RANK GROUP GAMING DIVISION LIMITED

(Registered Number 3213743)

REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2018

Corporate information

Directors
Mr J.P. O'Reilly
Mr J.C. Pizey

Secretary
Ms L.A. Wright

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers
RBS
250 Bishopsgate
London
EC2M 4AA

Registered Office
TOR, Saint-Cloud Way
Maidenhead
Berkshire
SL6 8BN
United Kingdom

Principal activities

The principal activity of the Company is as a provider of administrative services to its subsidiary undertakings and fellow group companies. The main subsidiary operating company is Mecca Bingo Ltd, with fellow Group companies being Grosvenor Casinos Limited, Grosvenor Casinos (GC) Limited and Rank Digital Limited. The Company is a limited company incorporated and domiciled 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

As a provider of administrative services to its subsidiary undertakings and fellow group companies, the outlook for the business surrounds the financial performance of these trading businesses. The focus of the trading businesses is on increasing customer numbers, visits and revenue by bringing enjoyable gaming-based leisure experiences to a broader base of customers. The main aims of this strategy are:

- Creating a compelling multi-channel offer – by building on the existing portfolio of venues, membership systems, reward programmes and high level of engagement between team members and customers;
- Developing our venues – continuing to invest in existing venues (in terms of product, environment and service) and by creating new ones;
- Investing in our brands and marketing – increased brand marketing programmes, providing appropriate support for the established brands and development on new brands for the digital market; and
- Using technology to drive efficiency and improve customer experience – by speeding up processes, harnessing technological developments and increasing digital technologies in casino venues.

The results for the Company show a pre-tax profit of £17.4m (2017: £499.5m) for the year ended 30 June 2018 and revenue of £21.4m (2017: £28.1m) which is generated from the management fees charged to the companies who receive the administrative services. The reduction in revenue is driven by the Group's focus to reduce central costs in the business and the fall in profit is primarily attributed to the reduction in dividend income following a special dividend in the prior year as direct result of the Group restructuring and simplification project.

Included within the profit for the year is £0.3m of exceptional costs (2017: £7.0m), which have fallen significantly in the year. These relate to restructuring and relocations costs, which are offset by a net release in relation to the onerous lease properties. Further details of these exceptional items are shown in note 3 to the financial statements.

In light of recent performance, The Rank Group Plc ('Group') has established a transformation programme focused on improving our organisational capabilities to deliver our strategy. The transformation programme will be a mix of cost savings and revenue generation initiatives reflecting the need to improve efficiency as well as growing the business. The transformation programme has just commenced but initiatives may include scheduling, multi-skilling, new products, procurement, central systems, digital customer acquisition, customer bonus controls, promotional effectiveness, improvements in customer due diligence processes and estate management.

The balance sheet as at 30 June 2018 shows net current assets of £2.0m (2017: £10.0m), which has decreased due to the net dividend outflow of £5.6m. Additionally, as the Company is in an overdraft position, Rank Group Finance Plc has indicated that it will provide support to the Company for a period of at least 12 months from the approval of these Financial Statement. On this basis, the directors concluded it was appropriate to prepare the financial statements on the going concern basis.

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 10 to 51 of the Group's 2018 Annual report and Accounts ('ARA') which do 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 Group, which include those of the company, are discussed on pages 44 to 46 of the group's ARA for the year ended 30 June 2018.

Principal risks and uncertainties (continued)

As the Company is an investment holding company, the main risks and uncertainties surround the financial performance of its subsidiary undertakings. The risks and uncertainties and their mitigations pertaining to the Company are noted below.

Additional risks not presently known to management, or currently deemed less material, may also have an adverse effect on the business. Examples of other risks include ongoing changes in the macroeconomic environment and Brexit implications.

Principal risk		Change in risk/Impact	Risk mitigation strategy
Laws and regulations	Regulatory and legislative regimes for betting and gaming in key markets are constantly under review and can change at short notice. These changes could benefit or have an adverse effect on the business and additional costs might be incurred in order to comply. Current key risk areas include: • responsible gambling (including adverse impact on brand and reputation); • anti-money-laundering enhanced due diligence requirements; and • jurisdiction management.	*Increasing* With the increased focus of regulators, the risk here is considered to be increasing, and the impact of non-compliance could result in the imposition of licence conditions, the loss of gaming licences and/or fines.	The Group ensures that it actively provides and promotes a compliant environment in which customers can play safely. The Group participates in trade bodies' representations to political and regulatory bodies to ensure that such stakeholders clearly understand the positive contribution that the business provides to the economy. The Group also works with stakeholders, customers and regulators to help public understanding of the gaming offers it provides. The Group engages with regulators as appropriate and examines the learnings from, and measures adopted by, other operators and sectors of the gambling industry.
Taxation	Changes in fiscal regimes for betting and gaming in key markets can change at short notice. These changes could benefit or have an adverse effect and additional costs might be incurred in order to comply with any fiscal requirements. Current key risk areas include: • Machine Gaming Duty; and • Gaming Duty.	*Stable* It is envisaged that there will be no further changes in taxation in the immediate future.	The Group continues to monitor taxation levels, performs regular analysis of the financial impact to the organisation of changes to taxation rates and develops organisational contingency plans as appropriate.

Principal risks and uncertainties (continued)

Principal risk		**Change in risk/Impact**	**Risk mitigation strategy**
Changing customer needs	Progressive changes over time in retail consumer spending habits are resulting in lower numbers of customer visits. This can also be attributable to the overall retail proposition declining in relevance to the consumer and changes in the macroeconomic environment.	*Increasing* With the retail macroeconomic environment, changes in consumer spending habits and need to continually assess the relevance of the proposition, this is requiring an ever-increasing focus by the Group.	The Group monitors financial performance across the clubs with clubs performing adversely being raised for remedial attention. Changing the club product and service offering to have greater appeal to today's more leisure-oriented customer is being developed through segmentation and new product offerings.
Business continuing planning	Planning and preparation of the organisation to ensure it overcomes serious incidents or disasters and resumes its normal operations within a reasonably short period is critical to ensure that minimal impact occurs to its operations, customers and reputation. Typical disasters that business continuity covers can include: natural disasters including fires and floods, accidents impacting key people, insolvency of key suppliers, negative media campaigns and market upheavals.	*Stable* The geographical nature of the operating environment and key risk exposures have not changed significantly and are known and understood.	Group business continuity plans have been developed and are in place for key business areas, with an ongoing refresh to ensure that they remain current for all business areas. This approach includes the development, embedding and refinement of the incident and crisis management approach for the Group in order to proactively manage these incidents.
Customer data management	Processing of personal customer data (including name, address, age, bank details and betting/ gaming history) is performed and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates, such as GDPR. The Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulations. This could result in prosecutions including potential financial penalties and the loss of the goodwill of its customers. It could also deter new customers.	*Stable* The Group has developed a robust control environment in relation to customer data controls and the regulatory requirements.	Awareness, training and recruitment of a data protection officer to oversee ongoing data regulation compliance. A programme of activity has been initiated to ensure the Group meets the GDPR requirements and continues to improve its current control environment.

Principal risks and uncertainties (continued)

Principal risk		Change in risk/Impact	Risk mitigation strategy
Cyber security and resilience	Cyber attacks can disrupt and cause considerable financial and reputational damage to the Group. If a cyber attack were to occur the Group could lose assets, reputation and business, and potentially face regulatory fines and litigation – as well as the costs of remediation. Operations are highly dependent on technology and advanced information systems (such as cloud computing) and there is a risk that such technology or systems could fail or outages occur.	*Increasing* Due to the persistent nature of this threat and reliance on core technology systems, this is considered an increasing risk to the Group.	External cyber benchmarking has been performed to understand the maturity of controls with a roadmap of further work planned to enhance them within the current IT estate. A programme of work is ongoing to enhance cyber security and resilience within the IT estate with dedicated specialised resources.
Third party supply chain	The Group is dependent on a number of third-party suppliers for the operation of its business. The withdrawal or removal from the market of one or more of these third-party suppliers, or failure of these suppliers to comply with contractual obligations, could adversely affect operations, especially where these suppliers are niche.	*Stable* The third-party operating environment and key risk exposures remain unchanged.	The Group has a central team in place to oversee the process for acquisition of suppliers across the Group. Close communication and relationships are in place with suppliers to ensure that Group requirements can be met.

By order of the board

Director: Mr J.C. Pizey
Date: 7 December 2018

The directors present their Report and Financial Statements for the year ended 30 June 2018.

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

Mr C.A.R. Jennings (resigned 17 August 2018)
Mr H.B. Birch (resigned 7 May 2018)
Ms F. Bingham (Company Secretary – resigned 1 May 2018)
Ms L.A. Wright (Company Secretary – appointed 1 May 2018)
Mr J.P. O'Reilly (appointed 7 May 2018)
Mr J.C. Pizey (appointed 18 August 2018)

Dividends
The Directors approved and paid a final dividend of £22.7m (2017: £1,172.0m) during the year.

Human resources
The Company recognises that the contribution made by its employees is crucial to the success of the business. Substantial investment is therefore made in the training, development and motivation of employees with particular attention to ensuring customer satisfaction through the consistent achievement of high standards of service and delivery of quality products.

Employee involvement in the direction and objectives of the business is encouraged through the use of incentive schemes to focus employees on key performance indicators. In addition, communication and consultation programmes exist at site and Company level.

The Company endorses the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age, disability or sexual orientation.

Future developments
Details of future developments are included in the Strategic Report on pages 2 to 5.

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic Report, the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in UK Generally Accepted Accounting Practice 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;
- state whether the financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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.

Statement of directors' responsibilities (continued)

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

The Company finances its activities with a combination of intercompany funding and cash at bank, details of which are disclosed in note 19. Other financial assets and liabilities arise directly from the Company's operating activities.

These financial instruments give rise to market, credit and liquidity risks. As a wholly owned subsidiary of the Group many of these risks are combined on a group basis and managed by a centralised treasury team. Details of the financial risk management objectives and policies of this centralised team are disclosed in note 19 of Group's ARA. Details of how to obtain this report are shown in note 20.

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

Director: Mr J.C. Pizey

Date: 7 December 2018

Opinion

We have audited the financial statements of Rank Group Gaming Limited for the year ended 30 June 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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 at least 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 set out on pages 1 to 7, 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.

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 pages 6 and 7, 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.

Ernst & Young LLP

Julie Carlyle (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 10 December 2018

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Note	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Revenue	2	21,430	28,054
Operating costs		(20,782)	(24,492)
Exceptional costs[1]	3	(275)	(6,954)
Operating profit/ (loss)	3	373	(3,392)
Interest payable	4	(144)	(268)
Interest receivable	4	28	3,469
Net interest (payable)/ receivable	4	(116)	3,201
Dividend from shares in subsidiary undertakings		17,100	499,663
Profit on ordinary activities before taxation		17,357	499,472
Taxation	5	(35)	(993)
Profit for the year		17,322	498,479

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit for the period	17,322	498,479
Total comprehensive income for the period	17,322	498,479

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

BALANCE SHEET AS AT 30 JUNE 2018

	Note	At 30 June 2018 £'000	At 30 June 2017 £'000
Fixed assets			
Intangible assets	7	1,302	1,399
Tangible assets	8	112	88
Investment in subsidiaries	9	125,372	125,372
Deferred tax	10	237	369
		127,023	127,228
Current assets			
Other debtors	11	9,136	16,433
Cash at bank and in hand	15	-	1,042
		9,136	17,475
Creditors: amounts falling due within one year			
Trade and other creditors	12	(5,028)	(5,607)
Income tax payable		(2,125)	(2,201)
		(7,153)	(7,808)
Net current assets		1,983	9,667
Total assets less current liabilities		129,006	136,895
Provisions for liabilities and charges	13	(10,178)	(12,689)
Net assets		118,828	124,206
Shareholder's equity			
Share capital	14	1,000	1,000
Retained earnings		117,828	123,206
Total equity		118,828	124,206

The notes on pages 13 to 26 are an integral part of these financial statements.

These accounts were approved by the board on 7 December 2018 and signed on its behalf by:

Director: Mr J.C. Pizey

RANK GROUP GAMING DIVISION LIMITED
STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2018

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 July 2016	76,189	685,197	36,341	797,727
Total comprehensive income:				
Profit for the period	-	-	498,479	498,479
Transactions with owners:				
Bonus issue of shares	37,500	-	(37,500)	-
Capital Reduction	(112,689)	(685,197)	797,886	-
Dividend paid to equity holders	-	-	(1,172,000)	(1,172,000)
At 30 June 2017	1,000	-	123,206	124,206
Total comprehensive income:				
Profit for the period	-	-	17,322	17,322
Transactions with owners:				
Dividend paid to equity holders	-	-	(22,700)	(22,700)
At 30 June 2018	1,000	-	117,828	118,828

1. Accounting policies

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

A Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The Company has taken advantage of the following disclosure exemptions under FRS101:

- the requirement of IAS7 'Statement of Cash Flows';
- the requirements of paragraph 17 of IAS24 'Related Party Disclosures';
- the requirements in IAS24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- the requirements of paragraph 45(b) and 46-52 of IFRS2 'Share Based Payments';
- the requirements of IFRS7 'Financial Instruments: Disclosures";
- the requirements of paragraph 134(d)-134(f) and 135(c)-135(e) of IAS36 'Impairment of Assets';
- the requirements of paragraphs 10(d) and 134-136 of IAS1 'Presentation of Financial Statements'; and
- the requirements of paragraph 38 of IAS1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 73(e) of IAS16 'Property, Plant and Equipment', and paragraph 118(e) of IAS38 'Intangible Assets'.

The results of the Company, along with the equivalent disclosures in respect of the exemptions listed above are included in the consolidated Group ARA, details of which are contained in note 20.

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

The Company is itself a subsidiary company and is exempt from the requirement to prepare Group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

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. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out below.

(i) Estimated impairment of property, plant and equipment and Investments in subsidiaries.

Details of the Company's accounting policy in relation to impairments and impairment reversals are disclosed in parts G and I of this note.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of cash-generating units to which the property, plant and equipment and Investment in subsidiaries are associated. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Estimates of fair value less costs of disposal are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external experts or, if applicable, offers received. Value in use is calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each cash-generating unit. The best estimate of the directors may differ from the actual results.

(ii) Provisions

Provisions are recognised in accordance with the policy disclosed in part D of this note. Management's judgement is that the cost provided represents the lower of the cost of fulfilling the contract or the cost of exiting the contract. In calculating property lease provisions, estimates are made of the discounted cash flows associated with the property and its associated operations including sub-let income together with estimates of any dilapidation obligations. Estimates have also been made in determining the remaining costs from the Group restructuring and simplification project. Further details of provisions made are disclosed in note 13.

1. Accounting policies (Continued)

A Basis of preparation (Continued)

(iii) Exceptional items

The Company separately discloses material one-off items as it believes it assists shareholders to understand underlying performance and trends between periods. Judgement is required in determining whether an item should be classified as an exceptional item or included within underlying results. Further details are disclosed in note 3.

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

There are no new standards or amendments to existing standards that are mandatory for the first time for the financial year beginning 1 July 2017.

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

With the exception of IFRS 16 'Leases', which is effective for annual periods starting on or after 1 January 2019, the Company is not expected to be materially impacted by any new standards, amendments or interpretations of existing standards, that have been published and are mandatory for the first time for accounting periods starting after 1 July 2018. IFRS 16 'Leases' will become mandatory for the Company's reporting period ending 30 June 2020 and it is anticipated that this will have a material impact upon the Company's financial statements. Since the impact is influenced by the Company open lease position, it is not yet possible to reasonably quantify its effects.

IFRS 15 will be effective for our June 2019 financial reporting period. The Company does not anticipate a material impact on the results or net assets from these standards, which are in issue but not yet effective.

IFRS 9 will be effective for our June 2019 financial reporting period. The Company does not anticipate a material impact on the results or net assets from these standards.

B Revenue recognition

Revenue consists of the fees charged for services provided to fellow Group companies. The Company's busness operates solely in the United Kingdom.

C Leases

Leases are tested at inception to determine whether the lease is finance or operating lease and treated accordingly. Property leases comprising a lease of land and a lease of buildings within a single contract are split into their two component parts before testing.

Operating leases - Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases. Operating lease payments (including any lease incentives or premiums) are recognised as an expense in the income statement on a straight-line basis over the lease term.

D Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the best estimate of the expenditures required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

E Tangible assets

Tangible assets are stated at cost, net of accumulated depreciation and impairment. Such cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

1. Accounting policies (Continued)

E Tangible assets (Continued)

Depreciation is calculated on assets using the straight-line method to allocate their cost less residual values over their estimated useful lives, as follows:

Fixtures, fittings, plant and machinery 3 - 20 years

Residual values and useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate. An item of tangible assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the **1.** difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for both externally purchased and internally developed software. Direct costs include the employee costs for software development.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives of 3 to 5 years.

F Impairment of tangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units, CGUs). The expected cash flows generated by the assets are discounted using appropriate discount rates, which reflect the time value of money and risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an exceptional expense in the income statement immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised within exceptional items as income immediately.

Any impairment is allocated equally across all assets in a CGU unless there is an indication that a class of assets should be impaired in the first instance or a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst the remaining assets.

G Employee benefit costs

(i) Pension obligations – The Company participates in a group defined contribution plan under which the Company pays fixed contributions to a separate entity. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(ii) Share-based compensation - The Company operates an equity-settled, share-based compensation plan relating to the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the

1. Accounting policies (Continued)
G Employee benefit costs (Continued)

revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

(iii) Bonus plans – The Company recognises a liability in respect of the best estimate of bonuses payable where contractually obliged to do so or where past practice has created a constructive obligation.

H Investments in subsidiaries
Investments in subsidiaries are held at cost less impairment.

An impairment loss is recognised for the amount by which the investment's carrying amount exceeds the valuation of the subsidiary in which the investment in held. The valuation of the subsidiary represents its net assets, including the net assets of its own subsidiaries, less its cost of investment in those subsidiaries.

If an impairment loss is recognised, the carrying amount of the investment is reduced to match the valuation of the subsidiary in which the investment is held. An impairment loss is recognised as an expense in the income statement immediately. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised valuation of the subsidiary in which the investment is held, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been recognised had no impairment loss been recognised for the investment in prior years.

I Taxation
Current tax is applied to taxable profits at the prevailing tax rate for the year.

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.

J Other debtors
Other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

K 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.

L Trade and other creditors
Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

M Exceptional items
The Company separately discloses those items which are required to give a full understanding of the Company's financial performance and aid comparability of the Company's results between periods. Exceptional items are considered by the directors to require separate disclosure due to their size or nature in relation to the Company.

N Financial assets and Liabilities
Financial assets include loans and receivables and cash (and cash equivalents), or where the Company has a contractual right owed to it. A financial asset is derecognised when substantially all the risk and rewards or control have been transferred.

Financial liabilities include trade and other payables and loans and borrowings (including bank overdrafts), but exclude statutory liabilities such as social security and other taxes.

2. Revenue

	Year ended 30 June 2018 £000	Year ended 30 June 2017 £000
Geographical Market		
UK	21,430	28,054
Total	21,430	28,054

An analysis of the Company's revenue (including turnover) by category is as follows:

	Year ended 30 June 2018 £000	Year ended 30 June 2017 £000
Category		
Rendering of intercompany services	21,430	28,054
Total	21,430	28,054

3. Operating profit for the year

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

	Note	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Staff costs	16	15,648	18,329
Depreciation of tangible assets	8	20	133
Amortisation of intangible assets	7	510	525
Operating lease rentals payable:			
- Minimum lease payments		2,955	3,607
- Income from sub-leases		(2,588)	(2,720)
Repairs and maintenance expenditure on tangible assets		11	131
Exceptional items		275	6,954
Loss on disposal of fixed assets		-	12
Auditors' remuneration for audit services		166	166

The analysis of the exceptional items during the year is as follows:

	Note	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Net credit from property leases	13	(334)	(1,920)
Impairment of investments		-	5,048
Restructuring and relocation costs	13	609	3,826
Total exceptional operating costs		275	6,954

Year ended 30 June 2018
The company recognised a net £334,000 credit as a result of exceptional property lease transactions. This represents a net release from small changes in cost expectations at three properties where an onerous lease is currently recognised.

3. Operating profit for the year (continued)

Year ended 30 June 2018 (continued)

There were also restructuring and relocation costs of £609,000 in the year, that primarily relate to redundancy costs.

Year ended 30 June 2017

The company recognised a net £1,920,000 credit as a result of exceptional property lease transactions. This comprised of a £1,510,000 credit due to the renegotiation of an onerous lease, £772,000 due to additional sub-let income from a tenant at one of the sites, offset by a £362,000 charge due to a reduction in variable rent expectations.

The Company recognised an impairment in the investment of Rank Leisure Machine Services Limited of £5,048,000, caused by the capital reduction in the investee company in preparation for its dissolution.

Restructuring and relocation costs of £3,826,000 have been incurred as a result of strategic project to simplify the operations of the Company. This includes an onerous lease cost of £1,339,000, tangible fixed asset impairment of £563,000 and a number of redundancies that were made during the year costing £1,924,000.

4. Interest

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Interest payable:		
Interest payable to HMRC	-	(11)
Unwinding of discounts in provisions	(144)	(257)
Total interest payable	(144)	(268)
Interest receivable:		
Interest receivable from Group companies	28	3,469
Total interest receivable	28	3,469
Total net interest (payable)/ receivable	(116)	3,201

5. Taxation

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Current tax:		
UK corporation tax on profits of the period	(32)	(1,113)
Exceptional items	52	141
Adjustment in respect of prior years	77	(18)
Total current tax	97	(990)
Deferred tax:		
Origination and reversal of timing differences	(70)	(73)
Exceptional items	-	74
Deferred tax adjustment	7	(24)
Adjustment in respect of prior years	(69)	20
Total deferred tax	(132)	(3)
Tax charge in the income statement	(35)	(993)

The tax on the company's profit before tax differs from the standard rate of UK corporation tax of 19.00% (2017: 19.75%). The differences are explained below.

5. Taxation (continued)
Current tax on exceptional items includes a tax charge of £64,000 (2017: £501,000) relating to the net release from provisions for property leases and a tax credit of £116,000 (2017: £642,000) relating to restructuring and relocation costs.

The deferred tax credit on exceptional items of £74,000 (2017: £nil) relates to restructuring and relocation costs.

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit on ordinary activities before tax	17,357	499,472
Profit before tax multiplied by the standard rate of UK Corporation tax of 19.00% (2017: 19.75%)	(3,298)	(98,646)
Effects of:		
Income not subject to tax	3,249	98,687
Expenses not deductible for tax purposes	(1)	(1,012)
Deferred tax restatement	7	(24)
Adjustment in respect of prior years	8	2
Tax charge in the income statement	(35)	(993)

On 8 July 2015, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 19.0% for the year starting 1 April 2018 and a further 1.0% reduction to 18.0% from 1 April 2020. These changes were substantively enacted in October 2015.

On 16 March 2016, the Chancellor of the Exchequer announced a further 1.0% reduction to the previously announced 18.0% main rate of UK corporation tax to 17.0% from 1 April 2020. This change was substantively enacted in September 2016.

The rate reductions will reduce the amount of cash tax payments to be made by the Company in future periods.

6. Dividends

Amounts recognised as distributions to equity holders in the year:

	At 30 June 2018 £000	At 30 June 2017 £000
Special dividend for the year ended 30 June 2017 of £1,241 per ordinary share on 10 April 2017	-	1,172,000
Final dividend for the year ended 30 June 2017 of £23 per ordinary share on 24 November 2017	22,700	
	22,700	1,172,000

The dividend was approved by the directors during the year. The prior year forms part of the Group restructuring and simplification project.

7. Intangible assets

	Computer software and development costs £'000
Cost	
At 1 July 2017	2,738
Additions	413
Disposals	(235)
At 30 June 2018	2,916

	Computer software and development costs £'000
Aggregate amortisation and impairment	
At 1 July 2017	(1,339)
Charge for the period	(510)
Disposals	235
At 30 June 2018	(1,614)
Net book value at 30 June 2017	1,399
Net book value at 30 June 2018	1,302

All amortisation charges in the period have been charged through operating expenses.

8. Tangible assets

	Fixtures, fittings, plant and machinery £'000
Cost	
At 1 July 2017	264
Additions	44
Disposals	(178)
At 30 June 2018	130
Aggregate depreciation	
At 1 July 2017	(176)
Charge for the period	(20)
Disposals	178
At 30 June 2018	(18)
Net book value at 30 June 2017	88
Net book value at 30 June 2018	112

9. Investment in subsidiaries

	Investments £'000
Cost	
At 30 June 2017 and 30 June 2018	125,372
Aggregate impairment	
At 30 June 2017 and 30 June 2018	-
Net book value at 1 July 2017	125,372
Net book value at 30 June 2018	125,372

A list of all investments held at 30 June 2018, can be found in Note 22.

10. Deferred tax

Deferred tax is included in the balance sheet as follows:

	At 30 June 2018 £'000	At 30 June 2017 £'000
Accelerated capital allowances	237	369
Deferred tax asset	237	369

The deferred tax asset movement on the balance sheet is as follows:

	At 30 June 2018 £'000	At 30 June 2017 £'000
At 1 July	369	372
Deferred tax charge in the income statement	(132)	(3)
At 30 June	237	369

The deferred tax included in the income statement is as follows:

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Accelerated capital allowances	(132)	(3)
Deferred tax charge in the income statement	(132)	(3)

11. Other debtors

	At 30 June 2018 £'000	At 30 June 2017 £'000
Other debtors	770	251
Less: provisions for impairment	(4)	(11)
Other debtors - net	766	240
Amounts owed by fellow subsidiary undertakings	7,079	15,217
Amounts owed by fellow subsidiary undertakings - net	7,079	15,217
Prepayments and accrued income	1,291	976
Other receivables - current	9,136	16,433

As at 30 June 2018, other debtors of £4,000 (at 30 June 2017: £11,000) were impaired and past due. The ageing of these debtors is as follows:

	At 30 June 2018 £'000	At 30 June 2017 £'000
Up to 3 months	(4)	(2)
3 to 6 months	-	(9)
	(4)	(11)

The carrying values of other debtors are assumed to approximate to their fair value due to the short-term nature of the debtors. This includes amounts owed by related undertakings which attract an interest rate of 0.8%, are unsecured and repayable on demand.

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

12. Trade and other creditors

	At 30 June 2018 £'000	At 30 June 2017 £'000
Trade creditors	17	243
Other tax and social security payable	1,619	947
Accruals	1,473	4,417
Bank overdraft	1,919	-
Trade and other creditors	5,028	5,607

The Company's trade and other creditors are all due within one year. 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.

Amounts owed to subsidiary undertakings are repayable on demand and accordingly have no set maturity date. The Company has provided no collateral as security.

13. Provisions for other liabilities and charges

	Restructuring provision £'000	Property lease provision £'000	Total £'000
At 1 July 2017	1,983	10,706	12,689
Utilised in period	(2,358)	(572)	(2,930)
Unwinding of discount	-	144	144
Released from the income statement – exceptional	-	(560)	(560)
Charged to the income statement – exceptional	609	226	835
At 30 June 2018	234	9,944	10,178

Provisions have been analysed between current and non-current as follows:

	At 30 June 2018 £'000	At 30 June 2017 £'000
Current	1,277	2,982
Non-current	8,901	9,707
Total	10,178	12,689

Property lease provision
The Company is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. The leases have a weighted average unexpired life of 16 years (2017: 17 years). Over the total provision of £9,946,000 it is estimated that £4,280,000 will be utilised over periods ranging from one to five years, £1,460,000 will be utilised over period ranging from five to 10 years and the remaining £4,206,000 will be utilised over periods in excess of 10 years.

Restructuring provision
In the prior year the Group undertook a strategic review of the organisation to improve customer service and simplify operations, some of which was utilised in the year. The current year saw £609,000 of restructuring in the year, with the majority of the provision also utilised in the year.

14. Share capital

	At 30 June 2018 £'000	At 30 June 2017 £'000
Authorised		
100,000,000 ordinary shares of £1 each	100,000	100,000
55,531 A shares of £1 each	56	56
	100,056	100,056
Issued and fully paid		
944,469 (2017: 944,469) ordinary shares of £1 each	944	944
55,531 A shares of £1 each	56	56
	1,000	1,000

15. Cash and cash equivalents

Cash and cash equivalents comprise:

	At 30 June 2018 £'000	At 30 June 2017 £'000
Cash at bank and in hand	-	1,042

16. Employees and directors

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Wages and salaries	12,997	15,064
Social security costs	1,736	2,205
Other pension costs	779	802
Redundancy	136	258
Total	15,648	18,329

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Average monthly number of people employed	259	259

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Directors		
Aggregate emoluments	446	1,151
Company contributions to pension schemes	42	65
Total	488	1,216
Highest paid director		
Aggregate emoluments	231	332
Company contributions to pension schemes	20	19
Total	251	351

The Company makes the payment for director emoluments, however the figures shown above are net of amounts recharged to fellow group companies through management charges, but include those amounts recharged to subsidiary undertakings, based on the Group structure at the balance sheet date. The reduction in cost reflects the group restructuring and simplification project undertaken.

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Key management compensation		
Salaries and short-term employee benefits	2,068	2,885
Share based payments	(109)	(804)
Total	1,959	2,081

The key management figures given above include members of the Group's Executive Committee.

17. Retirement benefits

The Company participates in a Group defined contribution plan under which the Company pays fixed contributions to a separate entity. Company contributions in the year ended to 30 June 2018 were £779,000 (2017: £802,000).

18. Lease commitments

Operating lease commitments - Company as lessee
The Company has entered into commercial leases on property and vehicles. These leases have durations of between from under one year to 25 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	At 30 June 2018 £'000	At 30 June 2017 £'000
Not later than one year	3,321	4,224
After one year but not more than five years	7,430	10,364
After five years	-	-
Total	10,751	14,588
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	9,122	11,309

19. Financial assets and liabilities

The accounting policies for financial assets have been applied to the line items below:

	Other financial assets	
	At 30 June 2018 £'000	At 30 June 2017 £'000
Other debtors	7,849	15,468
Cash at bank and in hand	-	1,042
Total	7,849	16,510

The accounting policies for financial liabilities have been applied to the line items below:

	Other financial liabilities	
	At 30 June 2018 £'000	At 30 June 2017 £'000
Trade and other creditors	3,409	4,660
Property provisions	9,946	10,706
Total	13,355	15,366

20. Parent undertakings and related party transactions

Rank Group Gaming Division Limited provides administrative services to wholly owned companies of the Group and the Company's income comprises management fees for providing these services. The costs of providing the services are fully recovered from these companies and the balances outstanding are included in notes 11 and 12.

The Company's immediate parent company is Rank Leisure Holdings Limited. Both the Company and Rank Leisure Holdings Limited 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 was the parent undertaking of the smallest group to consolidate these financial statements. Copies of the Group's consolidated ARA can be obtained from http://www.rank.com/en/investors/results--reports-presentations.all.year2018.html or by written request to the Company Secretary at TOR, Saint-Cloud Way, Maidenhead, Berkshire, SL6 8BN. Hong Leong is the parent undertaking of the largest group to consolidate these financial statements (from the date Hong Leong became the ultimate parent undertaking).

Details of compensation of key management is disclosed in note 16.

21. Contingent liabilities

Concurrent to a sale and leaseback transaction in 2006, the Company transferred the rights and obligations but not the legal titles of a number of property leases to a third party. The Company remains potentially liable in the event of default by the third party. Should default occur then the Company would have recourse to two guarantors. It is understood that, of the leases transferred, 3 of these have not expired or been surrendered. These leases have durations of between 6 year and 48 years and a current annual rental obligation (net of sub-let income) of approximately £84,000.

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

22. Subsidiaries

The Company owns directly 100% of the issued share capital and voting rights of the following companies:

Name	Country of incorporation	Principal activities	Registered office address
Mecca Bingo Limited	*England and Wales*	*Social and bingo clubs*	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Leisure Limited	England and Wales	Adult gaming centres in Mecca and Grosvenor Casinos venues	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Luda Bingo Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN

The principal activities are carried out in the country of incorporation as indicated above. All subsidiary undertakings have a 30 June year end.