

RANK GROUP FINANCE PLC

Registered No. 1899693

REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2020



Corporate Information

Directors

Mr J.P. O'Reilly
Mr W.J.S. Floydd

Company Secretary

Ms L.A. Wright

Auditors

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Bankers

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RANK GROUP FINANCE PLC

STRATEGIC REPORT

Principal activities

The principal activity of the Company is to provide funding to subsidiaries within The Rank Group Plc's ('Group') Group of companies. The Company provides funds to, and receives excess funds from, fellow subsidiary undertakings of the Group, and also its Parent company, dependent on their business needs. The Company, in order to fulfil this function, arranges external loans and credit facilities to ensure that it is able to meet projected funding and liquidity requirements. The Company is a limited company incorporated in England and Wales. The directors do not anticipate any change in the activity of the Company in the foreseeable future.

Review of the business

The Company provides funding to other companies within the Group. The Rank Group and its subsidiaries operate land based and online gaming businesses in Great Britain, Spain, Belgium and India. Further details of the Group are provided in note 12 of these Financial Statements. The directors' focus has been to support the Rank Group's purpose to create exciting environments that reflect the changing needs and expectations of its customers and colleagues, delivering stimulating and entertaining experiences every time, To Excite and To Entertain. Rank Group's ambition is to become a £1bn revenue international gaming company by 2023, through transforming its business and consistently exceeding its customer and shareholder expectations. Against this backdrop, the key elements of the strategy are:

- Create a compelling multi-channel offer – In the markets in which we operate, Rank is one of the few gaming companies in a position to provide customers with a genuine multi-channel gaming offer. Our key assets are our 140 venues, our newly acquired in-house proprietary platform, our membership-based models, our customer relationships and the high level of engagement that our team members enjoy with our customers;
- Build digital capability and scale – We have built strong positions in venues-based gaming which we are seeking to replicate across our digital channel. Before the impact of COVID-19 pandemic in 2019/20, our digital operations generated 24% of Group revenue. Across the UK as a whole, digital channels now represent 52% of the gambling market (excluding the National Lottery), presenting a significant growth opportunity. International growth is also central to the Group's strategy to build digital scale;
- Continuously evolve our venues proposition – Our casino and bingo venues provide entertainment for millions of customers each year and generate the majority of the Group's revenue and profits. By continuously evolving our venues (in terms of product, environment and service) and by creating new concepts, we are constantly enhancing the experiences that we offer our customers;
- Consistently improve our customer experiences 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;
- Be committed to safe and fair gambling - We are committed to operating in a responsible manner and recognise the harm that can arise from gambling. We recognise the importance of continuous innovation to refine our approach to making gambling as safe as possible. We work to proactively identify and interact with those customers who show signs of experiencing gambling-related harm, or who may be at risk of playing beyond an affordable level; and
- Within an environment which enables our colleagues to develop, be creative and deliver exceptional service - We are committed to operating in a responsible manner and recognise the harm that can arise from gambling. We recognise the importance of continuous innovation to refine our approach to making gambling as safe as possible. We work to proactively identify and interact with those customers who show signs of experiencing gambling-related harm, or who may be at risk of playing beyond an affordable level.

The results for the Company show a pre-tax profit of £6.9m for the year (2019: £4.5m). Included in the profit for the year is £4.4m of net financing costs on bank and other external borrowings (2019: £1.6m) and £13.0m of net financing income on intergroup balances (2019: £8.1m).

Three bi-lateral term loans which were signed on 29 September 2015 have been repaid during the financial year totalling £50.0m. The £128.1m term loan signed on 31 May 2019 was fully drawn down during FY20. The facilities carry floating rates of interest which are LIBOR dependent. The total drawn term loans at 30 June 2020 was £128.1m (30 June 2019: £50.0m).

RANK GROUP FINANCE PLC STRATEGIC REPORT (CONTINUED)

Two new revolving credit facilities were signed on 29th February and 2nd March 2020 totalling £55.0m, with expiry dates of May 2024 (£40.0m) and February 2025 (£15.0m). A five year £30.0m facility signed on 29 September 2015 expired on 29 September 2020. The facilities carry floating rates of interest which are LIBOR dependent. There were no drawings on the multi-currency revolving credit facilities at 30 June 2020, providing the Group with £85.0m of undrawn committed facilities.

The balance sheet as at 30 June 2020 shows net assets of £190.1m (2019: £184.7m). Cash and cash equivalents as at 30 June 2020 are £41.1m (2019: £10.1m), further details are shown in note 11.

Key performance indicators

The directors of the Group manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

The development, performance, and position of the Group, which includes the Company, is discussed in more detail on pages 2 to 76 of the Group's 2020 Annual Report and Accounts ('ARA') which does not form part of this report. The directors do not anticipate any immediate or substantial variations to the Company's current activities.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are managed at a Group level as part of the enterprise-wide risk management approach adopted by Rank. The principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 72 to 76 of the Group's ARA for the year ended 30 June 2020, and are reproduced below.

Given the principal activity of the Company, it is exposed to a range of foreign currency, interest rate and credit risks. Details of the risk management objectives and policies in respect of these risks are disclosed in note 8. The Company provides funding to subsidiaries within the Group. The additional risks and uncertainties and their mitigations pertaining to the Group are as follows:

Links to strategy key:

1. Create a compelling multi-channel offering
2. Build digital capability and scale
3. Continuously evolve our venues proposition
4. Consistently improve our customer experience through innovation
5. Be committed to safe and fair gambling
6. Provide an environment which enables our colleagues to develop, be creative and deliver exceptional service

1. COVID-19 pandemic			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
The immediate organisational risks following the COVID-19 outbreak arose primarily as a result of the closure of our venues and offices. Such risks included business continuity and the ability of our technology and IT infrastructure to adapt to sustained working-from-home requirements imposed by governments, colleague and customer welfare, cashflow	Due to the nature of the pandemic and the ongoing uncertainty this is considered an increasing risk.	<i>Mitigation in relation to lockdown.</i> The Group has a pandemic policy, crisis management and resilience planning processes and venues-closure plans, which were implemented successfully in response to the lockdown and consequential closure of our venues and offices. The Group	1, 2, 3, 4, 5, 6

RANK GROUP FINANCE PLC
STRATEGIC REPORT (CONTINUED)

1. COVID-19 pandemic			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
<p>(liquidity), financing (supply-chain disruption) and impact on the ability of the Group to execute its strategic plans.</p> <p>In line with respective Government requirements, all of the Group's venues were closed in March 2020. In the UK, re-opening commenced for Mecca on 4 July 2020 and for Grosvenor on 15 August 2020. In Spain re-opening commenced on 10 June 2020 and in Belgium on 1 July 2020. All venues are required to comply with social distancing measures, impacting on capacity. There can be no certainty as to when or to what extent applicable ongoing government measures will be lifted or whether they will be reintroduced after they have been lifted. Furthermore, even after restrictions are lifted, there is a risk of depressed demand in the leisure sector. Customers may also be more reluctant to attend our venues.</p> <p>In response to the COVID-19 pandemic, we have prepared a number of planning scenarios based on a range of assumptions and potential outcomes. In light of the above, the risk remains of further significant impact on our future operations, and cashflows beyond the range of assumptions that have been used to develop the modelled scenarios.</p>		<p>Implemented a working-from-home policy in order to ensure that those colleagues and areas of the business less directly impacted from the closure of venues could continue to function.</p> <p>The Group communicates with its employees in a number of a different ways and during lockdown we increased significantly our communications to our colleagues in order to keep them up to date with developments, our plans and welfare support arrangements.</p> <p>In relation to our customers, the Group developed, and participated in a number of initiatives aimed at ensuring our customers did not feel a loss of community due to the closure of our venues.</p> <p>The Group reviewed its financing arrangements and engaged with its banks, suppliers and landlords.</p> <p>We continued to communicate with legislators and regulators throughout lockdown in connection with the measures we have implemented. Government support initiatives have been utilised such as the Coronavirus Job Retention Scheme and UK business rates holiday.</p> <p><i>Mitigation in relation to re-opening</i></p> <p>Detailed analysis and modelling, with consideration of all stakeholders' views, went into the formulation of re-opening plans. Such plans are flexible to take account of local lockdowns, restrictions being re-introduced, changes in customer demand and other uncertainties that will only be understood with the passage of time. We continue to review the assumptions and</p>	

**RANK GROUP FINANCE PLC
STRATEGIC REPORT (CONTINUED)**

1. COVID-19 pandemic			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
		<p>modelling work and are revisiting our transformation plan.</p> <p>We continue to review our financial covenants and financing options, our property portfolio and supply-chain.</p> <p>We continue to have constructive dialogue with those bodies that influence our markets, including Government and regulators. The importance of such discussions was demonstrated in the process to obtain permission to re-open our venues.</p> <p>The health and safety of our colleagues and customers remains of paramount importance and risk assessments have been an essential part of our re-opening plans.</p> <p><i>Digital</i></p> <p>In relation to the digital business, which has been largely unaffected operationally by the crisis, we have focused on the implementation of increased safer gambling measures.</p>	

2. Changing consumer needs (venues)			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
Progressive changes over time in consumer spending habits and changes in macroeconomic environment can result in lower numbers of customer visits.	<p>Increasing</p> <p>With the macroeconomic environment</p>	The Group monitors financial performance across the venues. Venues performing adversely are raised for remedial attention with customer satisfaction metrics	3, 4

RANK GROUP FINANCE PLC
STRATEGIC REPORT (CONTINUED)

	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.	being used to also monitor venues performance. Changing the venues product and service offering to have greater appeal to today's more leisure-oriented customer is a priority within the transformation programme. This will continue to evolve as there is a better understanding of the ongoing impact of COVID-19 on our customers' habits.	
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3. Gambling laws and regulations			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
Regulatory and legislative regimes for betting and gaming in key markets are constantly under review and can change at short notice. These changes could benefit or have an adverse effect on the business and additional costs might be incurred in order to comply.	Increasing With the increased focus of regulators, the risk here is considered to be increasing, and the impact of non-compliance could result in the imposition of licence conditions, the loss of gaming licences and/or fines.	The Group ensures that it: <ul style="list-style-type: none"> actively provides and promotes a compliant environment in which customers can play safely; participates in trade representations to political and regulatory bodies to ensure that such stakeholders clearly understand the positive contribution that the business provides to the economy; works with stakeholders and customers to help public understanding of the gaming offers it provides; and engages with regulators as appropriate and examines the learnings from, and measures adopted by, other operators and sectors of the gambling industry. 	5

4. Health and Safety			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
Failure to meet the requirements of the various domestic and international rules and regulations relating to the health and safety of our employees and customers could expose the Group (and individual directors and	Stable It is envisaged that there will be no further immediate	The Group has defined policies and procedures in place which are periodically reviewed and updated as appropriate. The Group requires all staff to undertake annual training and	3, 6

**RANK GROUP FINANCE PLC
STRATEGIC REPORT (CONTINUED)**

employees) to material civil, criminal and/or regulatory action with the associated financial and reputational consequences.	changes in standards.	<p>more specific training is undertaken as appropriate. Communication plans are in place across the Group.</p> <p>The health and safety committee meets regularly and its attendees include the senior management of the venues business. In addition, the head of health and safety provides updates on health and safety practices to each Risk Committee meeting.</p> <p>The health and safety team have been heavily involved in the closure and reopening of our venues as a result of COVID-19.</p>	
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5. Taxation			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
<p>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.</p> <p>Current key risk areas include:</p> <ul style="list-style-type: none"> • Remote Gaming Duty; • Machine Gaming Duty; and • Gaming Duty 	<p>Stable</p> <p>It is envisaged that there will be no material changes in taxation in the immediate future.</p>	<p>The Group ensures that it:</p> <ul style="list-style-type: none"> • continues to monitor taxation legislation; • performs regular analysis of the financial impact to the organisation of changes to taxation rates; and • develops organisational contingency plans as appropriate. 	

6. Integration, transformation and technology projects and programmes			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
<p>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.</p>	<p>Stable</p> <p>A failure to deliver key strategic projects and programmes impacts on customer loyalty and the strategic growth of the organisation.</p>	<p>The Group ensures that projects and programmes:</p> <ul style="list-style-type: none"> • are subjected to detailed management oversight as well as having sponsorship from a senior-level stakeholder; • use a structured and disciplined delivery methodology to ensure that they are robustly managed to achieve their outcome; and • use a comprehensive risk management approach 	1, 2

**RANK GROUP FINANCE PLC
STRATEGIC REPORT (CONTINUED)**

		managed by experienced project and programme managers.	
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7. Business continuity planning and disaster recovery (operational resilience)

Principal risk	Change in risk/impact	Risk mitigation strategy	Link to strategy
<p>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.</p> <p>Typical disasters might include: natural disasters such as fires and floods, accidents impacting key people, insolvency of key suppliers, negative media campaigns and market upheavals.</p>	<p>Stable</p> <p>The geographical nature of the operating environment and key risk exposures are known and understood and the business was able to continue operating notwithstanding the impact of COVID-19.</p>	<p>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.</p> <p>Group business continuity plans have been refreshed for key sites and business areas.</p>	1, 2, 3, 4, 5, 6

8. Data management

Principal risk	Change in risk/impact	Risk mitigation strategy	Link to strategy
<p>The inability to adequately protect sensitive customer data and other key data and information assets that could be leaked, exposed, hacked or transmitted would result in customer detriment, formal investigations and/or possible litigation leading to prosecution, fines and damage to our brands.</p>	<p>Stable</p> <p>The Group has developed a robust control environment in relation to customer data controls and the regulatory requirements.</p>	<p>The Group has in place data protection policies and colleague training in order to protect the privacy rights of individuals in accordance with the relevant local data protection and privacy legislation and with GDPR. These are monitored by an experienced data protection officer to ensure that the business is aware of, and adheres to, industry best practice standards and relevant laws. Technology and IT security controls are in place to restrict access to sensitive data and ensure individuals only have access to the data they need to do their job.</p>	2, 4

9. Cyber resilience

Principal risk	Change in risk/impact	Risk mitigation strategy	Link to strategy
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**RANK GROUP FINANCE PLC
STRATEGIC REPORT (CONTINUED)**

<p>Cyber-attacks can disrupt and cause considerable financial and reputational damage to the Group. If a cyber-attack were to occur the Group could lose assets, reputation and business, and potentially face regulatory fines and litigation – as well as the costs of remediation.</p> <p>Operations are highly dependent on technology and advanced information systems (such as cloud computing) and there is a risk that such technology or systems could fail, or outages occur.</p>	<p>Stable</p> <p>Due to the programme of work in place and response to previous incidents and lessons learned this is considered a stable risk to the Group.</p>	<p>We carry out a number of cyber exercises on a regular basis to understand the maturity of controls, with a roadmap of further work planned to enhance them within the current IT estate.</p> <p>A programme of work is ongoing to enhance cyber security and resilience within the IT estate with dedicated, specialised resources.</p>	<p>2</p>
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10. Dependency on third parties and supply chain			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
<p>The Group is dependent on a number of third-party suppliers for the operation of its business. The withdrawal or removal from the market of one or more of these third-party suppliers, or failure of these suppliers to comply with contractual obligations, could adversely affect operations, especially where these suppliers are niche.</p>	<p>Stable</p> <p>The third-party operating environment and key risk exposures have changed as a result of COVID-19, but the risk to the business is nevertheless considered stable.</p>	<p>The Group has a central procurement team in place to oversee the process for acquisition of suppliers across the Group together with the development of a supplier risk management framework.</p> <p>Close communication and accountability for relationships within the Group are in place for these suppliers, with suppliers required to ensure that Group requirements are met.</p> <p>Discussions have taken place with suppliers as a result of the impact of COVID-19, particularly in relation to the closure and then re-opening of our venues.</p>	<p>1, 2, 3, 4, 5, 6</p>

11. People			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
<p>People are pivotal to the success of the organisation and a failure to attract or retain key individuals may impact the Group's ability to deliver on its strategic priorities.</p> <p>A pre-requisite to achieving all of the strategic priorities is ensuring the Group has the right people</p>	<p>Stable</p> <p>Considered 'stable' as the risk to the business is unchanged, notwithstanding</p>	<p>A programme of activity is focused on developing diversity across the organisation.</p> <p>A programme of activity is focused on succession planning for the business particularly at senior levels.</p>	<p>1, 2, 3, 4, 5, 6</p>

**RANK GROUP FINANCE PLC
STRATEGIC REPORT (CONTINUED)**

with the right skills, deployed within the right area of the business.	that the impact of COVID-19 cannot be ignored.	The Group regularly reviews its reward propositions. Culture is a specific transformation workstream, but is also considered across all other workstreams including safer gambling.	
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Brexit

An emerging risk is the impact of Brexit, where the key challenges to the business are likely to be availability of staff and effect on data handling. We have appropriate business continuity arrangements in place for short-term border disruptions affecting the movement of our people and are not otherwise over-exposed to the impact of Brexit in this area. Appropriate data sharing arrangements are in place to allow us to continue to fulfil our data handling obligations. Given the terms of the withdrawal agreement between the UK and the EU, there is not anticipated to be an impact of Brexit for the Group in practice until the end of the transitional period on 31 December 2020.

COVID-19

There is considerable ongoing uncertainty about how COVID-19 will continue to impact the business over the coming weeks and months. Our major concern remains to safeguard the health and wellbeing of our staff. Arrangements have been made for office staff, who can, to work from home. Where staff cannot work from home we have ensured that staff rotation and appropriate social distancing measures are in place to protect their wellbeing.

By order of the board



Mr W. J. S. Floyd
Director

Date: 17 December 2020

RANK GROUP FINANCE PLC

DIRECTORS' REPORT

The directors present their Report and Financial Statements for the year ended 30 June 2020.

Directors

The following were directors of the Company during the year and up to the date of these accounts:

Mr J.P. O'Reilly
Mr W.J.S. Floyd

Dividends

The directors do not recommend the payment of a dividend (2019: £nil).

Going concern

The principal risks and uncertainties of the Company are managed at a Group level, The Rank Group Plc, with the Group's intra-group funding structure administered by the Group on behalf of the interest of individual companies within the Group.

The Company's primary activity is as the treasury function on behalf of the Group and as such the Directors have assessed the ability of the Company to support the subsidiaries within the Rank Group intra-funding structure and provide access to capital resources as needed. In the unlikely event that such support is called upon, the Directors have assessed the ability to provide financial resources, for 12 months from the approval of the financial statements and are satisfied they can extend this support and have confirmed this intention in writing to each entity.

In adopting the going concern basis for preparing the financial information the Directors have considered the circumstances impacting the Group and Company during the year. During November, in light of the continued effects of the COVID-19 pandemic on the Group's operations, including national and localised lockdowns, the directors updated the base case strategic plan to reflect current projections until December 2021. As a result of this revised base case, and having considered the Group's projected compliance with its banking covenants, the Group completed a new equity placing raising gross proceeds of £70 million alongside negotiating an extension of its banking covenants, extending the liquidity covenant of a minimum £50 million in cash and available facilities, through to March 2022.

As such, the board has a reasonable expectation that the Group is able to manage its business risks and to continue in operational existence for 12 months from the date of signing of the accounts and have prepared the accounts on a going concern basis.

Key considerations are the assumptions on the timing of venues reopening, the opening times and the levels of revenue achieved upon reopening in comparison to pre-COVID-19 levels.

The assumptions within the updated base case, and the latest performance against those assumptions, are as follows:

	Assumption
Grosvenor Venues	Over the period October 2020 – March 2021, Grosvenor Venues are either closed or operating at c30% pre-COVID-19 levels until April 2021, assuming that a curfew is in place for 6 months, and then returns to 70% pre-COVID-19 levels in Q4 of FY21, recovering to pre-COVID levels over two subsequent years
Mecca Venues	Over the period October 2020 – March 2021, Mecca Venues are either closed or operating at c30% pre-COVID-19 levels until April 2021, assuming that a curfew is in place for 6 months, and then returns to 70% pre-COVID-19 levels in Q4 of FY21, recovering to pre-COVID levels over two subsequent years
International Venues	International Venues at 65% pre-COVID levels in FY21 and recovering to pre-COVID levels over 2 subsequent years
Digital	Digital grows in line with the strategic plan but from a lower base, FY revenue is £202m compared to £239m in Base Case 1.0, continued growth in FY22 and FY23
Belgium sale	Proceeds from the announced sale of the Belgium casino for £25m.

RANK GROUP FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

As at the date of signing the accounts, 21 of 51 Grosvenor Venues have been re-opened following the recent national lockdown, 31 of 76 Mecca Venues have been re-opened and 4 of 11 International Venues are now opened. Trading in those venues is in line with expectations in the short period that venues have been able to reopen.

In respect of the Digital division, recent trading is in line with the assumptions underpinning the model, and the business is focused on driving growth in the Digital business as the Stride Integration continues at pace.

The key base case assumptions on cost are as follows:

- Payroll costs are forecast at reduced levels to reflect shorter opening hours, with offsets from the Coronavirus Job Retention Scheme (CJRS) and Job Support Scheme (JSS) in line with the current scheme rules where applicable
- Rent due during the 2020/21 financial year is paid on time. Rent deferrals from the 2019/20 financial year are phased during and largely completed by the end of 2020/21 in line with current agreements
- All tax and duty is adjusted to reflect reduced revenue forecasts and is paid on time, with duty deferred from 2019/20 paid to HMRC by November 2020
- Capital expenditure is constrained to £30.0m, to cover essential expenditure and to allow for some investment if circumstances allow
- Standard payment terms are assumed for supplier payments
- Allowance is made for one-off costs in relation to the Group's transformation programme

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

Sensitivity analysis

The updated base case developed in support of the new equity placing and re-negotiation of the banking covenants in November 2020 reflects the directors' best estimate of the future prospects of the business. A number of plausible but severe downside risks, including consideration of possible mitigating actions, have been modelled with particular focus on the potential impact to cash flows, cash headroom and covenant compliance through the period of review. The potential impact on the Group of a combination of scenarios over and above those included in the plan has also been tested. The main downside risk is:

- COVID-19: Larger than anticipated disruption due to the pandemic. The downside case assumes that (i) Grosvenor Venues ramp down in November/December 2020 and are then closed until March 2021, reopening in April 2021 at reduced revenue and recovering gradually thereafter, (ii) Mecca Venues ramps down in November/December 2020 and are then closed until February 2021, reopening from March 2021 at reduced revenue and recovering gradually thereafter, and (iii) Digital grows at half of the strategic plan growth rate off a much lower base.

These assumptions are based on the latest government approach at the date of approving the financial statements to continue with a combination of localised closures and national circuit breaker lockdowns.

Having modelled the downside case on this basis, and in the event of the downside scenario crystallising, the directors consider that the Group would continue to have adequate liquidity and comply with all of its banking covenants given the recent new equity placing.

Accordingly, the directors believe that the Group will generate sufficient cash to meet its requirements for 12 months from the approval of this report and comply with all of its banking covenants, and that the Group is in position to provide the necessary support to the Company for 12 months from the approval of this report.

Future developments

Details of future developments are included in the Strategic Report on pages 2 to 10.

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DIRECTORS' REPORT (CONTINUED)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- present fairly the financial position, financial performance, and cash flows of the 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 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; and
- prepare the financial statements for the Company on the going concern basis, unless it is appropriate to assume that the Company will not continue in business, in which case there should be supporting assumptions or qualifications.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insurance and indemnities

The Group has arranged insurance cover in respect of legal action against the directors of the Company. To the extent permitted by English law, the Company also indemnifies the directors. Neither the insurance nor the indemnity provides cover in situations where a director has acted fraudulently or dishonestly.

Financial Instruments

Details of financial risk management objectives and policies and details of the use of financial instruments by the Company are disclosed in notes 7 and 8.

Post balance sheet events

Following a period of closure of our UK and European venues as required by Government in response to the evolving COVID-19 health pandemic, our Enracha venues opened on 22 June with the majority of our Grosvenor and Mecca venues reopening since the year end.

Since re-opening from June 2020, when venues have been allowed to open, management has evaluated that the revenue performance of venues has been either in-line or better than forecast. Management has constantly reviewed and updated its base case, and downside case, modelling, continuing to re-assess and monitor the Group's performance against plan.

At the time of signing the Group's Annual Report and Accounts ("ARA"), through the combination of the venues being closed from late March 2020 until July/August 2020 and the assumptions made by management in its base case forecasts, the Group anticipated breaching its banking covenants at the 31 December 2020 test date. Rank therefore renegotiated its banking covenants to temporarily replace the normal tests with a minimum liquidity test that is set at £50.0m and is tested quarterly in September and December 2020 and in March 2021 ("Revised Covenants"). At this time the Group expected to meet the Revised Covenants and the Group expected to achieve its normal banking covenants at the 30 June 2021 test date when the testing would revert back to being on a six-monthly basis, and at future testing dates during the plan period.

RANK GROUP FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

However, as lockdowns and curfews have been extended through the responses in Spain, England, Scotland and Wales, the Group has experienced rolling closures of venues since September 2020. This was further exacerbated as England and Scotland moved into full lockdown for parts of November and December 2020, resulting in the closure of the majority of venues in England and Scotland for this period. Accordingly, Directors have constantly reviewed and updated its base case, and worst case, modelling.

This modelling suggested that in the revised base case, and in the event of the reasonable worst case downside scenario becoming reality, the Group would potentially not meet the Revised Covenants in March 2021, and would not meet the normal banking covenants when they reverted at the 30 June 2021 test date. In response, Rank renegotiated its banking covenants to extend the replacement of the normal banking covenants through to March 2022, with the normal banking covenants not recommencing testing until 30 June 2022. In addition, the Group completed an equity placing, raising gross proceeds of £70 million in new equity providing additional balance sheet support.

With these actions completed, the Group expects to meet the Revised Covenants and based on the revised strategic plan, the Group expects to achieve its normal banking covenants at the 30 June 2022 test date when the testing would revert back to being on a six-monthly basis, and at future testing dates during the plan period. The announced sale of the Belgium casino for £25m will further provide additional balance sheet strength once completed.

Furthermore, on 17 December 2020, at the time of signing these annual accounts, the Directors of two related parties, Rank Digital Gaming (Alderney) Limited and Rank Digital Services (Gibraltar) Limited, declared and paid dividends of £43,000,000 and £16,000,000 respectively to their immediate parent company, Rank Digital Holdings Limited.

These dividends were paid by way of settlement of intercompany balances with Rank Group Finance Plc, resulting in a reduction in the intercompany payable by Rank Digital Holdings Limited to the Company by the value of the dividends, being £59,000,000, and a reduction in the intercompany payable by Rank Group Finance Plc to Rank Digital Gaming (Alderney) Limited and Rank Digital Services (Gibraltar) Limited respectively.

Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all the steps that ought to have been taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In accordance with s487(2) of the Companies Act 2006, Ernst and Young LLP will continue as auditors of the Company.

By order of the board



Mr W. J. S. Floydd
Director

Date: 17 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANK GROUP FINANCE PLC (CONTINUED)

Opinion

We have audited the financial statements of Rank Group Finance Plc for the year ended 30 June 2020 which comprise the Income Statement, the Balance Sheet, the statement of comprehensive income, the statement of changes in equity and the related notes 1 to 13, 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements 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 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, 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.

Emphasis of Matter

We draw attention to note 1 and 13 of the financial statements, which describe the economic and social impact on the company as a result of COVID-19 which has the potential to impact on the Group's sales, profitability and cash flow given the ongoing uncertainty over restrictions attached to governments response to the pandemic and overall customer sentiment. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANK GROUP FINANCE PLC (CONTINUED)

Opinions on other matters prescribed by 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
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, 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 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 company or to cease operations, or have no realistic alternative but to do so.

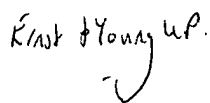
Auditor's responsibilities for the audit of the financial statements

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Annie Graham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

17 December 2020

RANK GROUP FINANCE PLC
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

		Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
	Note		
Foreign exchange losses	2	(598)	(1,212)
Other operating costs	2	(1,164)	(815)
Financing:			
- Finance costs	3	(7,598)	(3,292)
- Finance income	3	16,232	9,808
Net financing income		8,634	6,516
Profit from ordinary activities before taxation		6,872	4,489
Taxation	4	(1,515)	(997)
Profit for the year		5,357	3,492

All results are from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Profit for the year	5,357	3,492
Total comprehensive income for the year	5,357	3,492

RANK GROUP FINANCE PLC
BALANCE SHEET
AS AT 30 JUNE 2020

	Note	As at 30 June 2020 £000	As at 30 June 2019 £000
Non-current assets			
Other receivables	5	529	41
Current assets			
Other receivables	5	595,172	449,696
Short term deposits	11	40,003	9,500
Cash at bank and in hand	11	1,142	604
		<u>636,317</u>	<u>459,800</u>
Total assets		<u>636,846</u>	<u>459,841</u>
Current liabilities			
Interest-bearing loans and borrowings	7	(21,735)	(53,044)
Income tax payable		(2,514)	(4,086)
Other payables	6	(315,138)	(218,017)
		<u>(339,387)</u>	<u>(275,147)</u>
Net current assets		<u>296,930</u>	<u>184,694</u>
Non-current liabilities			
Interest-bearing loans and borrowings	7	(107,408)	-
		<u>(107,408)</u>	<u>-</u>
Total liabilities		<u>(446,795)</u>	<u>(275,147)</u>
Net assets		<u>190,051</u>	<u>184,694</u>
Shareholder's equity			
Ordinary share capital	9	200,000	200,000
Retained earnings		(9,949)	(15,306)
Total equity		<u>190,051</u>	<u>184,694</u>

The notes on pages 20 to 36 are an integral part of these accounts.

These accounts were approved by the board on 17 December 2020 and signed on its behalf by:



Mr W.J.S. Floyd
Director

RANK GROUP FINANCE PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital £000	Retained earnings £000	Total £000
Balance as at 30 June 2018	200,000	(18,798)	181,202
Total comprehensive income:			
Profit for the year	-	3,492	3,492
Balance as at 30 June 2019	200,000	(15,306)	184,694
Total comprehensive income:			
Profit for the year	-	5,357	5,357
Balance as at 30 June 2020	200,000	(9,949)	190,051

There were no transactions with owners in either period.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Cash flows from operating activities			
Cash used in operations	10	(2,997)	(1,882)
Net cash used in operating activities		(2,997)	(1,882)
Cash flows from financing activities			
Repayment of term loans		(50,000)	(50,000)
Drawdown of term loans		128,125	50,000
Loan arrangement fees		(2,860)	-
Funding to parent		(32,508)	(27,119)
Funding from other Rank subsidiaries		(7,943)	37,621
Net cash generated in financing activities		34,814	10,502
Net increase in cash and cash equivalents		31,817	8,620
Cash and cash equivalents at start of year		6,995	(927)
Effects of exchange rate changes		(121)	(698)
Cash and cash equivalents at end of year	11	38,691	6,995

RANK GROUP FINANCE PLC DIRECTORS' REPORT

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A Basis of preparation

The Company's 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. The financial statements have been prepared under the historical cost convention. A summary of the significant Company accounting policies is set out below.

Going concern

The principal risks and uncertainties of the Company are managed at a Group level. The Rank Group Plc, with the Group's intra-group funding structure administered by the Group on behalf of the interest of individual companies within the Group.

The Company's primary activity is as the treasury function on behalf of the Group and as such the Directors have assessed the ability of the Company to support the subsidiaries within the Rank Group intra-funding structure and provide access to capital resources as needed. In the unlikely event that such support is called upon, the Directors have assessed the ability to provide financial resources, for 12 months from the approval of the financial statements and are satisfied they can extend this support and have confirmed this intention in writing to each entity.

In adopting the going concern basis for preparing the financial information the Directors have considered the circumstances impacting the Group and Company during the year. During November, in light of the continued effects of the COVID-19 pandemic on the Group's operations, including national and localised lockdowns, the directors updated the base case strategic plan to reflect current projections until December 2021. As a result of this revised base case, and having considered the Group's projected compliance with its banking covenants, the Group completed a new equity placing raising gross proceeds of £70 million alongside negotiating an extension of its banking covenants, extending the liquidity covenant of a minimum £50 million in cash and available facilities, through to March 2022.

As such, the board has a reasonable expectation that the Group is able to manage its business risks and to continue in operational existence for 12 months from the date of signing of the accounts and have prepared the accounts on a going concern basis.

Key considerations are the assumptions on the timing of venues reopening, the opening times and the levels of revenue achieved upon reopening in comparison to pre-COVID-19 levels.

The assumptions within the updated base case, and the latest performance against those assumptions, are as follows:

	Assumption
Grosvenor Venues	Over the period October 2020 – March 2021, Grosvenor Venues are either closed or operating at c30% pre-COVID-19 levels until April 2021, assuming that a curfew is in place for 6 months, and then returns to 70% pre-COVID-19 levels in Q4 of FY21, recovering to pre-COVID levels over two subsequent years
Mecca Venues	Over the period October 2020 – March 2021, Mecca Venues are either closed or operating at c30% pre-COVID-19 levels until April 2021, assuming that a curfew is in place for 6 months, and then returns to 70% pre-COVID-19 levels in Q4 of FY21, recovering to pre-COVID levels over two subsequent years
International Venues	International Venues at 65% pre-COVID levels in FY21 and recovering to pre-COVID levels over 2 subsequent years
Digital	Digital grows in line with the strategic plan but from a lower base, FY revenue is £202m compared to £239m in Base Case 1.0, continued growth in FY22 and FY23
Belgium sale	Proceeds from the announced sale of the Belgium casino for £25m.

RANK GROUP FINANCE PLC

NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)

As at the date of signing these accounts, 21 of 51 Grosvenor Venues and 31 of 76 Mecca Venues are currently open, with 4 of 11 International Venues also open. Trading in those venues is in line with expectations in the short period that venues have been able to reopen.

In respect of the Digital business, trading is also in line with the assumptions underpinning the model, and the business is focused on driving growth in the Digital business as the Stride integration continues at pace.

The key base case assumptions on cost are as follows:

- Payroll costs are forecast at reduced levels to reflect shorter opening hours, with offsets from the Coronavirus Job Retention Scheme (CJRS) and Job Support Scheme (JSS) in line with the current scheme rules where applicable
- Rent due during the 2020/21 financial year is paid on time. Rent deferrals from the 2019/20 financial year are phased during and largely completed by the end of 2020/21 in line with current agreements
- All tax and duty is adjusted to reflect reduced revenue forecasts and is paid on time, with duty deferred from 2019/20 paid to HMRC by November 2020
- Capital expenditure is constrained to £30.0m, to cover essential expenditure and to allow for some investment if circumstances allow
- Standard payment terms are assumed for supplier payments
- Allowance is made for one-off costs in relation to the Group's transformation programme

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

Sensitivity analysis

The updated base case developed in support of the new equity placing and re-negotiation of the banking covenants in November 2020 reflects the directors' best estimate of the future prospects of the business. A number of plausible but severe downside risks, including consideration of possible mitigating actions, have been modelled with particular focus on the potential impact to cash flows, cash headroom and covenant compliance through the period of review. The potential impact on the Group of a combination of scenarios over and above those included in the plan has also been tested. The main downside risk is:

- COVID-19: Larger than anticipated disruption due to the pandemic. The downside case assumes that (i) Grosvenor Venues ramp down in November/December 2020 and are then closed until March 2021, reopening in April 2021 at reduced revenue and recovering gradually thereafter, (ii) Mecca Venues ramps down in November/December 2020 and are then closed until February 2021, reopening from March 2021 at reduced revenue and recovering gradually thereafter, and (iii) Digital grows at half of budget growth rate off a much lower base.

These assumptions are based on the latest government approach at the date of approving the financial statements to continue with a combination of localised closures and national circuit breaker lockdowns.

Having modelled the downside case on this basis, and in the event of the downside scenario crystallising, the directors consider that the Group would continue to have adequate liquidity and comply with all of its banking covenants given the recent new equity placing.

Accordingly, the directors believe that the Group will generate sufficient cash to meet its requirements for 12 months from the approval of this report and comply with all of its banking covenants, and that the Group is in position to provide the necessary support to the Company for 12 months from the approval of this report.

RANK GROUP FINANCE PLC

NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)

1. Accounting policies (continued)

A Basis of preparation (continued)

Having modelled the downside case on this basis, and in the event of the downside scenario crystallising, the directors consider that the Group would continue to have adequate liquidity and comply with all of its banking covenants given the recent new equity placing.

Accordingly, the directors believe that the Group will generate sufficient cash to meet its requirements for 12 months from the approval of this report and comply with all of its banking covenants, and that the Group is in position to provide the necessary support to the Company for 12 months from the approval of this report.

Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. There are areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, these are noted below.

Critical judgements

(i) Recoverability of loans and receivables

Given the primary activity of the Company, there are significant intercompany loans due from fellow group companies at 30 June 2020. Management's judgement is around the recoverability of these intercompany balances in accordance with IFRS9 – Financial Instruments by using a forward-looking expected credit loss (ECL) approach.

Standards, amendments to and interpretations of existing standards adopted by the Company

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

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

Amendments to References to the Conceptual Framework in IFRS standards

IFRIC 23 - Uncertainty over Income Tax Treatments

The Company 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

B Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in UK Sterling which is also the Company's functional currency.

(ii) 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 operating income or expense.

1. Accounting policies (continued)**C Financial assets*****Initial recognition and measurement***

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 Company's business model for managing them.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes other receivables and cash.

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 when:

- The rights to receive cash flows from the asset have expired

Or

- The Company 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.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

1. Accounting policies (continued)**C Financial assets (continued)**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company assesses this based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

D Financial liabilities***Initial recognition and measurement***

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, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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 Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

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.

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.

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 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.

RANK GROUP FINANCE PLC

NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)

1. Accounting policies (continued)

E Taxation

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 the ones that are enacted or substantively enacted by the reporting date.

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.

F Separately disclosed items

The Company separately discloses certain costs and income that impair the visibility of the underlying performance and trends between periods. The separately disclosed items are material and infrequent in nature and/or do not relate to underlying business performance. Judgement is required in determining whether an item should be classified as an SDI or included within the underlying results.

Separately disclosed items include (but are not limited to):

- Amortisation of acquired intangible assets;
- Profit or loss on disposal of businesses;
- Acquisition and disposal costs including changes to deferred or contingent consideration;
- Impairment charges;
- Reversal of impairment charges;
- Restructuring costs as part of an announced programme;
- Retranslation and remeasurement of foreign currency contingent consideration;
- Discontinued operations; and
- Tax impact of all the above.

G Cash and cash equivalents

Cash and short-term deposits in the balance sheet include cash at banks and in hand and short-term deposits with an original maturity of three months or less.

RANK GROUP FINANCE PLC**NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)**

2. Operating profit for the year

The following items have been (charged) credited in arriving at operating profit for the year:

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Administration costs	(73)	(61)
Foreign exchange losses	(598)	(1,212)
Loss Allowance for Intercompany Loans	(1,091)	(754)
	(1,762)	(2,027)

Audit fees have been borne by a fellow subsidiary, Rank Leisure Holdings Limited, the audit fees borne on behalf of Rank Group Finance Plc is £15,000 (2019: £15,000). The directors received no remuneration in the period in respect of their qualifying services to the Company, as time spent is considered inconsequential (2019: nil).

3. Financing

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Finance costs:		
Interest payable on bank & other borrowings	(2,634)	(971)
Amortisation of issue costs on borrowings	(1,919)	(678)
Interest payable to Group companies	(3,045)	(1,643)
Total finance costs	(7,598)	(3,292)
Finance income:		
Interest receivable on bank and other balances	189	67
Interest receivable from Group companies	16,043	9,741
Total finance income	16,232	9,808
Net financing income	8,634	6,516

RANK GROUP FINANCE PLC**NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)**

4. Taxation

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Current tax:		
UK corporation tax on profit for the year	<u>(1,515)</u>	<u>(997)</u>
Tax charge in the income statement	<u>(1,515)</u>	<u>(997)</u>

The tax on the Company's profit before tax differs from the standard rate of UK Corporation tax in the period of 19.00% (2019: 19.00%). The differences are explained below:

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Profit before taxation	<u>6,872</u>	<u>4,489</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax rate in the UK of 19.00% (2019: 19.00%)	<u>(1,306)</u>	<u>(853)</u>
Effects of:		
Expenses not deductible for tax purposes	<u>(209)</u>	<u>(144)</u>
Tax charge in the income statement	<u>(1,515)</u>	<u>(997)</u>

A reduction to the UK corporation tax rate from 19.0% to 18.0% (effective from 1 April 2020) was substantively enacted on 26 October 2015. A further reduction in the UK corporation tax rate to 17.0% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

On 11 March 2020, the Chancellor of the Exchequer announced that the UK corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19.0%. This change was substantively enacted on 17 March 2020.

RANK GROUP FINANCE PLC**NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)****5. Other receivables**

	As at 30 June 2020 £000	As at 30 June 2019 £000
Current		
Prepayments	266	2,495
Amounts owed by fellow subsidiary undertakings	165,611	58,499
Amounts owed by parent undertaking	431,140	388,702
Provision for impairments	(1,845)	-
Total	595,172	449,696
Non-Current		
Prepayments	529	41
Total	595,701	449,737

The carrying values of other receivables are assumed to approximate to their fair value due to the short-term nature of the receivables. This includes amounts owed by fellow subsidiary undertakings and the parent undertaking which attract interest at 2.84% (2019: 2.39%), are unsecured and repayable on demand, and therefore have no set maturity date.

The carrying amounts of other receivables are denominated in the following currencies:

	As at 30 June 2020 £000	As at 30 June 2019 £000
UK Sterling	595,701	449,737
	595,701	449,737

As at 30 June 2020, amounts owed by fellow subsidiary undertakings of £1,845k (2019: £754k) were impaired. The amount of the provision for impairment was £1,845k (2019: £754k).

Over the term of the receivables, the company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. The movements on the provision for impairment of amounts owed by fellow subsidiary undertakings are:

	As at 30 June 2020 £000	As at 30 June 2019 £000
At start of year	754	-
Release of intercompany provision	-	-
Loss Allowance for Intercompany Loans	1,091	754
At end of year	1,845	754

The loss allowance for intercompany loans has been included in the other operating costs.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable disclosed above. The Company does not hold any collateral as security.

RANK GROUP FINANCE PLC

NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)

6. Other payables

	As at 30 June 2020 £000	As at 30 June 2019 £000
Amounts owed to fellow subsidiary undertakings	314,877	215,964
Other payables	261	2,053
	315,138	218,017

Amounts owed to fellow subsidiary undertakings attract interest at 1.14% (2019: 1.04%), are unsecured and repayable on demand. Due to the short-term nature of these payables the carrying value equates to the contractual amount due as the impact of discounting is not considered material.

The carrying amounts of other payables are denominated in the following currencies:

	As at 30 June 2020 £000	As at 30 June 2019 £000
UK Sterling	283,965	188,980
Euro	31,173	29,037
	315,138	218,017

7. Financial assets and liabilities

(a) Interest bearing loans and borrowings

	Maturity	As at 30 June 2020 £000	As at 30 June 2019 £000
Current interest-bearing loans			
Bank overdrafts	On demand	2,454	3,109
Term Loans	May 2021	19,712	50,000
Other current loans			
Accrued interest	July 2020	282	66
Unamortised facility fees	Various	(713)	(131)
Total current interest-bearing loans and borrowings		21,735	53,044
Amounts owed to fellow subsidiary undertakings	On demand	314,877	215,963
Total current interest-bearing loans, borrowings and other payables		336,612	269,007
Non-current interest-bearing loans			
Term Loans	Various	108,413	-
Other non-current loans			
Unamortised facility fees	Various	(1,005)	-
Total non-current interest-bearing loans and borrowings		107,408	-
Total interest-bearing loans and borrowings		444,020	269,007
Denomination			
Sterling		412,847	239,970
Euros		31,173	29,037
Total interest-bearing loans and borrowings		444,020	269,007

RANK GROUP FINANCE PLC

NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)

7. Financial assets and liabilities (continued)

(a) Interest bearing loans and borrowings (continued)

Bank overdraft

The Bank overdraft is for short-term funding and is repayable on demand.

Term Loan Facilities

The three bi-lateral term loans which were signed on 29 September 2015 have been repaid during the financial year totalling £50.0m. The £128.1m term loan signed on 31 May 2019 was fully drawn down during FY20. 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 30 June 2020 was £128.1m (30 June 2019: £50.0m)

Revolving credit facilities

Two new facilities were signed on 29 February and 2 March 2020 totalling £55.0m, with expiry dates of May 2024 (£40.0m) and February 2025 (£15.0m). The five year £30.0m facility signed on 29 September 2015 expired on 29 September 2020. 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 2020, providing the Group with £85.0m of undrawn committed facilities.

Covenant compliance

The Company complied with all its covenants during the year.

(b) Fair values

The table below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments at 30 June 2020 and 30 June 2019.

		Carrying amount		Fair value	
		As at	As at	As at	As at
	Fair Value Hierarchy	30 June 2020	30 June 2019	30 June 2020	30 June 2019
		£000	£000	£000	£000
Financial assets:					
Loans and receivables					
Other receivables	Level 2	594,906	449,698	594,906	449,698
Cash and short-term deposits	Level 1	41,145	10,104	41,145	10,104
Unamortised facility fees	Level 3	1,718	-	1,718	-
Total		637,769	459,800	637,769	459,800

		Carrying amount		Fair value	
		As at	As at	As at	As at
	Fair Value Hierarchy	30 June 2020	30 June 2019	30 June 2020	30 June 2019
		£000	£000	£000	£000
Financial liabilities:					
Other financial liabilities					
Interest bearing loans and borrowings					
Floating rate borrowings	Level 2	128,125	50,000	128,125	50,000
Other	Level 3	282	(66)	282	(66)
Other payables	Level 3	315,138	218,017	315,138	218,017
Bank overdrafts	Level 1	2,454	3,109	2,454	3,109
Total		445,999	271,060	445,999	271,060

RANK GROUP FINANCE PLC

NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)

7. Financial assets and liabilities (continued)

(b) Fair values (continued)

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; and
- the fair value of floating rate borrowings approximates to their carrying amounts.

All assets and liabilities for which the fair value has been disclosed have been categorised within the fair value hierarchy, described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observed

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

8. Financial risk management

The Company's principal financial liabilities comprise loans and borrowings and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Company is exposed to market risk, credit risk and liquidity risk.

The Company'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 Group's 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 Group risk appetite.

The board of directors' review and agree 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 position at 30 June 2020 and 30 June 2019.

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

RANK GROUP FINANCE PLC

NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)

8. Financial risk management (continued)

(i) Foreign currency risk (continued)

Foreign currency sensitivity

The following table demonstrates the sensitivity of the Company's profit (loss) before tax to a possible change in the US dollar and euro, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material

	Effect on profit (loss) before tax	
	As at 30 June 2020	As at 30 June 2019
	£m	£m
Change in foreign exchange rates:		
+10% euro	(0.3)	(0.1)
-10% euro	0.3	0.2

(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 company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

Historically the Company 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 Company has exercised its right to operate outside the Company policy of maintaining between 40% and 60% of its borrowings at fixed rate of interest. At 30 June 2020, none of the Company's borrowings were at a fixed rate of interest (30 June 2019 none).

(iii) Interest rate sensitivity

The table below demonstrates the sensitivity of profit before tax for the year and equity at the year end to a possible change in interest rates, when this movement is applied to the carrying value of external loans, borrowings and short-term deposits.

	Effect on profit before tax	
	As at 30 June 2020	As at 30 June 2019
	£m	£m
Sterling:		
100 basis point increase	(0.9)	(0.4)
200 basis point increase	(1.8)	(0.8)

There was no impact on equity in either year.

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 sensitivity has only been applied to the carrying value of external loans, borrowings and short-term deposits which are subject to external rate fluctuations as opposed to interest rates on internal loans and borrowings which are set by the Group's centralised treasury function.

The Company 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 Company is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

RANK GROUP FINANCE PLC

NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)

8. Financial risk management (continued)

(b) Credit risk (continued)

The Company is exposed to credit risk on amounts owed by related undertakings. The performance of all subsidiary undertakings of the Group is monitored at Group level, including frequent projections of future performance to ensure funding to related undertakings provide a suitable return and remain recoverable.

Where losses are forecast, actions are taken to mitigate the loss and maximise the recoverability of receivables. The maximum exposure to credit risk on amounts owed by related undertakings at the reporting date is the fair value of its receivables of £594,906,000 (2019: £448,001,000).

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy details of which can be found on page 185 of the Group's ARA. 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' required. The Company predominately invests with its lending banks when appropriate.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance of its counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities. Cash forecasts identifying the liquidity requirements of the Company 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 financial headroom exists for at least a 12 month period.

Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A three-year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages the Company's financing requirements and the range of maturities on its debt.

The Company's core debt facilities are the £85.0m (30 June 2019: £90.0m) bank facility comprising one bi-lateral bank facility which expires in September 2020 (£30m), one bi-lateral bank facility which expires in May 2024 (£40m), one bi-lateral bank facility which expires in February 2025 (£15m), and the £128.1m (30 June 2019: £50.0m) bank facility comprising the term loan which expires in May 2024. The Group proactively manages its relationships with its lending group.

The funding policy of the Company 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.

RANK GROUP FINANCE PLC**NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)****8. Financial risk management (continued)**
(c) Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On demand £000	Less than 12 months £000	1 to 2 years £000	2 to 5 years £000	> 5 years £000	Total £000
At 30 June 2020						
Interest bearing loans and borrowings	317,331	21,391	31,053	80,566	-	450,341
Other Payables	-	282	-	-	-	282
	<u>317,331</u>	<u>21,673</u>	<u>31,053</u>	<u>80,566</u>	<u>-</u>	<u>450,623</u>
At 30 June 2019						
Interest bearing loans and borrowings	219,073	52,126	-	-	-	271,199
	<u>219,073</u>	<u>52,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,199</u>

Capital management

The Group's objectives when managing capital are to ensure continuing access to existing debt facilities and to manage the borrowing cost of those facilities in order to minimise the Group's interest charge.

Collateral

The Company did not pledge or hold any collateral at 30 June 2020 (2019: £nil).

9. Ordinary share capital

	As at 30 June 2020 £000	As at 30 June 2019 £000
Authorised, issued and fully paid 200,000,000 ordinary shares of 100p each	<u>200,000</u>	<u>200,000</u>

10. Cash generated from operations

Reconciliation of operating profit to cash used in operations:

	As at 30 June 2020 £000	As at 30 June 2019 £000
Operating profit from continuing operations	6,872	4,489
Finance costs	4,825	1,404
Finance income	(16,043)	(9,741)
Loss Allowance for Intercompany Loans	1,091	754
Decrease in trade and other payables	(340)	-
Exchange gain	598	1,212
Cash used in continuing operations	<u>(2,997)</u>	<u>(1,882)</u>

RANK GROUP FINANCE PLC

NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)

11. Cash and cash equivalents

	As at 30 June 2020 £000	As at 30 June 2019 £000
Cash at bank and in hand	1,142	604
Short term deposits	40,003	9,500
Total cash and short-term deposits	41,145	10,104

The fair value of cash and current asset investments equals their carrying amount as the impact of discounting is not considered significant.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at the end of the year:

	As at 30 June 2020 £000	As at 30 June 2019 £000
Total cash and short-term deposits	41,145	10,104
Bank overdrafts	(2,454)	(3,109)
Cash and cash equivalents	38,691	6,995

	As at 30 June 2020 £000	As at 30 June 2019 £000
UK Sterling	38,589	6,817
Other	102	178
Cash and cash equivalents	38,691	6,995

12. Parent undertakings and related party transactions

During the period, the Company paid £32,500,000 (2019: paid £28,800,000) to its parent. All other related party transactions have been disclosed in notes 3, 5 and 6. There are no other such transactions to disclose.

Throughout the year ended 30 June 2020 and to the date of signing these financial statements, the Company's immediate parent company was The Rank Group Plc. Both the Company and The Rank Group Plc are incorporated and registered in England and Wales.

The ultimate parent undertaking is Hong Leong Company (Malaysia) Berhad (Hong Leong), which is incorporated in Malaysia. Hong Leong is the parent undertaking of the largest group to consolidate these financial statements. The Rank Group Plc is the parent undertaking of the smallest group to consolidate these financial statements. Copies of The Rank Group Plc consolidated financial statements can be obtained from <https://www.rank.com/en/investors/results-reports-presentations.category1.html> or by written request to the Company Secretary at The Rank Group Plc, TOR, Saint-Cloud Way, Maidenhead, Berkshire, SL6 8BN.

RANK GROUP FINANCE PLC

NOTES TO THE ACCOUNTS AS AT 30 JUNE 2020 (CONTINUED)

13. Post balance sheet event

Following a period of closure of our UK and European venues as required by Government in response to the evolving COVID-19 health pandemic, our Enracha venues opened on 22 June with the majority of our Grosvenor and Mecca venues reopening since the year end.

Since re-opening from June 2020, when venues have been allowed to open, management has evaluated that the revenue performance of venues has been either in-line or better than forecast. Management has constantly reviewed and updated its base case, and downside case, modelling, continuing to re-assess and monitor the Group's performance against plan.

At the time of signing the Group's Annual Report and Accounts ("ARA"), through the combination of the venues being closed from late March 2020 until July/August 2020 and the assumptions made by management in its base case forecasts, the Group anticipated breaching its banking covenants at the 31 December 2020 test date. Rank therefore renegotiated its banking covenants to temporarily replace the normal tests with a minimum liquidity test that is set at £50.0m and is tested quarterly in September and December 2020 and in March 2021 ("Revised Covenants"). At this time the Group expected to meet the Revised Covenants and the Group expected to achieve its normal banking covenants at the 30 June 2021 test date when the testing would revert back to being on a six-monthly basis, and at future testing dates during the plan period.

However, as lockdowns and curfews have been extended through the responses in Spain, England, Scotland and Wales, the Group has experienced rolling closures of venues since September 2020. This was further exacerbated as England and Scotland moved into full lockdown for parts of November and December 2020, resulting in the closure of the majority of venues in England and Scotland for this period. Accordingly, Directors have constantly reviewed and updated its base case, and worst case, modelling.

This modelling suggested that in the revised base case, and in the event of the reasonable worst case downside scenario becoming reality, the Group would potentially not meet the Revised Covenants in March 2021, and would not meet the normal banking covenants when they reverted at the 30 June 2021 test date. In response, Rank renegotiated its banking covenants to extend the replacement of the normal banking covenants through to March 2022, with the normal banking covenants not recommencing testing until 30 June 2022. In addition, the Group completed an equity placing, raising gross proceeds of £70 million in new equity providing additional balance sheet support.

With these actions completed, the Group expects to meet the Revised Covenants and based on the revised strategic plan, the Group expects to achieve its normal banking covenants at the 30 June 2022 test date when the testing would revert back to being on a six-monthly basis, and at future testing dates during the plan period. The announced sale of the Belgium casino for £25m will further provide additional balance sheet strength once completed.

Furthermore, on 17 December 2020, at the time of signing these annual accounts, the Directors of two related parties, Rank Digital Gaming (Alderney) Limited and Rank Digital Services (Gibraltar) Limited, declared and paid dividends of £43,000,000 and £16,000,000 respectively to their immediate parent company, Rank Digital Holdings Limited.

These dividends were paid by way of settlement of intercompany balances with Rank Group Finance Plc, resulting in a reduction in the intercompany payable by Rank Digital Holdings Limited to the Company by the value of the dividends, being £59,000,000, and a reduction in the intercompany payable by Rank Group Finance Plc to Rank Digital Gaming (Alderney) Limited and Rank Digital Services (Gibraltar) Limited respectively.