.

References to where that information can be found are provided in the index below.

| Information required in the directors' report which has been disclosed within the strategic report | Location in strategic report | Page no |
|---|---|---|
| Business description | Group at a glance | 2–3 |
| Business objectives, strategies and likely future developments | Strategic and key performance indicators | 21-23 |
| Corporate responsibility: employees and community | Operating responsibly | 26-31 |
| Diversity | Operating responsibly | 28 |
| Dividends | Chairman's letter | 11 |
| Employment of disabled persons | Operating responsibly | 30 |
| Stakeholder engagement | Stakeholder engagement | 17 |
| Going concern and viability statement | Risk management | 49 |
| Greenhouse gas emissions | Non-financial information statement | 47 |
| Particulars of important events affecting the Company and its subsidiary undertakings occurring after the year end | Chairman's letter | 9-11 |
| Principal risks and uncertainties | Risk management | 50-51 |
| Profits | Financial review | 42 |
| Research and development | Our strategy | 21-23 |

## Disclosures required under LR 9.8.4 R

For the purpose of LR 9.8.4C R, details of the existence of the controlling shareholder relationship agreement, required to be disclosed in accordance with LR 9.8.4 R, can be found on page 96. There are no other disclosures required under this Listing Rule.

## Directors

The directors who served during the period under review are:

| Name | **Position** | Notes |
|---|---|---|
| Ian Burke | Chairman | Ian Burke will be stepping down from the Board at the forthcoming AGM |
| Chris Bell | Senior independent director | |
| Steven Esom | Non-executive director | |
| Bill Floydd | Chief financial officer | Bill Floydd was appointed on 1 May 2019 |
| Susan Hooper | Non-executive director | |
| Clive Jennings | Finance director | Clive Jennings stepped down from the Board on 17 August 2018 |
| Lord Kilmorey | Non-executive director | Lord Kilmorey stepped down from the Board on 18 October 2018 |
| Alan Morgan | Managing director, retail | Alan Morgan stepped down from the Board on 31 July 2019 |
| John O'Reilly | Chief executive | |
| Tang Hong Cheong | Non-executive director | Tang Hong Cheong was appointed on 15 January 2019 |
| Alex Thursby | Non-executive director | |

## Incorporation and registered office

The Rank Group Plc is incorporated in England and Wales under company registration number 03140769. Its registered office is at TOR, Saint-Cloud Way, Maidenhead SL6 8BN.

## Stock market listing

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

## Share capital

The Company's authorised share capital as at 30 June 2019 was £180m (£180m as at 30 June 2018), divided into 1,296,000,000 ordinary shares of 13 8/9p each. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. There were 390,683,521 shares in issue at the period end (390,683,521 as at 30 June 2018), which were held by 9,872 registered shareholders (10,109 as at 30 June 2018).

## Distribution of registered shareholders as at 30 June 2019

| Range | Total no. of registered shareholders | % of holders | Total no. of shares | % of issued share capital |
|---|---|---|---|---|
| 1 – 1,000 | **8,433** | **85.42** | **1,542,772** | **0.40** |
| 1,001 – 5,000 | **1,084** | **10.98** | **2,244,861** | **0.57** |
| 5,001 – 10,000 | **127** | **1.29** | **890,939** | **0.23** |
| 10,001 – 100,000 | **149** | **1.51** | **4,711,902** | **1.21** |
| 100,001 – 1,000,000 | **57** | **0.58** | **17,201,654** | **4.40** |
| 1,000,001 and above | **22** | **0.22** | **364,091,393** | **93.19** |
| Totals | **9,872** | **100.00%** | **390,683,521** | **100.00%** |

## Significant shareholders

Hong Leong Company (Malaysia) Berhad ('Hong Leong'), the ultimate parent company of Guoco Group Limited ('Guoco'), has a controlling interest in Rank consequent upon the general offer made by its Hong-Kong-listed subsidiary company, Guoco, via its wholly-owned subsidiary, Rank Assets Limited (then known as All Global Investments Limited), and which completed on 15 July 2011. As at 30 June 2019 and as at the date of this report, Hong Leong's interest is held as follows:

- 52.03% – Rank Assets Limited, a wholly-owned subsidiary of Guoco;
- 4.05% – GuoLine Overseas Limited, Guoco's immediate parent company; and
- 0.06% – HL Management Co Sdn Bhd, a wholly-owned subsidiary of Hong Leong.

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

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

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

### Interests of 3% or more

As at 30 June 2019 and 31 July 2019 the following interests of 3% or more of the total voting rights attached to ordinary shares have been disclosed in response to Section 793 of the CA 2006 notices issued by the Company.

| | As at 30 June 2019 | | As at 31 July 2019 | |
|---|---|---|---|---|
| Shareholder | % held | Voting rights | % held | Voting rights |
| Hong Leong Co. (Malaysia) Berhad | **56.15%** | **219,350,221** | **56.15%** | **219,350,221** |
| Ameriprise Financial, Inc. and its group of companies (Threadneedle Retail Funds – Linked Strategies) | **9.38%** | **36,658,987** | **9.39%** | **36,683,651** |
| Prudential plc and subsidiary companies | **7.68%** | **30,015,345** | **7.67%** | **29,969,167** |
| JO Hambro Capital Management | **4.69%** | **18,340,686** | **4.70%** | **18,356,026** |
| Aberforth Partners | **3.63%** | **14,179,442** | **3.72%** | **14,530,176** |

The following interests of 3% or more of the total voting rights attached to ordinary shares have been notified to the Company in accordance with the FCA's DTRs. Due to the fact that the DTRs only require notification where the percentage voting rights reach, exceed or fall below 3% and each 1% threshold above 3%, there is a difference between disclosures made pursuant to the DTRs and those disclosed in response to Section 793 of the CA 2006 notices issued by the Company as set out above.

| | | As per FCA DTRs disclosures as at 21 August 2019 | |
|---|---|---|---|
| Shareholder | Date last notified under DTR | % held | Voting rights |
| Hong Leong Co. (Malaysia) Berhad | **28 July 2015** | **56.09%** | **219,120,221** |
| Ameriprise Financial, Inc. and its group of companies | **10 Dec 2015** | **7.65%** | **29,870,389** |
| Prudential plc and subsidiary companies | **9 Mar 2012** | **5.85%** | **22,878,293** |
| Artemis Investment Management LLP | **31 May 2017** | **4.94%** | **19,287,793** |

Under Listing Rule 6.1.19 R, shares held by persons who have an interest in 5% or more of a listed company's share capital are not regarded as being in public hands (the 'free float'). Under this rule, the shares held by Hong Leong, Ameriprise and Prudential are not regarded as being in public hands. The Company's free float position as at 30 June 2019 was 26.15%.

## Rights and restrictions attaching to shares

### Voting rights

Each ordinary share carries the right to one vote at General Meetings of the Company.

### Meeting rights

Registered holders of ordinary shares are entitled to attend and speak at General Meetings and to appoint proxies.

### Information rights

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

### Share transfer restrictions

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

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

### Variation of rights

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

## Directors' powers in relation to shares

### Allotment and issue of shares

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

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

### Market purchases of own shares

The Company currently has shareholder authority to make market purchases of its own shares to a maximum of 39,068,352 ordinary shares, which power applies until the end of the forthcoming AGM. As the Board has no present intention of making a market share purchase of its own shares, this shareholder approval will not be sought at the forthcoming AGM.

## Directors' other powers

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

## Change of control

The Company's principal term loan and credit facility agreements contain provisions that, on a change of control of Rank, immediate repayment can be demanded of all advances and any accrued interest.

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

A change of control may also affect licences to operate, as specified in the provisions of the Gambling Act 2005, Alderney eGambling Regulations 2009 (as amended), the Belgian Games of Chance Act 1999 (as amended) and the Spanish Gaming Act 2011.

## Political donations

No political donations were made during the period under review.

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

## Disclosure of information to auditor

Each of the directors of the Company at the date of this report confirms that:

- so far as the director is aware, there is no information needed by the Company's auditor in connection with preparing their report of which the Company's auditor is unaware; and
- he (she) has taken all the steps that he (she) ought to have taken as a director in order to make himself (herself) aware of any information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

By order of the Board

**Luisa Wright**
Company Secretary

21 August 2019

# Directors' responsibilities

## Annual report and financial statements

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

- present fairly the financial position, financial performance and cash flows of the Group and Company;
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and final performance; and
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

## Accounting records

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

## Safeguarding assets

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

## Corporate website

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

## Statement of directors' responsibilities

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

Each of the directors named on pages 58 and 59 confirms that to the best of his/her knowledge:

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy;
- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the risks and uncertainties that they face.

On behalf of the Board

**John O'Reilly**
Chief Executive

**Bill Floydd**
Chief Financial Officer

21 August 2019

## Financial statements



## Unaudited appendix to the financial statements



## Other information



# I CREATE Solutions

***"People were front and centre of the project – whether that was team members, employees within the business or customers. We had a real sense of urgency and focus on results, but always had empathy and consideration. We're very proud of what we delivered despite the difficult subject matter and the impact on our colleagues."***

**Debbie Husband**
National Operations Director, Grosvenor casinos

Change can be difficult, especially when it comes quickly. Our task was to introduce a more efficient and effective operating model to Grosvenor's casinos that would be better aligned to serving our customer's needs. This meant changing the way people worked – especially managers – and reducing the size of the teams.

Maintaining the quality of service to customers throughout the change was a top priority and we carried out weekly reviews of results and sought customer feedback.

Everyone in our team had a defined role and responsibilities. Project meetings were open and honest and we encouraged a high level of challenge.

We worked closely with our casino teams to understand risks, issues and local requirements in order to make sure the end result was sustainable.

The programme was completed in January 2019 and delivered £8.2m of cost savings in the second half, exceeding our year 1 target.

Moving forward we'll continue to monitor the new operating model and where required amend and alter to ensure our customer's changing needs are met.


Sense of Urgency
Performance Driven
Prepared
Results Orientated
Creativity and Problem Solving
To make mistakes
Continuous Improvement

## To the members of the Rank Group Plc

### Opinion

In our opinion:

- The Rank Group Plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of The Rank Group Plc which comprise:

| Group | Parent company |
|---|---|
| • Balance sheet as at 30 June 2019 | • Balance sheet as at 30 June 2019 |
| • Group income statement for the year then ended | • Statement of changes in equity for the year then ended |
| • Group statement of comprehensive income for the year then ended | • Statement of cash flows for the year then ended |
| • Statement of changes in equity for the year then ended | • Related notes 1 to 34 to the financial statements including a summary of significant accounting policies |
| • Statement of cash flow for the year then ended | |
| • Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies | |

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 50 to 51 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 49 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 49 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 49 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Overview of our audit approach

| | |
|---|---|
| Key audit matters | • Impairment of tangible and intangible assets and adequacy of property lease provisions<br>• Indirect tax risk exposure<br>• Exceptional items<br>• Revenue recognition including the risk of management override<br>• Compliance with laws and regulations |
| Audit scope | • We performed an audit of the complete financial information of 6 components and audit procedures on specific balances for a further 17 components.<br>• The components where we performed full or specific audit procedures accounted for 98% (2017/18:99%) of Profit before tax adjusted for exceptional items, 100% (2017/18: 100%) of Revenue and 99% (2017/18: 100%) of Total Assets. |
| Materiality | • Overall group materiality of £3.4million which represents 5% of profit before tax adjusted for exceptional items. |

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

## Changes from the prior year

Our key audit matters remain largely unchanged from the prior year except for the inclusion of a specific consideration relating to an ongoing enquiry from HMRC. This has been considered as part of our existing key audit matter relating to compliance with laws and regulations.

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Impairment of tangible and intangible assets and adequacy of property lease provisions**<br>*Refer to the Audit Committee Report (page 68); Accounting policies (page 120); and Note 4 of the Consolidated Financial Statements (page 128)*<br>At 30 June 2019 the carrying value of tangible and intangible assets was £609.3 million (2017/18: £630.6 million), £397.8 million of which relate to indefinite life intangible assets (primarily casino and other gaming licences) and goodwill. | **Overall Group level:**<br>We updated our understanding of management's annual impairment testing process.<br>We validated that the methodology of the impairment exercise continues to be consistent with the requirements of IAS 36 Impairment of Assets. We also confirmed the mathematical accuracy of the models.<br>The audit team focussed on the key judgements used by management and work performed in conducting their impairment review and challenged the conclusions reached. | The impairment charge of £11.1 million is appropriately determined.<br>We highlighted that a reasonably possible change in certain key assumptions, including the normalisation of earnings, future cash flows, growth rates and earnings multiples underpinning the forecasts for certain CGUs, could lead to additional impairment charges. |
| **Impairment of tangible and intangible assets**<br>This is an area of focus due to the significance of the carrying value of the assets being assessed and due to the level of management judgement required in the assumptions impacting the impairment assessment. The main assumptions are the future results of the business including future cash flows, normalised earnings, growth rates and earnings multiples applied to cash flows as well as discount rates.<br>In the current year, owing to a sustained decline in performance at certain CGUs, an impairment charge of £11.1 million (£2.0m in relation to tangible assets and £9.1m to intangible assets) was recognised. | Below we summarise the procedures performed in relation to the key judgements for the tangible and intangible assets impairment review.<br>• We analysed management's forecasts underlying the impairment review against current performance and economic forecasts and corroborated them to budgets approved by the Board. We assessed the budgets against current performance thus providing support that the forecasts utilised are reasonable and align with expected results.<br>• Critically challenged management's historical accuracy of forecasting through comparing prior year actual performance against forecast performance and corroborating the reasons for deviations. Assessed the adjustments made for normalisation of earnings, comparing the adjustment for forecast win margin to historic averages and industry data.<br>• We also performed sensitivity analysis on earnings multiples for all CGUs and growth rates applied to cash flows for certain CGUs to determine the parameters that – should they arise – may give a different conclusion as to the carrying values of assets assessed.<br>**In addition, we worked with our EY internal corporate finance valuation specialists to:**<br>• Validate and corroborate the discount rates to supporting evidence and corroborated these to industry averages/trends.<br>• Independently calculated the discount rates and compared them to the discount rates applied in the models by management.<br>**Additional procedures performed at each CGU level:**<br>We compared the individual CGU projections to historic performance and observable external trends and corroborated the reasons for deviations with third party evidence as appropriate. We also reperformed calculations in the models to check mathematical accuracy. | |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Property lease provisions**<br>In addition, the Group holds a provision for property leases of £33.5 million (2017/18: £36 million) for unoccupied properties and properties that are trading at a loss.<br>In determining the appropriate level of provision required, management judgement is required in assessing whether the costs provided represent the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.<br>There is further judgement in relation to the amount of sub-let income and the period for which sub-let income can be obtained where properties are vacant or the extent to which lease obligations are covered by earnings generated.<br>We therefore consider there is a higher likelihood that a material misstatement could arise as there is a risk that these provisions may be measured incorrectly.<br>In accordance with IAS 37, management recognised a net charge of £1.4 million for additional provisions. | **Procedures in relation to Property lease provisions:**<br>We understood management's process for identifying onerous leases and validated that the inputs to the calculations for onerous lease provisions were appropriate.<br>Below we summarise the procedures performed in relation to the key judgements and validation of inputs:<br>• Verified underlying calculations and agreed key inputs to third party evidence, including lease agreements and invoices for rent and rates.<br>• Assessed the length of the period and recoverability of sub-let income included in the provision.<br>• Compared forecast earnings per CGU to historic performance, to determine whether appropriate provision had been made.<br>• Assessed whether the appropriate discount rate had been applied by validating the discount rate against external market data. | We concluded that the property provisions recognised are appropriate. |
| **Indirect tax risk exposure (£180.4 million contributed to indirect taxes, 2017/18: £177 million)**<br>*Refer to the Audit Committee Report (page 69); Accounting policies (page 122); and Note 6 of the Consolidated Financial Statements (page 131)*<br>Indirect tax is a complex area in the betting and gaming industry, specifically with reference to VAT relating to Partial exemption, Gaming Duty, Remote Gaming Duty, Bingo Duty and other indirect duties. We focus on this to confirm that all changes in legislation and rates levied have been applied correctly.<br>Given the judgement involved in estimating amounts payable to regulatory authorities in certain jurisdictions there is a risk that additional liabilities are not identified and thus amounts recorded related to indirect taxation are understated. | • We updated our understanding of the process for preparing the partial exemption calculation and assessed the controls that management has in place to prevent and detect errors in this calculation.<br>• We worked with our EY indirect taxation specialists to assist us in assessing the technical analysis to support the indirect tax submissions.<br>• To corroborate management's position and assess completeness in relation to uncertain tax positions, we reviewed correspondence received from tax authorities during the period. We have further involved our specialists in assessing the implications of matters subject to correspondence received from tax authorities.<br>• We performed a completeness review of effected changes in indirect tax legislation and discussed all changes with management to confirm that they had been considered appropriately and, where relevant, properly reflected within the financial statements. | We concluded that the positions taken by management are reasonable and that the Group's indirect tax exposures are appropriately measured and disclosed in the financial results. |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Exceptional items (£33.5 million, 2017/18: £26.9 million)**<br>*Refer to the Audit Committee Report (page 68); Accounting policies (page 122); and Note 4 of the Consolidated Financial Statements (page 128)*<br><br>The application of the Group's accounting policy for exceptional items requires judgement by management and careful consideration needs to be given to the nature and magnitude of these items to ensure consistency in approach between periods.<br>In the current year management have recognised a net exceptional charge of £25.5 million comprising of a net impairment charge of £11.1 million, transformation costs of £10.8 million, £8m pay provision, net charge for property provisions of £1.4 million and acquisition related costs of £2.2 million. | We agreed material exceptional items to supporting documentation.<br>We also validated that the exceptional items are appropriately classified as such in accordance with the Group's accounting policy.<br>We also performed an assessment of costs that had been included within the exceptional transformation charge to validate that they were directly associated to the transformation programme and therefore classified appropriately as an exceptional item. | Exceptional items have been disclosed appropriately in accordance with the Group's accounting policy. |
| **Revenue recognition (£695.1m, 2017/18: £691m)**<br>*Refer to the Audit Committee Report (page 69); Accounting policies (page 116); and Note 2 of the Consolidated Financial Statements (page 125)*<br><br>Our assessment is that the majority of revenue transactions, for both the venues and digital businesses, are non-complex, with no judgement applied over the amount recorded.<br>We consider there is a potential for management override to achieve revenue targets via topside manual journal entries posted to revenue.<br>Revenue could be stated inaccurately as a result. | Our procedures were designed to corroborate our assessment that revenue should be correlated closely to cash banked (for the Retail business), and to customer balances and cash (for the Digital business), and to identify the manual adjustments that are made to revenue for further testing.<br>We updated our understanding of the revenue processes and tested certain key financial and IT controls over the recognition and measurement of revenue.<br>• We used our computer aided analytics tools to perform a correlation analysis to identify those revenue journals for which the corresponding entry was not to cash (for Retail) and customer balances (for Digital). These entries included customer incentives, bingo duty and jackpot provisions.<br>• We obtained corroborating evidence for such entries. We agreed material bingo duty entries to declarations and bank statements. For material customer incentives we obtained evidence that revenue was deferred correctly.<br>• We also verified the recognition and measurement of revenue by tracing a sample of transactions, selected at random throughout the year, to cash banked to verify the accuracy of reported revenue.<br>• For venues, we attended and re-performed cash counts at a sample of twenty-eight casino and bingo venues, selected using a risk-based approach and also included a random sample, at year end to verify the appropriate cut-off of revenue.<br>• For Digital, we reconciled the year-end customer balances to the system report, which was tested for completeness and accuracy. | We concluded that revenue, and adjustments to revenue, are appropriately recognised and recorded. |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Compliance with laws and regulations**<br>Refer to the Audit Committee Report (page 68); Accounting policies (page N/A); and Note N/A of the Consolidated Financial Statements (page N/A)<br>The legal and licensing framework for gaming remains an area of focus for the Gambling Commissions in the UK and Spain.<br>The evolving environment, with territory specific regulations, makes compliance an increasingly complex area with the potential for fines and or licence withdrawal for non-compliance.<br>Operators are further required to meet anti-money laundering obligations.<br>In addition, HMRC has opened an enquiry relating to payroll matters which, given the magnitude of payroll costs for this business, heightens the risk in this area. | We have understood the Group's process and related controls over the identification and mitigation of regulatory and legal risks and the related accounting.<br>We reviewed regulatory correspondence and enquiries made through the year, management's response thereto and their assessment of potential exposure as at 30 June 2019.<br>We inquired of management and the Group's internal legal counsel regarding any instances of material breaches in regulatory or licence compliance that needed to be disclosed or required provisions to be recorded.<br>Where provisions have been raised, including the pay provision relating to HMRC's investigation into payroll matters, we have assessed management's best estimate for the provisions against available external and internal support, involving EY internal specialists as appropriate. | We concluded that management have appropriately assessed and recorded the financial implications for non-compliance with laws and regulations. |

## An overview of the scope of our audit

### Tailoring the scope

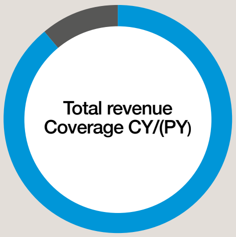
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the thirty-five reporting components of the Group, we selected twenty-three components covering entities within the United Kingdom, Alderney, Spain, Belgium and Gibraltar, which represent the principal business units within the Group.

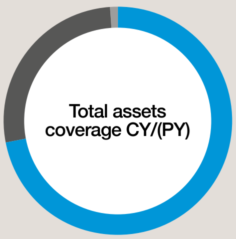
Of the twenty-three components selected, we performed an audit of the complete financial information of six components ("full scope components") which were selected based on their size or risk characteristics. For the remaining seventeen components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile.

Of the remaining twelve components that together represent 2% of the Group's profit before tax adjusted for exceptional items, none is individually greater than 1.5% of the Group's profit before tax adjusted for exceptional items. For these components, we performed other procedures, including analytical review, testing of consolidation journals, intercompany eliminations and foreign currency translations to respond to any potential risks of material misstatement to the Group financial statements.

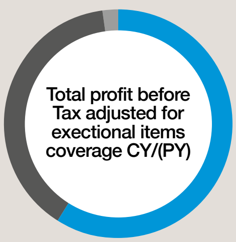
The charts below illustrate the coverage obtained from the work performed by our audit teams.




| | |
|---|---|
| Full scope components | 89% (91%) |
| Specific scope components | 11% (9%) |
| Review scope components | -% (-%) |




| | |
|---|---|
| Full scope components | 72% (75%) |
| Specific scope components | 27% (25%) |
| Review scope components | 1% (-%) |




| | |
|---|---|
| Full scope components | 59% (63%) |
| Specific scope components | 39% (36%) |
| Review scope components | 2% (1%) |

## Changes from the prior year

Our scoping remains unchanged from the prior year.

## Integrated team structure

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component teams under our instruction. Of the six full scope components, audit procedures were performed on all six of these directly by the primary audit team. For the seventeen specific scope components, specific audit procedures were performed directly by the audit team for nine of these components.

The remaining eight specific components contributing 4% of Profit before tax adjusted for exceptional items, 5% of revenue and 5% of total assets are based in Spain where the work was performed by component auditors.

In relation to the specific scope components, the Senior Statutory Auditor was also involved in the risk assessment and determining which accounts were in scope.

For the Enracha and YoBingo components, in addition to location visits, the Group audit team interacted with the component audit teams regularly during the various stages of the audit, reviewed the summary audit findings reported by the component audit teams, participated in the component team's close meeting and made specific enquiries of local management.

## Our application of materiality

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

## Materiality

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

We determined materiality for the Group to be £3.4 million (2017/18: £3.7 million), which is 5% (2017/18: 5%) of profit before tax adjusted for certain exceptional items, as listed below. We consider this to be the most relevant performance measure to stakeholders and is the primary measure of earnings.

We determined materiality for the Parent Company to be £7.4 million (2017/18: £7.8 million), which is 1% (2017/18: 1%) of equity. The Parent Company has a higher materiality than the Group as the basis of determining materiality are different. The Parent Company is a non-trading entity and as such, equity is the most relevant measure to the stakeholders of the entity.

### Starting Basics

Profit before tax for the year ended 30 June 2019 – £34.6 million

### Adjustments

- Impairment charge – £11.1 million
- Net charge from onerous leases – £1.4 million
- Group restructuring costs – £10.8 million
- Pay provision – £8.0 million
- Other financial costs – £1.6 million
- Acquisition costs – £2.2 million

### Materiality

- Profit before tax adjusted for exceptional items (basis for materiality) – £69.7 million
- Materiality (5% of profit before tax adjusted for exceptional items) – £3.4 million.

## Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2017/18: 50%) of our planning materiality, namely £1.7m (2017/18: £1.9m). We have set performance materiality at this percentage to take into account the inherently high-risk nature of the industry in which the Group operates. We have also taken into consideration changes within the Group and the impact this could have on the operations of the Group. Our objective in adopting this approach was to conclude that undetected audit differences in all accounts did not exceed our planning materiality level.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.3 million to £0.9 million (2017/18: £0.4m to £1.0m).

## Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2017/18: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

## Other information

The other information comprises the information included in the annual report set out on pages 1 to 99, including the five year review and the shareholder information, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 99** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 65** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 55** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 99, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the Companies Act 2006, the UK Gambling Commission, Gambling Act 2005, Money Laundering regulations, The Alderney Gambling Control Commission, The Spanish Gaming Act and License Conditions & The Code of Practice 2008. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to data protection.
- We have included 'compliance with laws and regulations' as a key audit matter and our audit response to the legal and licensing framework for digital gaming is set out above.
- We understood how The Rank Group Plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit and Risk Committees and correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any noncompliance with laws and regulations, a review of the reporting to the Audit Committee on compliance with regulations, enquiries of the Director of Legal Services and enquiries of management.
- The Group operates in the gaming industry which is a highly regulated environment. As such the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of an expert where appropriate.
- As the gaming industry is highly regulated, we have obtained an understanding of the regulations and the potential impact on the Group and in assessing the control environment we have considered the compliance of the Group to these regulations as part of our audit procedures, which included a review of correspondence received from the regulator.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## Other matters we are required to address

- We were appointed by the company on 22 April 2010 to audit the financial statements for the year ending 31 December 2010 and subsequent financial periods. During the year the company undertook a formal competitive tender process. Following completion of such process, Ernst and Young LLP was recommended by the chairman to the Audit Committee to continue as the external auditor with effect for the financial year ending 30 June 2020. This recommendation was approved by the Board on 26 June 2019, subject to approval by shareholders at the Company's 2019 Annual General Meeting.
- The period of total uninterrupted engagement including previous renewals and reappointments is ten years, covering the years ending 31 December 2010 to 30 June 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Our audit opinion is consistent with our additional report to the audit committee explaining the results of our audit.

## Use of our report

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

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

21 August 2019

Notes:
1. The maintenance and integrity of the Rank Group Plc's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Group income statement** for the year ended 30 June 2019

| | Note | Year ended 30 June 2019 Before exceptional items £m | Year ended 30 June 2019 Exceptional items (note 4) £m | Year ended 30 June 2019 Total £m | Year ended 30 June 2018 Before exceptional items £m | Year ended 30 June 2018 Exceptional items (note 4) £m | Year ended 30 June 2018 Total £m |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| Revenue before adjustment for customer incentives | 2 | **746.5** | **–** | **746.5** | 741.1 | – | 741.1 |
| Customer incentives | 2 | **(51.4)** | **–** | **(51.4)** | (50.1) | – | (50.1) |
| **Revenue** | 2 | **695.1** | **–** | **695.1** | 691.0 | – | 691.0 |
| Cost of sales | | **(378.2)** | **–** | **(378.2)** | (376.6) | – | (376.6) |
| **Gross profit** | | **316.9** | **–** | **316.9** | 314.4 | – | 314.4 |
| Other operating costs | | **(244.4)** | **(33.5)** | **(277.9)** | (237.4) | (26.9) | (264.3) |
| **Group operating profit (loss)** | 2,3 | **72.5** | **(33.5)** | **39.0** | 77.0 | (26.9) | 50.1 |
| Financing: | | | | | | | |
| • finance costs | | **(2.7)** | **(1.6)** | **(4.3)** | (3.0) | (0.3) | (3.3) |
| • finance income | | **0.1** | **–** | **0.1** | 0.3 | – | 0.3 |
| • other financial losses | | **(0.2)** | **–** | **(0.2)** | (0.1) | (0.3) | (0.4) |
| **Total net financing charge** | 5 | **(2.8)** | **(1.6)** | **(4.4)** | (2.8) | (0.6) | (3.4) |
| **Profit (loss) before taxation** | | **69.7** | **(35.1)** | **34.6** | 74.2 | (27.5) | 46.7 |
| Taxation | 6 | **(12.0)** | **5.0** | **(7.0)** | (15.7) | 4.9 | (10.8) |
| **Profit (loss) for the year from continuing operations** | | **57.7** | **(30.1)** | **27.6** | 58.5 | (22.6) | 35.9 |
| **Discontinued operations - profit** | 4,6 | **–** | **1.5** | **1.5** | – | – | – |
| **Profit (loss) for the year** | | **57.7** | **(28.6)** | **29.1** | 58.5 | (22.6) | 35.9 |
| **Attributable to:** | | | | | | | |
| Equity holders of the parent | | **57.7** | **(28.6)** | **29.1** | 58.5 | (22.6) | 35.9 |
| **Earnings (loss) per share attributable to equity shareholders** | | | | | | | |
| • basic | 9 | **14.8p** | **(7.4)p** | **7.4p** | 15.0p | (5.8)p | 9.2p |
| • diluted | 9 | **14.8p** | **(7.4)p** | **7.4p** | 15.0p | (5.8)p | 9.2p |
| **Earnings (loss) per share – continuing operations** | | | | | | | |
| • basic | 9 | **14.8p** | **(7.7)p** | **7.1p** | 15.0p | (5.8)p | 9.2p |
| • diluted | 9 | **14.8p** | **(7.7)p** | **7.1p** | 15.0p | (5.8)p | 9.2p |
| **Earnings per share – discontinued operations** | | | | | | | |
| • basic | 9 | **–** | **0.3p** | **0.3p** | – | – | – |
| • diluted | 9 | **–** | **0.3p** | **0.3p** | – | – | – |

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

## **Group statement of comprehensive income** for the year ended 30 June 2019

| | Note | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|---|
| **Comprehensive income:** | | | |
| Profit for the year | | **29.1** | 35.9 |
| | | | |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange adjustments net of tax | | **1.1** | 0.8 |
| **Items that will not be reclassified to profit or loss:** | | | |
| Actuarial gain on retirement benefits net of tax | 28 | **–** | 0.1 |
| **Total comprehensive income for the year** | | **30.2** | 36.8 |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the parent | | **30.2** | 36.8 |

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

## **Balance sheets** at 30 June 2019

| | Note | Group As at 30 June 2019 £m | Group As at 30 June 2018 £m | Company As at 30 June 2019 £m | Company As at 30 June 2018 £m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 10 | **447.8** | 459.1 | **–** | – |
| Property, plant and equipment | 11 | **161.5** | 171.5 | **–** | – |
| Investments in subsidiaries | 13 | **–** | – | **1,131.8** | 1,131.8 |
| Other investments | 13 | **3.5** | 3.5 | **–** | – |
| Deferred tax assets | 20 | **0.1** | 0.4 | **–** | – |
| Other receivables | 15 | **4.1** | 3.7 | **–** | – |
| | | **617.0** | 638.2 | **1,131.8** | 1,131.8 |
| **Current assets** | | | | | |
| Inventories | 14 | **2.7** | 2.5 | **–** | – |
| Other receivables | 15 | **27.2** | 29.2 | **–** | – |
| Income tax receivable | 17 | **0.6** | – | **–** | – |
| Cash and short-term deposits | 24 | **61.8** | 50.4 | **–** | 0.4 |
| | | **92.3** | 82.1 | **–** | 0.4 |
| **Total assets** | | **709.3** | 720.3 | **1,131.8** | 1,132.2 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 16 | **(145.2)** | (153.1) | **(0.2)** | (0.1) |
| Income tax payable | 17 | **(7.2)** | (10.3) | **(0.4)** | – |
| Financial liabilities | | | | | |
| – financial guarantees | 18 | **–** | – | **(1.6)** | (1.7) |
| – loans and borrowings | 18 | **(54.7)** | (54.2) | **(389.5)** | (353.6) |
| Provisions | 21 | **(14.9)** | (8.0) | **(0.2)** | (0.2) |
| | | **(222.0)** | (225.6) | **(391.9)** | (355.6) |
| **Net current liabilities** | | **(129.7)** | (143.5) | **(391.9)** | (355.2) |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 16 | **(26.0)** | (30.6) | **–** | – |
| Financial liabilities | | | | | |
| – loans and borrowings | 18 | **(5.3)** | (5.5) | **–** | – |
| Deferred tax liabilities | 20 | **(22.1)** | (24.4) | **–** | – |
| Provisions | 21 | **(31.9)** | (33.6) | **(0.9)** | (1.0) |
| Retirement benefit obligations | 28 | **(4.0)** | (4.1) | **–** | – |
| | | **(89.3)** | (98.2) | **(0.9)** | (1.0) |
| **Total liabilities** | | **(311.3)** | (323.8) | **(392.8)** | (356.6) |
| **Net assets** | | **398.0** | 396.5 | **739.0** | 775.6 |
| **Capital and reserves attributable to the Company's equity shareholders** | | | | | |
| Share capital | 22 | **54.2** | 54.2 | **54.2** | 54.2 |
| Share premium | | **98.4** | 98.4 | **98.4** | 98.4 |
| Capital redemption reserve | | **33.4** | 33.4 | **33.4** | 33.4 |
| Exchange translation reserve | | **17.7** | 16.6 | **–** | – |
| Retained earnings | | **194.3** | 193.9 | **553.0** | 589.6 |
| **Total shareholders' equity** | | **398.0** | 396.5 | **739.0** | 775.6 |

The loss for the year ended 30 June 2019 for the Company was £7.5m (year ended 30 June 2018: profit of £275.9m).

These financial statements were approved by the board on 21 August 2019 and signed on its behalf by:

**John O'Reilly,** Chief Executive

**Bill Floydd,** Chief Financial Officer

## **Statements of changes in equity** for the year ended 30 June 2019

| Group | Share capital £m | Share premium £m | Capital redemption reserve £m | Exchange translation reserve £m | Retained earnings (losses) £m | Total £m |
|---|---|---|---|---|---|---|
| **At 1 July 2017** | 54.2 | 98.4 | 33.4 | 15.8 | 188.8 | 390.6 |
| **Comprehensive income:** | | | | | | |
| Profit for the year | – | – | – | – | 35.9 | 35.9 |
| **Other comprehensive income:** | | | | | | |
| Exchange adjustments net of tax | – | – | – | 0.8 | – | 0.8 |
| Actuarial gain on retirement benefits net of tax | – | – | – | – | 0.1 | 0.1 |
| **Total comprehensive income for the year** | – | – | – | 0.8 | 36.0 | 36.8 |
| **Transactions with owners:** | | | | | | |
| Dividends paid to equity holders (see note 8) | – | – | – | – | (29.1) | (29.1) |
| Debit in respect of employee share schemes including tax | – | – | – | – | (1.8) | (1.8) |
| **At 30 June 2018** | 54.2 | 98.4 | 33.4 | 16.6 | 193.9 | 396.5 |
| **Comprehensive income:** | | | | | | |
| Profit for the year | **–** | **–** | **–** | **–** | **29.1** | **29.1** |
| **Other comprehensive income:** | | | | | | |
| Exchange adjustments net of tax | **–** | **–** | **–** | **1.1** | **–** | **1.1** |
| **Total comprehensive income for the year** | **–** | **–** | **–** | **1.1** | **29.1** | **30.2** |
| **Transactions with owners:** | | | | | | |
| Dividends paid to equity holders (see note 8) | **–** | **–** | **–** | **–** | **(29.1)** | **(29.1)** |
| Credit in respect of employee share schemes including tax | **–** | **–** | **–** | **–** | **0.4** | **0.4** |
| **At 30 June 2019** | **54.2** | **98.4** | **33.4** | **17.7** | **194.3** | **398.0** |

There were no non-controlling interests in either year.

| Company | Share capital £m | Share premium £m | Capital redemption reserve £m | Unrealised profit reserve £m | Retained earnings (losses) £m | Total £m |
|---|---|---|---|---|---|---|
| **At 1 July 2017** | 54.2 | 98.4 | 33.4 | 159.8 | 184.0 | 529.8 |
| Profit and total comprehensive income for the year | – | – | – | – | 275.9 | 275.9 |
| Transfer of unrealised item | – | – | – | (159.8) | 159.8 | – |
| **Transactions with owners:** | | | | | | |
| Dividends paid to equity holders (see note 8) | – | – | – | – | (29.1) | (29.1) |
| Debit in respect of employee share schemes including tax | – | – | – | – | (1.0) | (1.0) |
| **At 30 June 2018** | 54.2 | 98.4 | 33.4 | – | 589.6 | 775.6 |
| Loss and total comprehensive expense for the year | **–** | **–** | **–** | **–** | **(7.5)** | **(7.5)** |
| **Transactions with owners:** | | | | | | |
| Dividends paid to equity holders (see note 8) | **–** | **–** | **–** | **–** | **(29.1)** | **(29.1)** |
| **At 30 June 2019** | **54.2** | **98.4** | **33.4** | **–** | **553.0** | **739.0** |

The unrealised profit reserve related to the Company’s investment in subsidiary undertakings which were impaired in the prior year.

## **Statements of cash flow** for the year ended 30 June 2019

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 23 | **113.1** | 102.4 | **(0.1)** | (0.7) |
| Interest received | | **0.2** | 0.3 | **–** | – |
| Interest paid | | **(2.5)** | (2.7) | **–** | (13.9) |
| Tax (paid) received | | **(10.2)** | (14.4) | **–** | 2.3 |
| Discontinued operations | | **(0.5)** | – | **–** | – |
| **Net cash from operating activities** | | **100.1** | 85.6 | **(0.1)** | (12.3) |
| **Cash flows from investing activities** | | | | | |
| Purchase of intangible assets | | **(11.1)** | (11.6) | **–** | – |
| Purchase of property, plant and equipment | | **(22.9)** | (25.4) | **–** | – |
| Purchase of subsidaries (net of cash acquired) | 32 | **(24.2)** | (16.5) | **–** | – |
| Dividends received from subsidiaries | | **–** | – | **–** | 549.4 |
| **Net cash used in investing activities** | | **(58.2)** | (53.5) | **–** | 549.4 |
| **Cash flows from financing activities** | | | | | |
| Dividends paid to equity holders | | **(29.1)** | (29.1) | **(29.1)** | (29.1) |
| Repayment of term loans | | **(50.0)** | (20.0) | **–** | – |
| Drawdown of term loans | | **50.0** | – | **–** | – |
| Repayment of Yankee bond | | **–** | (10.1) | **–** | – |
| Finance lease principal payments | | **(1.2)** | (1.4) | **–** | – |
| Amounts received from (paid to) subsidiaries | | **–** | – | **28.8** | (508.0) |
| **Net cash used in financing activities** | | **(30.3)** | (60.6) | **(0.3)** | (537.1) |
| **Net increase (decrease) in cash, cash equivalents and bank overdrafts** | | **11.6** | (28.5) | **(0.4)** | – |
| Effect of exchange rate changes | | **(0.6)** | (0.3) | **–** | – |
| Cash and cash equivalents at start of year | | **47.7** | 76.5 | **0.4** | 0.4 |
| **Cash and cash equivalents at end of year** | 25 | **58.7** | 47.7 | **–** | 0.4 |

# 1 General information and accounting policies

## General information

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

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales under registration number 03140769. The address of its registered office is 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.

### 1.1 Basis of preparation

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

### 1.1.1 Statement of compliance

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

### 1.1.2 Going concern

In adopting the going concern basis for preparing the consolidated and Company financial statements, the directors have considered the issues impacting the Group during the period as detailed in the strategic report on pages 6 to 51 and have reviewed the Group's projected compliance with its banking covenants detailed in the financial review on page 43. Based on the Group's cash flow forecasts and operating budgets, the directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate.

### 1.1.3 Accounting estimates and judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical accounting judgements

The following are the critical accounting judgements, apart from those involving estimates (which are dealt with separately below) that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### (a) Exceptional items

The Group separately discloses material one-off items as it believes it assists shareholders to understand underlying performance and trends between periods. Judgement is required in determining whether an item should be classified as an exceptional item or included within underlying results. In the current year impairment charges, business transformation costs, pay provision costs, onerous property lease costs and acquisition related costs have been disclosed as exceptional items. Further details are disclosed in note 4.

#### (b) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including jurisdictions of now discontinued operations. Judgement must be applied in assessing the likely outcome of certain tax matters whose final outcome may not be determined for a number of years.

These judgements are reassessed in each period until the outcome is finally determined through resolution with a tax authority and/or through a legal process. Differences arising from changes in judgement or from final resolution may be material and will be charged or credited to the Income Statement in the relevant period.

Within the Group's net tax liability of £6.6m (30 June 2018: £10.3m) are amounts of £1.5m (30 June 2018: £4.9m) that relate to uncertain tax positions. The Group evaluates uncertain items, where the tax judgement is subject to interpretation and remains to be agreed with the relevant tax authority. Provisions for uncertain items are made using judgement of the most likely tax expected to be paid, based on a qualitative assessment of all relevant information. In assessing the appropriate provision for uncertain items, the Group considers progress made in discussions with tax authorities, expert advice on the likely outcome and recent developments in case law. Further details of income tax are disclosed in note 17.

#### (c) Contingent assets and liabilities

Management is required to apply judgement in assessing the probability of the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. This judgement is supported by external advice and precedent case law where appropriate and is continually assessed to ensure that developments are appropriately reflected in the financial statements. Further details of contingent liabilities are disclosed in note 30. There were no contingent assets identified in the current year.

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

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

Details of the Group's accounting policy in relation to impairments and impairment reversals are disclosed in note 1.13.

## 1 General information and accounting policies continued

The application of the policy requires the use of accounting estimates in determining the recoverable amount of cash-generating units to which the goodwill, intangible assets and property, plant and equipment are associated. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Estimates of fair value less costs of disposal are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external experts or, if applicable, offers received. Value in use being calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each cash-generating unit. Further details of the assumptions, estimates and sensitivity are disclosed in note 12.

The Company also tests annually the carrying value of its investments in subsidiaries. The application of this policy requires the use of estimates and judgements in determining the recoverable amount of the subsidiary undertakings. The recoverable amount is determined by applying an estimated valuation multiple to budgeted future earnings of the subsidiary along with consideration of the underlying net assets and is disclosed in note 13.

**(b) Property related provisions**

Provisions are recognised in accordance with the policy disclosed in note 1.10. Management's estimate is that the cost provided represents the lower of the cost of fulfilling the contract or the cost of exiting the contract. In calculating property lease provisions, estimates are made of the discounted cash flows associated with the property and its associated operations including sub-let income together with estimates of any dilapidation obligations. Further details of provisions made are disclosed in note 21. The majority of committed future lease expense is for rental payments on property details of total committed lease payments are disclosed in note 29.

**(c) Determination of the fair values of intangible assets and contingent consideration**

The Group estimates the fair value of acquired intangible assets arising from business combinations by selecting and applying appropriate valuation methods. These include the relief from royalty and multi-period excess earnings valuation methods, both of which require significant estimates to be made. Examples include estimating expected cash flows and identifying appropriate royalty and discount rates. The fair value of each acquired intangible asset is amortised over the respective assets estimated useful life. The Group uses projected financial information together with comparable industry information, where available, as well as applying its own experience and knowledge of the industry in making such judgements and estimates.

Contingent consideration is initially recognised at fair value and subsequently reassessed at each reporting date to reflect changes in estimates and assumptions. The determination of fair value requires an assessment of the future performance of a relatively immature business operating in a high growth market and is therefore inherently volatile. The Group has estimated the fair value using projected financial information. The range of potential outcomes is disclosed in note 32.

### 1.1.4 Changes in accounting policy and disclosures

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

The Group has not been materially impacted by the adoption of any standards and has not early adopted any standard, amendment or interpretation that was issued but is not yet effective. The Group applies, for the first time, IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments.

#### IFRS15 – Revenue from Contracts with Customers

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

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

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

#### IFRS9 – Financial Instruments

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

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

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

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

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

#### IFRS16 – Leases

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

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

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

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

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

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

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

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

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

### 1.2 Consolidation

The consolidated financial statements comprise the financial statements of the parent and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has a) power over the investee, b) exposure, or rights, to variable returns from the investee, and c) ability to use its power to affect those returns. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

The Group has no material associates or joint ventures.

### 1.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the acquisition date and represents the aggregate fair value of assets transferred and liabilities incurred.

Amounts payable in respect of deferred or contingent consideration are recognised at fair value at the acquisition date and included in consideration transferred. The subsequent unwind of any discount is recognised as an exceptional finance cost in the income statement. Changes in the fair value of contingent consideration recognised as a financial liability that qualify as measurement period adjustments (being 12 months from the acquisition date) are adjusted retrospectively, with corresponding adjustments against goodwill. Material changes that do not qualify as measurement period adjustments are recognised as an exceptional item in the income statement.

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

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

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

## 1 General information and accounting policies continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition costs incurred are expensed as exceptional items.

### 1.4 Revenue recognition

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

#### (a) Gaming win

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

Although disclosed as revenue, gaming win (other than from poker and bingo) is accounted for and meets the definition of a gain under IFRS 9 – Financial Instruments.

#### (b) Food and beverage

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

### 1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team (the composition of which is disclosed on page 56), which makes strategic and operational decisions.

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

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

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

### 1.6 Foreign currency translation

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

#### (a) Transactions and balances

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

#### (b) Group companies

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

i assets and liabilities for each balance sheet presented are translated at the closing rate on the balance sheet date. The closing euro rate against UK sterling was 1.11 (30 June 2018: 1.13) and the closing US dollar rate against UK sterling was 1.27 (30 June 2018: 1.32);

ii income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The average euro rate against UK sterling was 1.13 (year ended 30 June 2018: 1.13) and the average US dollar rate against UK sterling in the year was 1.29 (year ended 30 June 2018: 1.35); and

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

When a foreign operation is sold, such exchange differences are recognised in the income statement, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 1.7 Financial assets

Financial assets within the scope of IFRS 9 are classified as financial assets at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

**(a) Financial assets designated at fair value through OCI (equity instruments)**
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify its non-listed equity investments under this category.

**(b) Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

**Derecognition**
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party.

## 1.8 Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

The subsequent measurement of financial liabilities depends on their classification, as described below:

**(a) Financial liabilities at fair value through profit or loss**
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

**(b) Loans and borrowings**
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

**(c) Financial guarantee contracts (Company only)**
Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value by applying the estimated probability of default to the cash outflow should default occur and subsequently amortising over the expected length of the guarantee, to the extent that the guarantee is not expected to be called. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date or the amount recognised less cumulative amortisation.

**Derecognition**
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Offsetting of financial instruments**
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 1.9 Leases

Leases are tested at inception to determine whether the lease is a finance or operating lease and treated accordingly. Property leases comprising a lease of land and a lease of buildings within a single contract are split into their two component parts before testing.

**(a) Finance leases**
Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loans and borrowings. Finance charges are recognised in the income statement. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

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

# 1 General information and accounting policies continued

## 1.10 Provisions

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

## 1.11 Property, plant and equipment

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

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

- Freehold and leasehold property 50 years or lease term if less
- Refurbishment of property 5 to 20 years or lease term
- Fixtures, fittings, plant and machinery 3 to 20 years

Land is not depreciated.

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

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

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

## 1.12 Intangible assets

### (a) Goodwill

Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the net identifiable assets less the liabilities assumed at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is allocated to the relevant cash-generating unit or group of cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows, that are largely independent of the cash inflows from other assets or groups of assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

### (b) Casino and other gaming licences and concessions

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

In respect of the concession in Belgium, the carrying value is amortised over the expected useful life of the concession.

### (c) Software and development

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

Software acquired as part of a business combination is recognised at fair value at the date of acquisition.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

### (d) Brands

Represents the fair value of brands and trade-mark assets acquired in business combinations at the acquisition date.

### (e) Customer relationships

Represents the fair value of customer relations acquired in business combinations at the acquisition date.

### (f) Property contracts

Represents the fair value of favourable property contracts acquired in business combinations at the acquisition date.

Amortisation is recognised on a straight-line basis over the estimated useful life of intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

- Casino and other gaming licences Indefinite
- Casino concession Concession term
- Software and development 3 to 5 years
- Brands 10 years
- Customer relationships 4 years
- Property contracts Lease term

## 1.13 Impairment of intangible assets and property, plant and equipment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or where they indicate a previously recognised impairment may no longer be required.

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

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

Any impairment is allocated pro-rata across all assets in a cash-generating unit unless there is an indication that a class of assets should be impaired in the first instance or a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs of disposal then any remaining impairment is allocated equally amongst all other assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Reversals are allocated pro-rata across all assets in the cash-generating unit unless there is an indication that a class of asset should be reversed in the first instance or a fair market value exists for one or more assets. A reversal of an impairment loss is recognised in the income statement immediately.

An impairment loss recognised for goodwill is never reversed in subsequent periods.

## 1.14 Employee benefit costs

### (a) Pension obligations

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

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

### (b) Share-based compensation

The cost of equity-settled transactions with employees for awards is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

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

### (c) Share-based compensation – Company

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

### (d) Bonus plans

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

## 1.15 Inventories

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

The cost of finished goods comprises goods purchased for resale.

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

# 1 General information and accounting policies continued

## 1.16 Taxation

### (a) Current tax

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

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

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

### (b) Deferred tax

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

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

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

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

### (c) Sales tax

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

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

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

## 1.17 Share capital

Ordinary shares are classified as equity.

## 1.18 Dividends

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

## 1.19 Exceptional items

The Group separately discloses those items which are required to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods. Exceptional items are considered by the directors to require separate disclosure due to their size or nature in relation to the Group.

# 2 Segmental reporting

## a) Segment information - operating segments

| | Year ended 30 June 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Grosvenor Venues £m | Mecca Venues £m | Digital £m | International Venues £m | Central Costs £m | Total £m |
| **Continuing operations** | | | | | | |
| Revenue before adjustment for customer incentives | 353.2 | 202.1 | 146.3 | 44.9 | – | 746.5 |
| Customer incentives | (15.0) | (8.6) | (27.8) | – | – | (51.4) |
| **Statutory revenue** | 338.2 | 193.5 | 118.5 | 44.9 | – | 695.1 |
| Operating profit (loss) before exceptional items | 44.9 | 28.6 | 20.7 | 9.3 | (31.0) | 72.5 |
| Exceptional loss | (21.5) | (5.0) | (0.5) | (0.1) | (6.4) | (33.5) |
| **Segment result** | 23.4 | 23.6 | 20.2 | 9.2 | (37.4) | 39.0 |
| Finance costs | | | | | | (4.3) |
| Finance income | | | | | | 0.1 |
| Other financial losses | | | | | | (0.2) |
| **Profit before taxation** | | | | | | 34.6 |
| Taxation | | | | | | (7.0) |
| **Profit for the year from continuing operations** | | | | | | 27.6 |
| **Other segment items - continuing operations** | | | | | | |
| Capital expenditure | (13.2) | (5.5) | (7.7) | (1.6) | (6.0) | (34.0) |
| Depreciation and amortisation | (19.1) | (10.5) | (8.8) | (2.7) | (4.1) | (45.2) |
| **Items disclosed as exceptional** | | | | | | |
| Impairment charges | (10.7) | – | (0.4) | – | – | (11.1) |
| Onerous lease and other property income (costs) | 0.3 | (1.8) | – | 0.2 | (0.1) | (1.4) |
| Acquisition related costs | – | – | – | – | (2.2) | (2.2) |
| Pay provision | (5.0) | (3.0) | – | – | – | (8.0) |
| Business transformation costs | (6.1) | (0.2) | (0.1) | (0.3) | (4.1) | (10.8) |

## 2 Segmental reporting continued

| | Year ended 30 June 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Grosvenor Venues £m | Mecca Venues £m | Digital £m | International Venues £m | Central Costs £m | Total £m |
| **Continuing operations** | | | | | | |
| Revenue before adjustment for customer incentives | 362.4 | 208.1 | 124.7 | 45.9 | – | 741.1 |
| Customer incentives | (13.0) | (9.1) | (28.0) | – | – | (50.1) |
| **Statutory revenue** | 349.4 | 199.0 | 96.7 | 45.9 | – | 691.0 |
| Operating profit (loss) before exceptional items | 47.2 | 28.6 | 19.9 | 8.8 | (27.5) | 77.0 |
| Exceptional (loss) profit | (23.4) | (3.7) | 0.2 | 1.2 | (1.2) | (26.9) |
| **Segment result** | 23.8 | 24.9 | 20.1 | 10.0 | (28.7) | 50.1 |
| Finance costs | | | | | | (3.3) |
| Finance income | | | | | | 0.3 |
| Other financial losses | | | | | | (0.4) |
| **Profit before taxation** | | | | | | 46.7 |
| Taxation | | | | | | (10.8) |
| **Profit for the year from continuing operations** | | | | | | 35.9 |
| **Other segment items – continuing operations** | | | | | | |
| Capital expenditure | (8.9) | (5.3) | (9.2) | (1.1) | (12.5) | (37.0) |
| Depreciation and amortisation | (20.6) | (11.6) | (4.8) | (2.8) | (3.2) | (43.0) |
| **Items disclosed as exceptional** | | | | | | |
| Impairment charges | (9.8) | (3.4) | – | (0.7) | – | (13.9) |
| Impairment reversals | – | – | – | 1.8 | – | 1.8 |
| Group restructuring including relocation costs | (0.3) | (0.5) | 0.2 | – | (1.0) | (1.6) |
| Onerous lease and other property (costs) income | (9.0) | (0.3) | – | – | 0.2 | (9.1) |
| Closure of venues | (4.3) | 0.5 | – | 0.1 | – | (3.7) |
| Acquisition related costs | – | – | – | – | (0.4) | (0.4) |

The Group reports segmental information on the basis by which the chief operating decision-maker utilises internal reporting within the business. In the current year the internal reporting of operating segments has been modified following changes in management responsibilities. As from 1 July 2018 UK Digital, Enracha Digital and YoBingo were combined into a single operating segment which is now known as Digital. Grosvenor Venues now exclude the Belgium casino. Enracha Venues and Belgium were combined into a single operating segment which is now known as International Venues. Prior year comparatives have been revised to reflect the new operating segments.

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

Capital expenditure comprises cash expenditure on property, plant and equipment and other intangible assets.

### b) Geographical information
The Group operates in two main geographical areas (UK and Continental Europe).

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

| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|
| UK | **636.3** | 643.2 |
| Continental Europe | **58.8** | 47.8 |
| Total revenue | **695.1** | 691.0 |

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

| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
|---|---|---|
| UK | **535.8** | 553.8 |
| Continental Europe | **81.2** | 84.4 |
| Total non-current assets | **617.0** | 638.2 |

With the exception of the UK no individual country contributed more than 15% of consolidated sales or assets.

### c) Total revenue and profit from continuing operations

| | | Revenue | | Profit | |
|---|---|---|---|---|---|
| | Note | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
| From continuing operations | | **695.1** | 691.0 | **27.6** | 35.9 |
| From discontinued operations | 4 | **–** | – | **1.5** | – |
| | | **695.1** | 691.0 | **29.1** | 35.9 |

### d) Total revenue by income stream

| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|
| Gaming win - Casino | **554.3** | 561.8 |
| Gaming win - Bingo | **70.1** | 56.3 |
| Gaming win - Poker | **15.5** | 15.3 |
| Food and Beverage | **49.3** | 52.4 |
| Other | **5.9** | 5.2 |
| Total revenue | **695.1** | 691.0 |

With the exception of “Gaming win – Casino” all revenue is recognised in accordance with IFRS15 – revenue from contract with customers.

# 2 Segmental reporting continued

### e) Total cost analysis by segment

To increase transparency, the Group has decided to include additional disclosure analysing total costs by type and segment. A reconciliation of total costs, before exceptional items, by type and segment is as follows:

| | Year ended 30 June 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Grosvenor Venues £m | Mecca Venues £m | Digital £m | International Venues £m | Central Costs £m | Total £m |
| Employment and related costs | **120.0** | **49.0** | **15.9** | **19.0** | **19.6** | **223.5** |
| Taxes and duties | **73.0** | **32.4** | **23.7** | **3.7** | **1.9** | **134.7** |
| Direct costs | **25.1** | **21.7** | **32.3** | **3.3** | **–** | **82.4** |
| Property costs | **29.1** | **26.4** | **0.7** | **2.2** | **1.5** | **59.9** |
| Marketing | **12.1** | **7.6** | **11.6** | **2.5** | **–** | **33.8** |
| Depreciation and amortisation | **19.1** | **10.5** | **8.8** | **2.7** | **4.1** | **45.2** |
| Other | **14.9** | **17.3** | **4.8** | **2.2** | **3.9** | **43.1** |
| **Total costs before exceptional items** | **293.3** | **164.9** | **97.8** | **35.6** | **31.0** | **622.6** |
| Cost of sales | | | | | | **378.2** |
| Operating costs | | | | | | **244.4** |
| **Total costs before exceptional items** | | | | | | **622.6** |

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

The Group reports segmental information on the basis by which the chief operating decision-maker utilises internal reporting within the business. In the current year the internal reporting of operating segments has been modified following changes in management responsibilities. As from 1 July 2018 UK Digital, Enracha Digital and YoBingo were combined into a single operating segment which is now known as Digital. Grosvenor Venues now exclude the Belgium casino. Enracha Venues and Belgium were combined into a single operating segment which is now known as International Venues. Prior year comparatives have been revised to reflect the new operating segments.

## 3 Profit for the year – analysis by nature

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

| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|
| Employee benefit expense | **201.3** | 214.3 |
| Cost of inventories recognised as expense | **29.7** | 29.9 |
| Amortisation of intangibles | **13.5** | 9.5 |
| Depreciation of property, plant and equipment | | |
| • owned assets (including £28.2m (year ended 30 June 2018: £30.1m) within cost of sales) | **30.6** | 32.3 |
| • under finance leases (included within cost of sales) | **1.1** | 1.2 |
| Operating lease rentals payable | | |
| • minimum lease payments | **47.9** | 46.9 |
| • sub-lease income | **(3.2)** | (4.1) |
| Loss on disposal of property, plant and equipment | **0.2** | 0.3 |
| Gain on surrender of finance lease | **(0.3)** | – |
| Impairment of intangible assets | **–** | 0.3 |
| Impairment of property, plant and equipment | **0.3** | 0.2 |
| Exceptional operating costs (see note 4) | **33.5** | 26.9 |
| Auditors' remuneration for audit services | **0.5** | 0.5 |

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

| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|
| Audit services | | |
| • Fees payable to the Company's auditor for the parent company and consolidated financial statements | **0.4** | 0.4 |
| Other services | | |
| Fees payable to the Company's auditor and its associates for other services: | | |
| • the audit of the Company's subsidiaries pursuant to legislation | **0.1** | 0.1 |
| • other services | **0.1** | 0.1 |
| | **0.6** | 0.6 |

£26,000 (year ended 30 June 2018: £26,000) of the audit fees related to the parent company.

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

# 4 Exceptional items

| | Note | Year ended 30 June 2019 £m | Year ended 30 June 2018 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| Impairment charges | 10,11,12 | **(11.1)** | (13.9) |
| Impairment reversals | 10,11,12 | **–** | 1.8 |
| Group restructuring including relocation costs | | **–** | (1.6) |
| Onerous lease and other property costs | | **(1.4)** | (9.1) |
| Closure of venues | | **–** | (3.7) |
| Acquisition related costs | | **(2.2)** | (0.4) |
| Pay provision | 21 | **(8.0)** | – |
| Business transformation costs | | **(10.8)** | – |
| **Exceptional operating costs*** | | **(33.5)** | (26.9) |
| Finance costs | 5 | **(1.6)** | (0.3) |
| Other financial losses | 5 | **–** | (0.3) |
| Taxation | 6 | **5.0** | 4.9 |
| **Exceptional items ralating to continuing operations** | | **(30.1)** | (22.6) |
| **Exceptional items relating to discontinued operations** | | | |
| Taxation | 6 | **1.5** | – |
| **Exceptional items relating to discontinued operations** | | **1.5** | – |
| **Total exceptional items** | | **(28.6)** | (22.6) |

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

## Year ended 30 June 2019 exceptional items

### Impairment charges
The Group recognised impairment charges of £11.1m, of which £10.7m relate to five venues within Grosvenor Casinos. Performance at these venues has not been in line with expectations and is not expected to significantly improve in the future. These have been presented as an exceptional item due to both its material scale and one-off nature.

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

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

### Acquisition related costs
Acquisition related costs of £2.2m include one-off costs to professional service firms that have resulted from acquisitions or potential acquisitions. The finance cost and foreign exchange loss associated with contingent consideration payable has also been recognised as an exceptional finance cost and exceptional other financial loss. This has been presented as an exceptional item due to its one-off nature.

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

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

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

## Year ended 30 June 2018 exceptional items

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

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

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

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

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

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

### Closure of venues
The Group has recognised a net charge of £3.7m as a result of closed clubs.

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

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

## 5 Financing

| | Year ended 30 June 2019 £m | Year ended 30 June 2018 £m |
|---|---|---|
| **Continuing operations** | | |
| Finance costs: | | |
| Interest on debt and borrowings [1] | **(1.4)** | (1.9) |
| Amortisation of issue costs on borrowings[1] | **(0.3)** | (0.4) |
| Interest payable on finance leases | **(0.5)** | (0.5) |
| Unwinding of discount in property lease provisions | **(0.5)** | (0.2) |
| **Total finance costs** | **(2.7)** | (3.0) |
| | | |
| Finance income: | | |
| Interest income on short-term bank deposits[1] | **0.1** | 0.2 |
| Interest income on loans[1] | **–** | 0.1 |
| **Total finance income** | **0.1** | 0.3 |
| | | |
| **Other financial losses** | **(0.2)** | (0.1) |
| | | |
| **Total net financing charge before exceptional items** | **(2.8)** | (2.8) |
| | | |
| Exceptional finance costs | **(1.6)** | (0.3) |
| Exceptional other financial losses | **–** | (0.3) |
| **Total net financing charge** | **(4.4)** | (3.4) |

1. calculated using the effective interest method.

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

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

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

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

# 6 Taxation

| | Year ended 30 June 2019 £m | Year ended 30 June 2018 £m |
|---|---|---|
| **Current income tax** | | |
| Current income tax – UK | **(10.6)** | (11.3) |
| Current income tax – overseas | **(4.6)** | (3.7) |
| Current income tax on exceptional items | **3.3** | 3.0 |
| Amounts over provided in previous period | **2.8** | 0.1 |
| Amounts over provided in previous period on discontinued operations | **1.5** | – |
| **Total current income tax charge** | **(7.6)** | (11.9) |
| **Deferred tax** | | |
| Deferred tax – UK | **(0.4)** | (0.5) |
| Deferred tax – overseas | **1.3** | – |
| Deferred tax on exceptional items | **1.7** | 1.9 |
| Amounts under provided in previous period | **(0.5)** | (0.3) |
| **Total deferred tax credit (note 20)** | **2.1** | 1.1 |
| | | |
| **Tax charge in the income statement** | **(5.5)** | (10.8) |

The tax on the Group's profit before taxation differs from the standard rate of UK corporation tax in the period of 19.00% (year ended 30 June 2018: 19.00%). The differences are explained below:

| | Year ended 30 June 2019 £m | Year ended 30 June 2018 £m |
|---|---|---|
| Profit before taxation on continuing operations | **34.6** | 46.7 |
| Tax charge calculated at 19.00% on profit before taxation (year ended 30 June 2018: 19.00%) | **(6.6)** | (8.9) |
| Effects of: | | |
| Expenses not deductible for tax purposes | **(2.8)** | (1.9) |
| Difference in overseas tax rates | **0.1** | 0.2 |
| Adjustments relating to prior periods | **3.8** | (0.2) |
| Tax charge in the income statement | **(5.5)** | (10.8) |

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

The remaining adjustments relating to prior periods relate to the release of provisions in respect of uncertain tax positions following agreement of the impacted tax returns with the relevant tax authorities.

## Tax on exceptional items

The taxation impacts of exceptional items are disclosed below:

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

# 6 Taxation continued

## Tax effect of items within other comprehensive income

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

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

## Factors affecting future taxation

UK corporation tax is calculated at 19.00% (year ended 30 June 2018: 19.00%) of the estimated assessable profit for the period. Taxation for overseas operations is calculated at the local prevailing rates.

On 8 July 2015, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 19.00% for the year starting 1 April 2017 and a further 1.00% reduction to 18.00% from 1 April 2020. These changes were substantively enacted in October 2015.

On 16 March 2016, the Chancellor of the Exchequer announced a further 1.00% reduction to the previously announced 18.00% main rate of UK corporation tax to 17.00% from 1 April 2020. This change was substantively enacted in September 2016.

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

# 7 Results attributable to the parent company

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the parent company income statement. The loss for the year ended 30 June 2019 for the Company was £7.5m (year ended 30 June 2018: profit of £275.9m). The loss includes receipt of a dividend of £nil (year ended 30 June 2018: £549.4m) and a net impairment charge of £nil (year ended 30 June 2018: £262.8m) in respect of its investment in subsidiary undertakings. Further details are provided in note 13.

# 8 Dividends paid to equity holders

| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|
| Final dividend for 2016/17 paid on 31 October 2017 - 5.30p per share | **–** | 20.7 |
| Interim dividend for 2017/18 paid on 15 March 2018 - 2.15p per share | **–** | 8.4 |
| Final dividend for 2017/18 paid on 30 October 2018 - 5.30p per share | **20.7** | – |
| Interim dividend for 2018/19 paid on 14 March 2019 - 2.15p per share | **8.4** | – |
| Dividends paid to equity holders | **29.1** | 29.1 |

A final dividend in respect of the year ended 30 June 2019 of 5.50p per share, amounting to a total dividend of £21.5m, is to be recommended at the Annual General Meeting on 17 October 2019. These financial statements do not reflect this dividend payable.

# 9 Earning per share

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

| | **Year ended 30 June 2019** | | | Year ended 30 June 2018 | | |
|---|---|---|---|---|---|---|
| | **Before exceptional items** | **Exceptional items** | **Total** | Before exceptional items | Exceptional items | Total |
| **Profit (loss) attributable to equity shareholders** | | | | | | |
| Continuing operations | **£57.7m** | **£(30.1)m** | **£27.6m** | £58.5m | £(22.6)m | £35.9m |
| Discontinued operations | **–** | **£1.5m** | **£1.5m** | – | – | – |
| Total | **£57.7m** | **£(28.6)m** | **£29.1m** | £58.5m | £(22.6)m | £35.9m |
| **Weighted average number of ordinary shares in issue** | **390.7m** | **390.7m** | **390.7m** | 390.7m | 390.7m | 390.7m |
| **Basic earnings (loss) per share** | | | | | | |
| Continuing operations | **14.8p** | **(7.7)p** | **7.1p** | 15.0p | (5.8)p | 9.2p |
| Discontinued operations | **–** | **0.3p** | **0.3p** | – | – | – |
| Total | **14.8p** | **(7.4)p** | **7.4p** | 15.0p | (5.8)p | 9.2p |

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares.

| | **Year ended 30 June 2019** | | | Year ended 30 June 2018 | | |
|---|---|---|---|---|---|---|
| | **Before exceptional items** | **Exceptional items** | **Total** | Before exceptional items | Exceptional items | Total |
| Weighted average number of ordinary shares in issue | **390.7m** | **390.7m** | **390.7m** | 390.7m | 390.7m | 390.7m |
| Effect of dilutive potential ordinary shares - share awards | **0.1m** | **0.1m** | **0.1m** | £0.4m | £0.4m | £0.4m |
| **Number of shares used for fully diluted earnings per share** | **390.8m** | **390.8m** | **390.8m** | 391.1m | 391.1m | 391.1m |
| **Basic earnings (loss) per share** | | | | | | |
| Continuing operations | **14.8p** | **(7.7)p** | **7.1p** | 15.0p | (5.8)p | 9.2p |
| Discontinued operations | **–** | **0.3p** | **0.3p** | – | – | – |
| Total | **14.8p** | **(7.4)p** | **7.4p** | 15.0p | (5.8)p | 9.2p |

### (c) Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, unwinding of the discount in disposal provisions and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

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

| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|
| Profit attributable to equity shareholders | **29.1** | 35.9 |
| Adjust for: | | |
| Discontinued operations | **(1.5)** | – |
| Exceptional items after tax | **30.1** | 22.6 |
| Other financial losses | **0.2** | 0.1 |
| **Adjusted net earnings attributable to equity shareholders (£m)** | **57.9** | 58.6 |
| **Adjusted earnings per share (p) - basic** | **14.8p** | 15.0p |
| **Adjusted earnings per share (p) - diluted** | **14.8p** | 15.0p |

# 10 Intangible assets

| Group | Goodwill £m | Casino and other gaming licences and concessions £m | Software and development £m | Brands and customer relationships £m | Property contracts £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At 1 July 2017** | 134.3 | 277.5 | 49.1 | – | 3.8 | 464.7 |
| Exchange adjustments | 0.4 | 0.4 | – | 0.1 | – | 0.9 |
| Disposals | – | – | (3.9) | – | – | (3.9) |
| Additions | – | 0.5 | 11.6 | – | – | 12.1 |
| Acquisitions | 31.9 | – | 3.5 | 11.4 | – | 46.8 |
| **At 30 June 2018** | 166.6 | 278.4 | 60.3 | 11.5 | 3.8 | 520.6 |
| Exchange adjustments | **0.5** | **0.7** | **–** | **0.2** | **–** | **1.4** |
| Disposals | **–** | **–** | **(2.2)** | **–** | **–** | **(2.2)** |
| Additions | **–** | **–** | **11.5** | **–** | **0.1** | **11.6** |
| Acquisitions | **(0.5)** | **–** | **–** | | **–** | **(0.5)** |
| **At 30 June 2019** | **166.6** | **279.1** | **69.6** | **11.7** | **3.9** | **530.9** |
| | | | | | | |
| **Aggregate amortisation and impairment** | | | | | | |
| **At 1 July 2017** | – | 33.0 | 19.0 | – | 1.2 | 53.2 |
| Exchange adjustments | – | 0.2 | – | – | – | 0.2 |
| Charge for the year | – | 1.2 | 7.7 | 0.2 | 0.4 | 9.5 |
| Impairment charges | – | 3.3 | 0.4 | – | – | 3.7 |
| Impairment reversals | – | (1.2) | – | – | – | (1.2) |
| Disposals | – | – | (3.9) | – | – | (3.9) |
| **At 30 June 2018** | – | 36.5 | 23.2 | 0.2 | 1.6 | 61.5 |
| Exchange adjustments | **–** | **0.5** | **0.1** | **0.1** | **–** | **0.7** |
| Charge for the year | **–** | **1.2** | **9.5** | **2.5** | **0.3** | **13.5** |
| Impairment charges | **–** | **9.1** | **0.4** | **–** | **–** | **9.5** |
| Disposals | **–** | **–** | **(2.1)** | **–** | **–** | **(2.1)** |
| **At 30 June 2019** | **–** | **47.3** | **31.1** | **2.8** | **1.9** | **83.1** |
| | | | | | | |
| Net book value at 30 June 2017 | 134.3 | 244.5 | 30.1 | – | 2.6 | 411.5 |
| Net book value at 30 June 2018 | 166.6 | 241.9 | 37.1 | 11.3 | 2.2 | 459.1 |
| **Net book value at 30 June 2019** | **166.6** | **231.8** | **38.5** | **8.9** | **2.0** | **447.8** |

Impairment charges for the year of £9.5m (30 June 2018: £3.7m) comprise of £9.5m (30 June 2018: £3.4m) recognised in respect of exceptional items relating to continuing operations and £nil (30 June 2018: £0.3m) in respect of operating profit before exceptional items. There were no impairment reversals in the current year (30 June 2018: £1.2m).

Software includes internally-generated computer software and development technology with a net book value of £23.6m (30 June 2018: £22.2m).

Property contracts, brands and customer relationships are fair value adjustments that arose on acquisition.

Included in software and development are assets in the course of construction of £3.0m (30 June 2018: £15.0m).

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

# 11 Property, plant and equipment

| Group | Land and buildings £m | Fixtures, fittings, plant and machinery £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| **At 1 July 2017** | 116.7 | 433.6 | 550.3 |
| Exchange adjustments | 0.1 | 0.6 | 0.7 |
| Additions | 8.5 | 18.9 | 27.4 |
| Disposals | (0.4) | (8.2) | (8.6) |
| **At 30 June 2018** | 124.9 | 444.9 | 569.8 |
| Exchange adjustments | **0.2** | **1.0** | **1.2** |
| Additions | **3.0** | **20.7** | **23.7** |
| Disposals | **(3.7)** | **(3.8)** | **(7.5)** |
| **At 30 June 2019** | **124.4** | **462.8** | **587.2** |
| | | | |
| **Accumulated depreciation and impairment** | | | |
| **At 1 July 2017** | 64.8 | 297.6 | 362.4 |
| Exchange adjustments | 0.1 | 0.5 | 0.6 |
| Charge for the year | 4.0 | 29.5 | 33.5 |
| Impairment charges | 1.7 | 9.0 | 10.7 |
| Impairment reversals | – | (0.6) | (0.6) |
| Disposals | (0.1) | (8.2) | (8.3) |
| **At 30 June 2018** | 70.5 | 327.8 | 398.3 |
| Exchange adjustments | **0.1** | **0.7** | **0.8** |
| Charge for the year | **4.0** | **27.7** | **31.7** |
| Impairment charges | **0.7** | **1.2** | **1.9** |
| Disposals | **(3.3)** | **(3.7)** | **(7.0)** |
| **At 30 June 2019** | **72.0** | **353.7** | **425.7** |
| | | | |
| Net book value at 30 June 2017 | 51.9 | 136.0 | 187.9 |
| Net book value at 30 June 2018 | 54.4 | 117.1 | 171.5 |
| **Net book value at 30 June 2019** | **52.4** | **109.1** | **161.5** |

Impairment charges for the year of £1.9m (30 June 2018: £10.7m) comprise of £1.6m (30 June 2018: £10.5m) which has been recognised in respect of exceptional items relating to continuing operations and £0.3m (30 June 2018: £0.2m) in respect of operating profit before exceptional items. There were no impairment reversals in the current year (30 June 2018: £0.6m).

## Finance leases

The net book value of property, plant and equipment held under finance leases was:

| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
|---|---|---|
| Land and buildings | **2.5** | 3.5 |
| Fixtures, fittings, plant and machinery | **0.9** | 1.4 |
| **Net book value at end of period** | **3.4** | 4.9 |

There were no additions to assets held under finance leases in the both the current and prior year. The net book value of assets held under finance leases disposed of in the year was £0.4m (year ended 30 June 2018: £nil).

## Assets under construction

Included in property, plant and equipment are assets in the course of construction of £11.9m (30 June 2018: £6.2m).

## 12 Impairment reviews

At 30 June 2019, the Group had the following goodwill and intangible assets with indefinite useful life:

| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
|---|---|---|
| Digital goodwill (UK) | **£53.4** | £53.4 |
| Digital goodwill (Spain) | **£32.3** | £32.3 |
| Grosvenor Venues goodwill | **£80.9** | £80.9 |
| **Total goodwill** | **£166.6** | £166.6 |
| | | |
| Casino licences | **£220.1** | £229.1 |
| Spanish bingo licences | **£11.1** | £11.0 |
| **Total casino and other gaming licences*** | **£231.2** | £240.1 |

* In note 10 £0.6m (30 June 2018: £1.8m) of casino and other gaming licences relate to definite life assets

The Group performs an annual impairment review for goodwill and other intangible assets with indefinite lives, by comparing the carrying amount of these assets with their recoverable amount. The recoverable amount is determined based on the higher of the fair value less costs of disposal and value in use. The nature of the test requires that the directors exercise judgement and estimation.

The most recent test was conducted in May 2019. Testing is carried out by allocating the carrying value of these assets to cash-generating units (CGUs) and determining the recoverable amounts of those CGUs. Where the recoverable amount exceeds the carrying value of the assets, the assets are considered not impaired. If there are legacy impairments for such assets, these are considered for reversal.

Value in use calculations are based upon estimates of future cash flows derived from the Group's annual budget for the next financial year and the Group's strategic plan for the following two years. The budget and strategic plan are updated in the final quarter of the year and have been approved by the board of directors. Future cash flows will also include an estimate of long term growth rates which are estimated by division.

Discount rates are applied to each CGU's cash flows and reflect both the time value of money and the risks that apply to the cash flows of that CGU. These are estimated by management based on typical debt and equity costs for listed gaming and betting companies with similar risk profiles. The discount rates are calculated on a pre-tax basis and the calculations incorporate estimates of the tax rates that will apply to the future cash flows of the applicable CGU.

The principal assumptions underlying the CGU cash flow forecasts include:

- the underlying business model will continue to operate on a comparable basis, adjusted for expected regulatory or tax changes and planned business initiatives;
- long term growth or decline trends in customer visits and spend per visit will continue, adjusted for changes in the business model or expected changes in the wider industry or economy;
- CGUs will achieve normal win margins, which are based upon historic experience;
- expenses are assessed separately by category through a bottom-up process. Assumptions include an extrapolation of recent cost inflation trends, known inflation trends such as national living wage and an expectation that costs will be incurred in line with agreed contractual rates.

The other significant assumptions incorporated into impairment reviews are those relating to discount rates and long-term growth.

| | Discount rate | | Long term growth rate | |
|---|---|---|---|---|
| | **2018/19** | 2017/18 | **2018/19** | 2017/18 |
| Grosvenor Venues* | **11.5%** | 11.5% | **2%** | 2% |
| Mecca Venues | **11.5%** | 11.5% | **0%** | 0% |
| Digital (UK) | **10.8%** | 11.0% | **2%** | 2% |
| Digital (Spain) | **10.0%** | n/a | **2%** | n/a |
| International Venues | **12.8% – 13.3%** | 13.0% – 13.5% | **2%** | 2% |

* Discount rate and long term growth rate applied to Grosvenor Venues goodwill and casino licences.

Where a CGU does not have an indefinite life intangible, the CGU is only assessed for impairment where an indicator of impairment to the associated definite life intangible and/or property, plant and equipment is identified.

During the period, the following indicators of impairment were identified at several CGUs:

- a sustained period of club underperformance.

During the period no indicators of an impairment reversal were identified.

The approach to determine recoverable amounts for a CGU where an indicator is present remains the same and is determined based on the higher of fair value less costs of disposal and value in use.

As a result of the procedures outlined above, the following impairment charges and reversals were recognised during the year:

| | Impairments recognised | | |
|---|---|---|---|
| £m | Exceptional loss | Continuing operation loss | **Total** |
| **Property plant and equipment** | | | |
| Grosvenor Venues | (1.6) | – | **(1.6)** |
| Mecca Venues | – | (0.3) | **(0.3)** |
| **Intangible assets** | | | |
| Grosvenor Venues | (9.1) | – | **(9.1)** |
| Digital | (0.4) | – | **(0.4)** |
| **Total** | **(11.1)** | **(0.3)** | **(11.4)** |

## Sensitivity of impairment review

For CGUs reviewed in May 2019, no impairment would occur under any reasonable possible changes in assumptions upon which the recoverable amount was estimated other than within the Grosvenor Venues segment.

For Grosvenor Venues an increase of 1% in the discount rate would result in an impairment of approximately £7.0m and a decrease of 1% or more in the growth rate would result in headroom being extinguished.

## 13 Investments

| Group – equity investment | As at 30 June 2019 £m | As at 30 June 2018 £m |
|---|---|---|
| Other investment | **3.5** | 3.5 |
| **Net book value at end of year** | **3.5** | 3.5 |

On 4 June 2018 the Group exercised its right to convert £3.5m of principal loan notes due from its digital platform provider into 17.18% of their share capital. Due to the Group having an irrevocable right to the shares and notice having been issued pre-year end the loan was been recognised as an investment as at 30 June 2018, share certificates were received on 6 July 2018. The Group considered whether it had significant influence over its digital platform provider but concluded this was not the case and therefore the holding is not considered an investment in an associate. Based on the latest known financial performance and knowledge of the intellectual property that has been developed the fair value of the investment is considered to equate to its cost.

| Company – investment in subsidiaries | As at 30 June 2019 £m | As at 30 June 2018 £m |
|---|---|---|
| **Cost** | | |
| At start of year | **1,452.3** | 1,452.5 |
| Movements | **–** | (0.2) |
| At end of year | **1,452.3** | 1,452.3 |
| | | |
| **Provision for impairment** | | |
| At start of year | **320.5** | 57.7 |
| Impairment charge | **–** | 286.7 |
| Impairment reversal | **–** | (23.9) |
| At end of year | **320.5** | 320.5 |
| | | |
| **Net book value at end of year** | **1,131.8** | 1,131.8 |

In the prior year the Company recognised an impairment charge of £286.7m due to the receipt of a £549.4m dividend from a subsidiary, as part of a project to simplify the Group's organisational structure and to increase reserves available for distribution, and recognised an impairment reversal of £23.9m, due to an increase in the assessed value of one of its subsidiaries. The Company also recognised a £0.2m reduction in cost which related to the movement in fair value of services, recognised by subsidiary undertakings, arising from equity-settled share awards granted as part of the LTIP reward by the Company.

A list of the significant company investments in subsidiaries, including the name, country of incorporation, registered office and proportion of ownership interest is given in note 33.

## 14 Inventories

| | Group | |
|---|---|---|
| | As at 30 June 2019 £m | As at 30 June 2018 £m |
| Finished goods | **2.7** | 2.5 |

There were no write downs of inventory in either year.

# 15 Other receivables

| | Group | |
|---|---|---|
| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
| **Current** | | |
| Other receivables | **8.1** | 8.2 |
| Less: provisions for impairment of other receivables | **(1.7)** | (0.3) |
| Other receivables – net | **6.4** | 7.9 |
| Prepayments | **20.8** | 21.3 |
| | **27.2** | 29.2 |
| **Non-current** | | |
| Other receivables | **4.1** | 3.7 |
| | **4.1** | 3.7 |

## Group

The directors consider that the carrying value of other receivables and convertible loan notes approximate to their fair value.

As at 30 June 2019 other receivables of £1.6m (30 June 2018: £0.8m) were past due but not impaired.

The other classes within receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

# 16 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 30 June 2019 £m** | As at 30 June 2018 £m | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
| **Current** | | | | |
| Trade payables | **12.4** | 4.9 | **–** | – |
| Social security and other taxation | **34.6** | 32.0 | **–** | – |
| Contingent consideration | **0.7** | 24.0 | **–** | – |
| Deferred consideration | **1.8** | – | **–** | – |
| Other payables | **95.7** | 92.2 | **0.2** | 0.1 |
| **Trade and other payables – current** | **145.2** | 153.1 | **0.2** | 0.1 |
| **Non-current** | | | | |
| Deferred consideration | **–** | 1.7 | **–** | – |
| Other payables | **26.0** | 28.9 | **–** | – |
| **Trade and other payables – non-current** | **26.0** | 30.6 | **–** | – |

Other payables includes £2.9m current payables (30 June 2018: £2.9m) and £26.0m non-current payables (30 June 2018: £28.9m) in respect of above market rent property contracts acquired through business combinations.

# 17 Income tax

| | Group | |
|---|---|---|
| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
| Income tax receivable | **0.6** | – |
| Income tax payable – Continuing operations | **(7.2)** | (8.3) |
| Income tax payable – Discontinued operations | **–** | (2.0) |
| Income tax payable | **(7.2)** | (10.3) |
| **Net income tax payable** | **(6.6)** | (10.3) |

Income tax payable on discontinued operations as at 30 June 2018 related to potential tax liabilities attributable to disposed entities with historic tax audits. During the year a payment of £0.5m was made to settle the outstanding issues.

# 18 Financial assets and liabilities

### (a) Interest-bearing loans and borrowings

| | | Group | |
|---|---|---|---|
| | Maturity | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
| **Current interest-bearing loans and borrowings** | | | |
| Bank overdrafts | On demand | **3.1** | 2.7 |
| Obligations under finance leases | Various | **1.6** | 1.5 |
| Term loans | March 2020 | **50.0** | 50.0 |
| **Other current loans** | | | |
| Accrued interest | July 2019 | **0.1** | 0.1 |
| Unamortised facility fees | Various | **(0.1)** | (0.1) |
| **Total current interest-bearing loans and borrowings** | | **54.7** | 54.2 |
| **Non-current interest-bearing loans and borrowings** | | | |
| Obligations under finance leases | Various | **5.3** | 5.5 |
| **Total non-current interest-bearing loans and borrowings** | | **5.3** | 5.5 |
| **Total interest-bearing loans and borrowings** | | **60.0** | 59.7 |
| Sterling | | **60.0** | 59.7 |
| **Total interest-bearing loans and borrowings** | | **60.0** | 59.7 |

### Bank overdrafts

Bank overdrafts are for short-term funding and are repayable on demand.

### Term loan facilities

The term loan was reduced down during the first half of the year in line with the agreed amortisation profile. A total repayment of £30.0m was made in August 2018. In January 2019, Rank refinanced its remaining £20.0m term loan facilities to ensure sufficient debt facilities were in place to cover the deferred consideration payment regarding the acquisition of YoBingo and certain transformation costs. Following the refinancing the term loan banking facilities now total £50.0m and comprise three bi-lateral facilities. Two of the three facilities expire in January 2020 with the third in March 2020. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of interest which are LIBOR dependant. The total drawn term loans at 30th June 2019 was £50.0m (30th June 2018: £50.0m).

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

## Revolving credit facilities
Five year facilities were signed on 29th September 2015 consisting three multi-currency revolving credit bi-lateral facilities totalling £90.0m. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of interest which are LIBOR dependant. There were no drawings on the multi-currency revolving credit facilities at 30 June 2019, providing the Group with £90.0m of undrawn committed facilities.

## Covenants
The Group complied with all its covenants during the year.

## Company
The Company did not hold any external interest bearing loans or borrowings at 30 June 2019 (30 June 2018: £nil). The Company holds interest bearing loans with other Group companies at 30 June 2019 of £389.5m (30 June 2018: £353.6m)

### (b) Hedging activities
The Group has not carried out any hedging activities in either period.

### (c) Fair values
The table below is a comparison by class of the carrying amounts and fair value of the Group and Company's financial instruments at 30 June 2019 and 30 June 2018.

| | | Carrying amount | | Fair value | |
|---|---|---|---|---|---|
| **Group** | Fair value hierarchy | **As at 30 June 2019 £m** | As at 30 June 2018 £m | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
| **Financial assets:** | | | | | |
| **Equity Investments** | | | | | |
| Other investment – unquoted equity shares | Level 3 | **3.5** | 3.5 | **3.5** | 3.5 |
| **Loans and receivables** | | | | | |
| Other receivables | Level 2 | **0.9** | 1.6 | **0.9** | 1.6 |
| Cash and short-term deposits | Level 1 | **61.8** | 50.4 | **61.8** | 50.4 |
| **Total** | | **66.2** | 55.5 | **66.2** | 55.5 |
| **Financial liabilities:** | | | | | |
| **Other financial liabilities** | | | | | |
| Interest bearing loans and borrowings | | | | | |
| • Obligations under finance leases | Level 2 | **6.9** | 7.0 | **6.9** | 7.0 |
| • Floating rate borrowings | Level 2 | **50.0** | 50.0 | **50.0** | 50.0 |
| • Bank overdrafts | Level 1 | **3.1** | 2.7 | **3.1** | 2.7 |
| • Other | Level 2 | **–** | 0.1 | **–** | 0.1 |
| Trade and other payables | Level 2 | **88.8** | 78.5 | **88.8** | 78.5 |
| Property leases | Level 2 | **33.5** | 36.0 | **33.5** | 36.0 |
| Contingent consideration | Level 3 | **0.7** | 24.0 | **0.7** | 24.0 |
| Deferred consideration | Level 3 | **1.8** | 1.7 | **1.8** | 1.7 |
| **Total** | | **184.8** | 200.0 | **184.8** | 200.0 |

# 18 Financial assets and liabilities continued

| Company | Fair value hierarchy | Carrying amount As at 30 June 2019 £m | Carrying amount As at 30 June 2018 £m | Fair value As at 30 June 2019 £m | Fair value As at 30 June 2018 £m |
|---|---|---|---|---|---|
| **Financial assets:** | | | | | |
| **Loans and receivables** | | | | | |
| Cash and short-term deposits | Level 1 | **–** | 0.4 | **–** | 0.4 |
| **Total** | | **–** | 0.4 | **–** | 0.4 |
| **Financial liabilities:** | | | | | |
| **Other financial liabilities** | | | | | |
| Trade and other payables | Level 2 | **0.2** | 0.1 | **0.2** | 0.1 |
| Financial guarantee contracts | Level 2 | **1.6** | 1.7 | **1.6** | 1.7 |
| Amounts owed to subsidiary undertakings | Level 2 | **389.5** | 353.6 | **389.5** | 353.6 |
| **Total** | | **391.3** | 355.4 | **391.3** | 355.4 |

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumption:

- Cash and short-term deposits, other receivables, bank overdrafts and other financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments;
- The fair value of fixed rate borrowings is based on price quotations at the reporting date;
- The fair value of floating rate borrowings and obligations under finance leases approximates to their carrying amounts; and
- The fair value of onerous property leases and lease disposal settlements approximate their carrying amount as they are discounted at current rates.

## Fair value hierachy

The Group uses the following hierachy to determine the carrying value of financial instruments that are measured at fair value:

Level 1: quoted (unadjusted) prices in active markets identical assets or liabilities.

Level 2: other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

# 19 Financial risk management objectives and policies

## Financial risk factors

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's senior management oversees the management of these risks. The finance committee is supported by the Group's senior management, which advises on financial risks and the appropriate financial risk governance framework for the Group. The finance committee provides assurance that the Group's financial risk-taking activities are governed by appropriate policies and procedures and the financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The board of directors reviews and agrees policies for managing each of these risks, which are summarised below.

### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the positions at 30 June 2019 and 30 June 2018.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group's current policy is not to hedge foreign currency risk.

### Foreign currency sensitivity

The following table demonstrates the sensitivity of a possible change in the euro, with all other variables held constant, to the Group's profit before tax and the Group's equity. The Group's exposure to foreign currency changes for all other currencies is not material.

| | Effect on profit before tax | | Effect on equity | |
|---|---|---|---|---|
| | **As at 30 June 2019 £m** | As at 30 June 2018 £m | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
| Change in foreign exchange rates: | | | | |
| +10.0% euro | **(0.1)** | (0.1) | **1.8** | (13.0) |
| -10.0% euro | **0.2** | 0.1 | **(1.8)** | 13.0 |

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Historically the Group had managed its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Due to the current economic climate the Group has exercised its right to operate outside the Group policy of maintaining between 40% and 60% of its borrowings at fixed rate of interest. At 30 June 2019, 12% of the group's borrowings were at a fixed rate of interest (30 June 2018: 12%).

(iii) Interest rate sensitivity

The table below demonstrates the sensitivity to a possible change in interest rates on income and equity for the year when this movement is applied to the carrying value of loans, borrowings, cash and short-term deposits.

| | Effect on profit before tax | |
|---|---|---|
| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
| **Sterling:** | | |
| 100 basis point increase | **(0.4)** | (0.5) |
| 200 basis point increase | **(0.8)** | (1.0) |

# 19 Financial risk management objectives and policies continued

There was no impact on equity in either year as a consequence of loan arrangements.

Due to current low interest rates, any further decline would not have a material impact on income and equity for the year. As such, sensitivity to a decrease in interest rates has not been presented.

The Group did not enter into any fixed-to-floating or floating-to-fixed interest rate swaps in either year.

### (b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Chief Financial Officer, and may be updated throughout the year subject to the approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The credit worthiness of each counterparty is checked against independent credit ratings on at least a weekly basis, with a minimum rating of 'BB'. The Group predominantly invests with its lending banks when appropriate.

Sales to retail customers are settled in cash or using major credit and debit cards and therefore the exposure to credit risk is not considered significant.

No credit limits were exceeded during the reporting period and management does not expect any material losses from non-performance of its counterparties.

### (c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying the liquidity requirements of the Group are produced three times a year. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly. Forecast financial headroom and debt covenant compliance is reviewed monthly during the month-end process to ensure sufficient headroom exists for at least a 12 month period.

Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A three-year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages the Group's financing requirements and the range of maturities on its debt.

The Group's core debt facilities are the £90.0m (30 June 2018: £90.0m) bank facility comprising three bi-lateral bank facilities which expire in September 2020 and the £50.0m (30 June 2018: £50.0m) bank facility comprising three bi-lateral bank facilities which expire in January and March 2020. The Group proactively manages its relationships with its lending group.

The funding policy of the Group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

| | On demand £m | Less than 12 months £m | 1 to 2 years £m | 2 to 5 years £m | Greater than 5 years £m | Total £m |
|---|---|---|---|---|---|---|
| **At 30 June 2019** | | | | | | |
| Interest-bearing loans and borrowings[1] | **3.1** | **52.2** | **1.2** | **1.9** | **2.2** | **60.6** |
| Trade and other payables | **–** | **88.8** | **–** | **–** | **–** | **88.8** |
| Property leases | **–** | **6.7** | **4.8** | **10.9** | **17.1** | **39.5** |
| Contingent & deferred consideration | **–** | **2.5** | **–** | **–** | **–** | **2.5** |
| | **3.1** | **150.2** | **6.0** | **12.8** | **19.3** | **191.4** |
| **At 30 June 2018** | | | | | | |
| Interest-bearing loans and borrowings[1] | 2.7 | 52.3 | 1.9 | 2.9 | 1.8 | 61.6 |
| Trade and other payables | – | 78.5 | – | – | – | 78.5 |
| Property leases | – | 6.7 | 4.3 | 11.6 | 20.0 | 42.6 |
| Contingent & deferred consideration | – | 25.3 | 1.8 | – | – | 27.1 |
| | 2.7 | 162.8 | 8.0 | 14.5 | 21.8 | 209.8 |

1. The bank facility interest payments were based on current LIBOR as at the reporting date.

Interest payments on the interest-bearing loans and borrowings have been projected until the instruments mature.

## Capital management

As a result of the difficult conditions that developed in the global capital markets in recent years, the Group's objectives when managing capital have been to ensure continuing access to existing debt facilities and to manage the borrowing cost of those facilities in order to minimise the Group's interest charge.

Consistent with others in the gaming industry, the Group monitors capital on the basis of leverage ratio. The ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'loans and borrowings' as shown in the consolidated balance sheet) less cash and short-term deposits, accrued interest and unamortised facility fees. EBITDA is calculated as operating profit before exceptional items, depreciation and amortisation from continuing operations.

The leverage ratios at 30 June 2019 and 30 June 2018 were as follows:

| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
|---|---|---|
| Total loans and borrowings (note 18) | **60.0** | 59.7 |
| Less: Cash and short-term deposits | **(61.8)** | (50.4) |
| Less: Accrued interest | **(0.1)** | (0.1) |
| Less: Unamortised facility fees | **0.1** | 0.1 |
| Net (cash) debt | **(1.8)** | 9.3 |
| Continuing operations | | |
| Operating profit before exceptional | **72.5** | 77.0 |
| Add: Depreciation and amortisation | **45.2** | 43.0 |
| EBITDA | **117.7** | 120.0 |
| | | |
| Leverage ratio | **–** | 0.1 |

Taking into consideration both the Group's capital investment requirements and the stability of the wider economic environment, the Group considers its progressive dividend policy to be appropriate.

## Collateral

The Group did not pledge or hold any collateral at 30 June 2019 (30 June 2018: £nil).

## Company

The maximum exposure to credit risk at the reporting date is the fair value of its Cash and short-term deposits of £nil (30 June 2018: £0.4m).

The Company does not have any other significant exposure to financial risks.

# 20 Deferred tax

The analysis of deferred tax included in the financial statements at the end of the year is as follows:

| | Group | |
|---|---|---|
| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
| Deferred tax assets: | | |
| Accelerated capital allowances | **13.9** | 13.6 |
| Tax losses carried forward | **0.1** | 0.4 |
| Business combinations – property lease fair value adjustments | **3.4** | 4.0 |
| Other UK temporary differences | **0.8** | 0.8 |
| **Deferred tax assets** | **18.2** | 18.8 |
| | | |
| Deferred tax liabilities: | | |
| Other overseas temporary differences | **(6.6)** | (7.9) |
| Business combinations – non-qualifying properties | **(0.5)** | (0.5) |
| Temporary differences on UK casino licences | **(33.1)** | (34.4) |
| **Deferred tax liabilities** | **(40.2)** | (42.8) |
| | | |
| **Net deferred tax liability** | **(22.0)** | (24.0) |

# 20 Deferred tax continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities of £18.1m (30 June 2018: £18.4m) have been offset and disclosed on the balance sheet as follows:

| | Group | |
|---|---|---|
| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
| Deferred tax assets | **0.1** | 0.4 |
| Deferred tax liabilities | **(22.1)** | (24.4) |
| **Net deferred tax liability** | **(22.0)** | (24.0) |

The deferred tax assets recognised are recoverable against future taxable profits that the directors consider more likely than not to occur on the basis of management forecasts.

The Group has overseas tax losses of £nil (30 June 2018: £nil) that are carried forward for offset against suitable future taxable profits.

The Group has UK capital losses carried forward of £783m (30 June 2018: £783m). These losses have no expiry date and are available for offset against future UK chargeable gains. No deferred tax asset (30 June 2018: £nil) has been recognised in respect of these capital losses as no further utilisation is currently anticipated.

## Temporary differences associated with Group investments

There was no deferred tax liability recognised (30 June 2018: £nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries. The Group has determined that any unremitted earnings that do not fall within the dividend exemption introduced in the Finance Act 2009 will not be distributed in the foreseeable future and the parent company does not foresee giving such consent at the balance sheet date.

The deferred tax included in the Group income statement is as follows:

| | Group | |
|---|---|---|
| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
| **Deferred tax in the income statement** | | |
| Accelerated capital allowances | **0.3** | 1.3 |
| Tax losses | **(0.3)** | 0.3 |
| Business combinations – property lease fair value adjustments | **(0.6)** | (0.3) |
| Temporary differences on UK casino licences | **1.3** | 0.3 |
| Other temporary differences | **1.4** | (0.5) |
| **Total deferred tax credit** | **2.1** | 1.1 |

The deferred tax movement on the balance sheet is as follows:

| | Group | |
|---|---|---|
| | **30 June 2019 £m** | 30 June 2018 £m |
| As at start of year | **(24.0)** | (19.8) |
| Exchange adjustments | **–** | (0.1) |
| Acquisition of QSB Gaming Limited ('YoBingo') | **–** | (5.3) |
| Deferred tax credit in the income statement | **2.1** | 1.1 |
| Deferred tax (charge) credit to other comprehensive income and equity | **(0.1)** | 0.1 |
| **As at end of year** | **(22.0)** | (24.0) |

# 21 Provisions

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

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

## Property lease provisions

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property or part of the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. These leases have a weighted average unexpired life of 10 years (30 June 2018: 10 years). Of the provision totalling £33.5m, it is estimated £19.3m will be utilised over periods ranging from one to five years, £9.5m will be utilised over periods ranging from five to 10 years; and the remaining £4.7m will be utilised over periods in excess of 10 years.

### Disposal provisions

Provision has been made for legacy industrial disease and personal injury claims, deferred payments arising from the settlement of property lease obligations and other directly attributable costs arising as a consequence of the sale or closure of the businesses. The timing of any personal injury claims is uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates. The disposal provisions held comprise the following:

| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
|---|---|---|
| Legacy industrial disease and personal injury claims | **3.8** | 3.8 |
| Other | **0.1** | 0.2 |
| **Total disposal provisions** | **3.9** | 4.0 |

### Restructuring provisions

A provision of £0.2m (30 June 2018: £0.4m) has been made for remaining exceptional restructuring and relocation costs.

### Indirect tax provision

The indirect tax provision relates to an amusement machine licence duty claim by HMRC. The balance of £1.2m represents the directors' best estimate of the outflow likely to arise.

### Pay provision

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

# 21 Provisions continued

## Company

Provision has been made for legacy industrial disease and personal injury claims. The timing of any personal injury claims is uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates. The disposal provisions held comprise the following:

| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
|---|---|---|
| Legacy industrial disease and personal injury claims | **1.1** | 1.1 |
| Other | **–** | 0.1 |
| **Disposal provisions** | **1.1** | 1.2 |
| Current | **0.2** | 0.2 |
| Non-current | **0.9** | 1.0 |
| **Total** | **1.1** | 1.2 |

# 22 Share capital

| | **As at 30 June 2019** | | As at 30 June 2018 | |
|---|---|---|---|---|
| | **Number m** | **Nominal value £m** | Number m | Nominal value £m |
| Authorised ordinary shares of 13 8/9p each | **1,296.0** | **180.0** | 1,296.0 | 180.0 |

| | **As at 30 June 2019** | | As at 30 June 2018 | |
|---|---|---|---|---|
| | **Number m** | **Nominal value £m** | Number m | Nominal value £m |
| As at 30 June 2018 and 30 June 2019 – issued and fully paid | **390.7** | **54.2** | 390.7 | 54.2 |

# 23 Notes to cash flow

Reconciliation of operating profit to cash generated from continuing operations:

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
| **Continuing operations** | | | | |
| Operating profit (loss) | **39.0** | 50.1 | **0.1** | (261.8) |
| Exceptional items | **33.5** | 26.9 | **–** | 262.8 |
| Operating profit before exceptional items | **72.5** | 77.0 | **0.1** | 1.0 |
| Depreciation and amortisation | **45.2** | 43.0 | **–** | – |
| Settlement of share based payments | **(0.4)** | (1.7) | **–** | (0.6) |
| Share-based payments | **1.1** | (0.2) | **–** | (0.2) |
| Loss on disposal of property, plant and equipment | **0.2** | 0.3 | **–** | – |
| Gain on surrender of finance lease | **(0.3)** | – | **–** | – |
| Impairment of intangible assets | **–** | 0.3 | **–** | – |
| Impairment of property, plant and equipment | **0.3** | 0.2 | **–** | – |
| (Increase) decrease in inventories | **(0.2)** | 0.3 | **–** | – |
| Decrease (increase) in other receivables | **3.7** | (3.4) | **–** | – |
| Increase (decrease) in trade and other payables | **6.9** | (6.4) | **(0.1)** | (0.8) |
| | **129.0** | 109.4 | **–** | (0.6) |
| Cash utilisation of provisions (see note 21) | **(4.7)** | (5.8) | **(0.1)** | (0.1) |
| Cash payments in respect of exceptional items | **(11.2)** | (1.2) | **–** | – |
| **Cash generated from operations** | **113.1** | 102.4 | **(0.1)** | (0.7) |

# 24 Cash and short-term deposits

| | Group As at 30 June 2019 £m | Group As at 30 June 2018 £m |
|---|---|---|
| Cash at bank and on hand | **52.3** | 49.4 |
| Short-term deposits | **9.5** | 1.0 |
| **Total** | **61.8** | 50.4 |

The analysis of cash and short-term deposits by currency is as follows:

| | Group As at 30 June 2019 £m | Group As at 30 June 2018 £m |
|---|---|---|
| Sterling | **53.1** | 42.7 |
| Euro | **8.7** | 7.7 |
| **Total** | **61.8** | 50.4 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

### Company

At 30 June 2019 the Company had cash and short-term deposits of £nil (30 June 2018: £0.4m).

# 25 Reconciliation of cash flow from financing activities

Reconciliation of net debt:

| | Group As at 30 June 2019 £m | Group As at 30 June 2018 £m |
|---|---|---|
| Cash and cash equivalents | **58.7** | 47.7 |
| Borrowings | **(56.9)** | (57.0) |
| **Net cash (debt)** | **1.8** | (9.3) |

For the purpose of the statements of cash flow, cash and cash equivalents comprise the following:

| | Group As at 30 June 2019 £m | Group As at 30 June 2018 £m |
|---|---|---|
| Cash at bank and on hand | **52.3** | 49.4 |
| Short-term deposits | **9.5** | 1.0 |
| | **61.8** | 50.4 |
| Bank overdrafts | **(3.1)** | (2.7) |
| **Total** | **58.7** | 47.7 |

Changes in liabilities arising from financing activities:

| | | Transactions year ended 30 June 2019 | | |
|---|---|---|---|---|
| | As at 30 June 2019 £m | Cash flow | Non-cash changes | As at 30 June 2018 £m |
| Obligations under finance leases | **6.9** | **1.2** | **(1.1)** | 7.0 |
| Term loans | **50.0** | **–** | **–** | 50.0 |
| **Total borrowings** | **56.9** | **1.2** | **(1.1)** | 57.0 |

# 26 Employees and directors

### (a) Employee benefit expense for the Group during the year

| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|
| Wages and salaries | **178.8** | 192.0 |
| Social security costs | **16.5** | 18.0 |
| Pension costs | **4.9** | 4.5 |
| Share-based payments | **1.1** | (0.2) |
| | **201.3** | 214.3 |

The Company has no employees (year ended 30 June 2018: nil).

### (b) Average monthly number of employees

| | **Full-time Year ended 30 June 2019** | **Part-time Year ended 30 June 2019** | **Total Year ended 30 June 2019** | Full-time Year ended 30 June 2018 | Part-time Year ended 30 June 2018 | Total Year ended 30 June 2018 |
|---|---|---|---|---|---|---|
| Grosvenor Venues | **3,435** | **1,593** | **5,028** | 4,025 | 1,752 | 5,777 |
| Mecca Venues | **594** | **2,079** | **2,673** | 597 | 2,330 | 2,927 |
| Digital | **246** | **14** | **260** | 187 | 11 | 198 |
| International Venues | **539** | **105** | **644** | 502 | 98 | 600 |
| Central Costs | **326** | **48** | **374** | 328 | 38 | 366 |
| | **5,140** | **3,839** | **8,979** | 5,639 | 4,229 | 9,868 |

### (c) Key management compensation

| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|
| Salaries and short-term employee benefits (including social security costs) | **3.5** | 3.4 |
| Termination benefits | **0.7** | 0.4 |
| Post-employment benefits | **0.3** | 0.3 |
| Share-based payments | **0.9** | (0.3) |
| | **5.4** | 3.8 |

Included in key management compensation are bonuses of £nil in respect of the current year (year ended 30 June 2018: £0.2m).

Key management is defined as the directors of the Group and the management team, details of which are set out on page 28. Further details of emoluments received by directors are included in the remuneration report.

### (d) Directors' interests

The directors' interests in shares of the Company, including conditional awards under the Long-Term Incentive Plan, are detailed in the remuneration report.

### (e) Total emoluments of the directors of The Rank Group plc

| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|
| Salaries and short-term employee benefits (including social security costs) | **1.6** | 1.7 |
| Termination benefits | **0.5** | – |
| Post-employment benefits | **0.1** | 0.1 |
| Share-based payments | **0.5** | (0.1) |
| | **2.7** | 1.7 |

No director accrued benefits under defined benefit pension schemes in either year. One director (year ended 30 June 2018: one) is a member of the Group's defined contribution pension plan at the year end. Further details of emoluments received by directors, including the aggregate amount of gains made by directors upon the vesting of conditional share awards, are disclosed in the remuneration report on page 86.

# 27 Share-based payments

During the year ended 30 June 2019, the Company operated an equity settled Long-Term Incentive Plan (‘LTIP’). Further details of the LTIP are included in the remuneration report on page 80. The LTIP is an equity settled scheme and details of the movements in the number of shares are shown below:

| | **As at 30 June 2019** | As at 30 June 2018 |
|---|---|---|
| Outstanding at start of the year | **6,956,752** | 4,155,814 |
| Granted | **2,014,042** | 6,094,993 |
| Exercised | **(272,550)** | (719,549) |
| Expired | **(286,357)** | (1,082,428) |
| Forfeited | **(2,941,298)** | (1,492,078) |
| **Outstanding at end of the year** | **5,470,589** | 6,956,752 |

| | **As at 30 June 2019** | As at 30 June 2018 |
|---|---|---|
| Weighted average remaining life | **3.2 years** | 3.8 years |
| Weighted average fair value for shares granted during the year (p) | **154.1** | 159.2 |

There are two LTIP awards currently in issue.

### LTIP – 2014/15 award

Vests in three tranches; 45% in December 2017, 30% in December 2018 and 25% in December 2019. All LTIP awards have £nil exercise price.

The fair value of the LTIP awards granted in the previous years was based on the market value of the share award at grant date less the expected value of dividends forgone.

To the extent that grants were subject to non-market based performance conditions, the expense recognised was based on expectations of these conditions being met. The current scheme’s non-market performance conditions were subject to results as at 30 June 2017 as well as future service. During the year the second tranche of shares vested and 0.3m shares were exerised and settled. The total equity cost of settlement was £0.4m and the weighted average share price at the date of issue £1.59. As at 30 June 2018, 0.1m shares are oustanding and still subject to to future service conditions.

The Group recognised £0.1m charge (30 June 2018: £0.2m credit) in operating profit from accounting for share-based payments and related national insurance in accordance with IFRS 2.

### LTIP – 2017/18 award

Vests in three tranches; 33.3% in October 2021, 33.3% in October 2022 and 33.3% in October 2023. All LTIP awards have £nil exercise price.

The number of LTIP awards and the fair value per share of the LTIP awards granted during the year were as follows:

| | **30 June 2019** | 30 June 2018 |
|---|---|---|
| Number | **2,014,042** | 6,094,993 |
| Weighted average fair value per share | **154.1p** | 154.1p |

The fair value of the LTIP awards granted during the year is based on the market value of the share award at grant date less the expected value of dividends forgone. The following table lists the inputs used in assessing the fair value of the share awards:

| | **30 June 2019** | 30 June 2018 |
|---|---|---|
| Dividend yield (%) | **4.10** | 4.10 |
| Vesting period (Years) | **4.26** | 4.26 |
| Weighted average share price (p) | **183.2** | 183.2 |

To the extent that grants are subject to non-market based performance conditions, the expense recognised is based on expectations of these conditions being met, which are reassessed at each balance sheet date. The Group recognised £1.0m charge (30 June 2018: £nil) in operating profit for costs of the new scheme in the current year.

# 28 Retirement benefits

### Defined contribution scheme

The Group operates the Rank Group Stakeholder Pension Plan ('the Plan') which is externally funded and the Plan's assets are held separately from Group assets. During the year ended 30 June 2019, the Group contributed a total of £4.9m (year ended 30 June 2018: £4.5m) to the Plan. There were no significant contributions outstanding at the balance sheet date in either year.

### Other pension commitment

The Group has an unfunded pension commitment relating to three former executives of the Group. At 30 June 2019, the Group's commitment was £4.0m (30 June 2018: £4.1m). The Group paid £0.2m (year ended 30 June 2018: £0.2m) in pension payments during the year. The actuarial gain arising on the commitment, resulting from the changes in assumptions outlined below in the year, was £nil (year ended 30 June 2018: £0.1m) before taxation and £nil after taxation (year ended 30 June 2018: £0.1m).

| | **30 June 2019 % p.a.** | 30 June 2018 % p.a. |
|---|---|---|
| Discount rate | **2.3** | 2.7 |
| Pension increases | **3.2** | 3.2 |

The obligation has been calculated using the S2 mortality tables with a 1.5% per annum improvement in life expectancy.

# 29 Commitments

## Group

### Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties, plant and items of machinery. These leases have durations of from under one year to 35 years (30 June 2018: one to 22 years)

Future minimum rentals payable under non-cancellable operating leases are as follows:

| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
|---|---|---|
| Not later than one year | **45.6** | 47.4 |
| After one year but not more than five years | **133.7** | 155.3 |
| After five years | **123.6** | 128.0 |
| | **302.9** | 330.7 |

| | **As at 30 June 2019 £m** | As at 30 June 2018 £m |
|---|---|---|
| Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases | **8.9** | 15.8 |

### Finance lease commitments – Group as lessee

The minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **30 June 2019 £m** | 30 June 2018 £m | **30 June 2019 £m** | 30 June 2018 £m |
| Not later than one year | **1.7** | 2.0 | **1.6** | 1.5 |
| After one year but not more than five years | **3.8** | 4.8 | **3.1** | 4.2 |
| More than five years | **4.3** | 1.8 | **2.2** | 1.3 |
| | **9.8** | 8.6 | **6.9** | 7.0 |
| Less future finance charges | **(2.9)** | (1.6) | | |
| Present value of minimum lease payments | **6.9** | 7.0 | | |

### Capital commitments

At 30 June 2019, the Group has contracts placed for future capital expenditure of £3.4m (30 June 2018: £1.0m).

# 30 Contingent liabilities

## Group

### Property leases

Concurrent to the £211.0m sale and leaseback in 2006, the Group transferred the rights and obligations but not the legal titles of 44 property leases to a third party. The Group remains potentially liable in the event of default by the third party. Should default occur then the Group would have recourse to two guarantors. It is understood that, of the original 44 leases transferred, seven of these have not expired or been surrendered. These seven leases have durations of between three and 94 years and a current annual rental obligation (net of sub-let income) of approximately £0.4m.

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

## Company

At 30 June 2019, the Company has made guarantees to subsidiary undertakings of £50.4m (30 June 2018: £50.8m).

# 31 Related party transactions

## Group

Details of compensation paid to key management are disclosed in note 26.

## Entities with significant influence over the Group

Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange has a controlling interest in The Rank Group Plc. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad (Hong Leong) which is incorporated in Malaysia. At 30 June 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.

## Company

The following transactions with subsidiaries occurred in the year:

| | **Year ended 30 June 2019 £m** | Year ended 30 June 2018 £m |
|---|---|---|
| Interest payable to subsidiary undertaking | **(8.8)** | (13.9) |

During the year, Rank Group Finance Plc, a subsidiary of the Company, provided additional cash to the Company of £28.8m (year ended 30 June 2018: £27.5m).

## 32 Acquisition of subsidiary undertakings

On 21 May 2018, the Group acquired 100 per cent of the issued share capital of QSB Gaming Limited and its subsidiaries ('YoBingo') for an initial consideration of €23.1m. Of the initial consideration, €21.1m was paid in cash on completion and €2.0m was deferred for 24 months. Further contingent consideration was payable in cash, subject to 2018 calendar year performance, up to a total consideration cap of €52.0m. During the course of the 2018/19 financial year contingent consideration totalling €28.1m (£24.2m) was paid in cash based upon the 2018 calendar year performance. In the prior year total consideration of £16.5m was paid and included in investing activities in the Group cash flow statement.

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

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

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

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

The fair value of each component of consideration is analysed as:

| | £m |
|---|---|
| Cash | 18.4 |
| Deferred cash consideration | 1.7 |
| Contingent cash consideration | 23.4 |
| Completion account adjustment | 0.1 |
| **Total consideration** | **43.6** |

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

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

The fair value of trade and other receivables of £1.3m corresponds to the book value at which all receivables were received.

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

Acquisition related costs of £0.4m were recognised as an exceptionals finance cost in the Group income statement in the prior year.

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

# 33 Subsidiaries

The Company owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies:

| Name | Country of incorporation | Principal activities | Registered office address |
|---|---|---|---|
| Rank Digital Gaming (Alderney) Limited | Alderney | Interactive gaming | La Corvee House, La Corvee, Alderney, GY9 3TQ |
| Blankenberge Casino-Kursaal NV | Belgium | Casino | Zeedijk (Casino), B-8430 Middelkerke, Belgium |
| QSB Gaming Limited | Channel islands | Intermediary holding company | La Corvee House, La Corvee, Alderney, GY9 3TQ |
| Mindful Media Limited | Channel islands | Support services to interactive gaming | Kingsway House, Havilland Street, St Peter Port, Guernsey, GY1 2QE |
| Rank Leisure Limited | England and Wales | Adult gaming centres in Mecca and Grosvenor Casinos venues | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Grosvenor Casinos Limited | England and Wales | Casinos | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Grosvenor Casinos (GC) Limited | England and Wales | Casinos | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| The Gaming Group Limited | England and Wales | Casinos | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank Group Finance Plc[1] | England and Wales | Funding operations for the Group | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank Nemo (Twenty-Five) Limited(1) | England and Wales | Intermediary holding company | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank Leisure Holdings Limited | England and Wales | Intermediary holding company and corporate activities | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank Digital Holdings Limited | England and Wales | Intermediary holding company for digital entities | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank (U.K.) Holdings Limited | England and Wales | Intermediary holding company for legacy entities | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank Overseas Holdings Limited | England and Wales | Intermediary holding company for overseas entities | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank Group Gaming Division Limited | England and Wales | Intermediary holding company for UK bingo entities and provision of shared services | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank Casino Holdings Limited | England and Wales | Intermediary holding company for UK casino entities | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Mecca Bingo Limited | England and Wales | Social and bingo clubs | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank Digital Limited | England and Wales | Support services to interactive gaming | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Upperline Marketing Limited | England and Wales | Support services to interactive gaming | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Luda Bingo Limited | England and Wales | Dormant | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Linkco Limited | England and Wales | Dormant | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| MRC Developments Limited | England and Wales | Dormant | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank Group Holdings Limited | England and Wales | Dormant | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| Rank Leisure Machine Services Limited | England and Wales | Dormant | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| The Rank Organisation Limited | England and Wales | Dormant | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |
| RO Nominees Limited | England and Wales | Dormant | TOR, Saint-Cloud Way, Maidenhead SL6 8BN |

## 33 Subsidiaries continued

| Name | Country of incorporation | Principal activities | Registered office address |
|---|---|---|---|
| Associated Leisure France SARL | France | Dormant | 4 Rue Joseph Monier, 92859 Rueil Malmaison, Cades, France |
| Associated Leisure France Properties SCI | France | Dormant | Zi Sud, 12 Rue des Petits Champs, 35400, St Malo, France |
| Rank Digital Services (Gibraltar) Limited | Gibraltar | Support services to interactive gaming | Second Floor, Icom House, 1/5 Irish Town, Gibraltar |
| Bingosoft Plc | Malta | Interactive gaming | Vault 14, Level 2, Valletta Waterfront, Floriana, FRN 1914, Malta |
| Rank Digital España SA | Spain | Interactive gaming | Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain |
| Rank Holding España SA | Spain | Intermediary holding company | Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain |
| Conticin SL | Spain | Social and bingo clubs | Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain |
| Gotfor SA | Spain | Social and bingo clubs | Carrer del Papa Pius XI, 114, 08208 Sabadell, Barcelona, Spain |
| Rank Cataluña SA | Spain | Social and bingo clubs | Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain |
| Rank Centro SA | Spain | Social and bingo clubs | Calle Espoz y mina Nº 8, 1st centro, 28012, Madrid, Spain |
| Top Rank Andalucia SA | Spain | Social and bingo clubs | Conde Robledo 1, 14008, Cordoba, Spain |
| Verdiales SA | Spain | Social and bingo clubs | Sala Andalucía, Ronda, Capuchinos 19, 41008, Sevilla, Spain |
| Rank Stadium Andalucia, S.L. | Spain | Arcade and sports betting | Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain |
| Rank America Inc. | U.S.A. | Dormant | The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801, USA |

1. Directly held by the Company.

The principal activities are carried out in the country of incorporation as indicated above. All subsidiary undertakings have a 30 June year end.

## 34 Post balance sheet event

Subsequent to year end, the shareholders of Stride Gaming plc voted to accept the offer by The Rank Group Plc of £115.3m for all of the share capital of Stride Gaming plc. The transaction is awaiting regulatory approval.

## Five year review

| | Year ended 30 June 2019 £m | Year ended 30 June 2018 £m | Year ended 30 June 2017 £m | Year ended 30 June 2016 £m | Year ended 30 June 2015 £m |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue before adjustment for customer incentives | **746.5** | 741.1 | 755.1 | 753.0 | 738.3 |
| Customer incentives | **(51.4)** | (50.1) | (47.9) | (44.5) | (37.6) |
| Revenue | **695.1** | 691.0 | 707.2 | 708.5 | 700.7 |
| Operating profit before exceptional items | **72.5** | 77.0 | 83.5 | 82.4 | 84.0 |
| Exceptional items (charged) credited against operating profit | **(33.5)** | (26.9) | 1.0 | 9.3 | 2.1 |
| Group operating profit | **39.0** | 50.1 | 84.5 | 91.7 | 86.1 |
| Total net financing charge | **(4.4)** | (3.4) | (4.8) | (6.2) | (11.6) |
| Profit before taxation | **34.6** | 46.7 | 79.7 | 85.5 | 74.5 |
| Taxation | **(7.0)** | (10.8) | (16.8) | (14.4) | (15.5) |
| Profit after taxation from continuing operations | **27.6** | 35.9 | 62.9 | 71.1 | 59.0 |
| Discontinued operations | **1.5** | – | – | 3.6 | 15.8 |
| Profit for the year | **29.1** | 35.9 | 62.9 | 74.7 | 74.8 |
| Adjusted earnings per share – basic | **14.8p** | 15.0p | 16.0p | 15.4p | 14.6p |
| Basic earnings per ordinary share | **7.4p** | 9.2p | 16.1p | 19.1p | 19.1p |
| Basic earnings per ordinary share before exceptional items | **14.8p** | 15.0p | 16.2p | 15.7p | 14.6p |
| Total ordinary dividend (including proposed) per ordinary share | **7.65p** | 7.45p | 7.30p | 6.50p | 5.60p |
| **Group funds employed** | | | | | |
| Intangible assets and property, plant and equipment | **609.3** | 630.6 | 599.4 | 606.3 | 599.1 |
| Provisions | **(46.8)** | (41.6) | (33.7) | (50.1) | (53.6) |
| Other net liabilities | **(166.3)** | (183.2) | (162.7) | (162.4) | (198.2) |
| **Total funds employed at year-end** | **396.2** | 405.8 | 403.0 | 393.8 | 347.3 |
| **Financed by** | | | | | |
| Ordinary share capital and reserves | **398.0** | 396.5 | 390.6 | 352.6 | 294.4 |
| Net (cash) debt | **(1.8)** | 9.3 | 12.4 | 41.2 | 52.9 |
| | **396.2** | 405.8 | 403.0 | 393.8 | 347.3 |
| **Average number of employees (000s)** | **9.0** | 9.9 | 10.4 | 10.6 | 10.7 |

## 2019/20 financial calendar

| | |
|---|---|
| 30 January 2020 | Interim results announcement |
| 20 September 2019 | Record date for 2018/19 final dividend |
| 17 October 2019 | Annual general meeting and interim management statement |
| 29 October 2019 | Payment date for 2018/19 final dividend |

## Registrar

All administrative enquiries relating to shares should, in the first instance, be directed to the Company's registrar (quoting reference number 1235) and clearly state the registered shareholder's name and address. Please write to The Rank Group Plc registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (Tel: from the UK 0371 384 2098[1] and from outside the UK +44 121 415 7047).

There is a text phone available on 0371 384 2255[1] for shareholders with hearing difficulties.

1. Lines are open 08:30 to 17:30, Monday to Friday (excluding public holidays in England and Wales).

## Shareview

The Shareview portfolio service from the Company's registrar gives shareholders more control of their Rank shares and other investments including:

- direct access to data held for them on the share register including recent share movements and dividend details;
- a recent valuation of their portfolio; and
- a range of information and practical help for shareholders including how they can elect to receive communications electronically.

It is easy and free to set up a portfolio – shareholders will just need the shareholder reference printed on their proxy form or dividend stationery. Please visit the following website for more details: www.shareview.co.uk.

## Payment of dividends

The Company is no longer operating a dividend re-investment plan. Shareholders may find it more convenient to make arrangements to have dividends paid directly to their bank account. The advantages of this are that the dividend is credited to a shareholder's bank account on the payment date, there is no need to present cheques for payment and there is no risk of cheques being lost in the post.

To set up a dividend mandate or to change an existing mandate please contact Equiniti Limited, our registrar, whose contact details are above. Alternatively, shareholders who use Equiniti's Shareview can log on to www.shareview.co.uk and follow the online instructions.

## Shareholder information

A wide range of information for shareholders and investors is available in the Investors area of the Rank Group website: www.rank.com.

## Frequently asked questions

We have a shareholder 'frequently asked questions' section on our website which provides answers to many questions that shareholders have: http://www.rank.com/en/investors/shareholder-centre/faqs.html.

## Capital gains tax

For the purpose of calculating UK capital gains tax on a disposal of ordinary shares in the Company held since 31 March 1982 (including shares held in the predecessor company, The Rank Organisation Plc), the price of the Company's ordinary shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in July 1993, the sub-division and consolidation of shares in March 1994, the enhanced scrip dividend in March 1998, and the 18 for 25 sub-division and share consolidation (aligned with the 65p special dividend payment) which took place in March 2007. More information regarding these adjustments is available on the www.rank.com website.

## Shareholder security

We are aware that some of our shareholders have received unsolicited telephone calls concerning their Rank shares. These communications tend to be from overseas-based 'brokers' who offer a premium price for your Rank shares but ask you to make an upfront payment, typically in the form of an insurance bond. We recommend that before paying any money you:

- obtain the name of the person and firm contacting you;
- check the FCA register at www.fca.org.uk/register/to ensure they are authorised;
- use the details on the FCA register to contact the firm;
- call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the FCA register or you are told they are out of date; and
- search the FCA's list of unauthorised firms and individuals to avoid doing business with: www.fca.org.uk/consumers/protect-yourself/unauthorised-firms/unauthorised-firms-to-avoid

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Below, please find the link to the FCA's website which gives information on scams and swindles, which shareholders may find helpful: www.fca.org.uk/consumers/protect-yourself-scams

Further information on fraud can be found at www.actionfraud.police.uk

Action Fraud's helpline is 0300 123 2040.

We recommend that you report any attempted share frauds to the authorities, since providing information with regard to how the fraudsters have contacted and dealt with you will assist the authorities in understanding the fraudsters' way of operating so as to enable them to disrupt and prevent these activities and prosecute them.

## ShareGift

Shareholders with a very small number of shares, the value of which may make it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation.

Further information about ShareGift is available at www.sharegift.org or by writing to:

**ShareGift**
PO Box 72253
London SW1P 9LQ

Tel: 020 7930 3737

### For any other information please contact the following at our registered office:

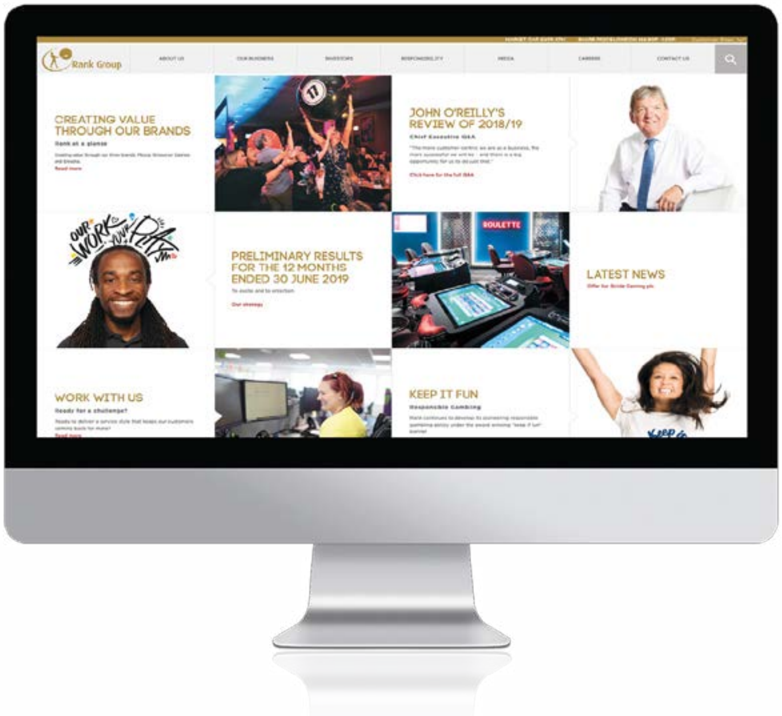
**Luisa Wright,** company secretary

**Sarah Powell,** communications director

**Registered office**
The Rank Group Plc,
TOR, Saint-Cloud Way, Maidenhead SL6 8BN

Tel: 01628 504 000

The Rank Group Plc
Registered in England and Wales N° 03140769




## For more information, visit our website.

# www.rank.com

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Designed and produced by Black Sun Plc

**The Rank Group Plc**
**TOR**
**Saint-Cloud Way**
**Maidenhead**
**SL6 8BN**

**Tel: 01628 504 000**
**Web: www.rank.com**

Company registration number: 03140769