

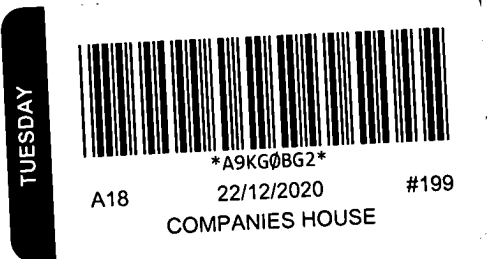
RANK DIGITAL LIMITED
Registered Number: 03796653

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

Ernst & Young LLP
Apex Plaza
1 Forbury Road
Reading
RG1 1YE

Bankers

RBS
250 Bishopsgate
London
EC2M 4AA

Registered Office

TOR, Saint-Cloud Way
Maidenhead
Berkshire
SL6 8BN
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RANK DIGITAL LIMITED STRATEGIC REPORT

Principal activities

The principal activities of the Company are the provision of management services to Rank Digital Gaming (Alderney) Limited and Rank Digital Services (Gibraltar) Limited, known as the 'sister companies'. 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 and future developments

The Directors' focus is on continuing to provide services to Rank Digital Gaming (Alderney) Limited and Rank Digital Services (Gibraltar) Limited in order to support the provision of enjoyable online gambling experiences for consumers. The services provided by Rank Digital Limited facilitate its sister companies to achieve the below strategy:

- 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;
- Build digital capability and scale – digital channels now represent a significant growth opportunity;
- Constantly improve our customer experiences through innovation – our customers are at the heart of our business and we invest in new technologies to their benefit;
- Be committed to safe and fair gaming – we are committed to operating in a responsible manner and recognise the importance of continuous innovation to refine our approach to make gambling as safe as possible; and
- Create an environment which enables our colleagues to develop, be creative and deliver exceptional service.

The results for the Company show a pre-tax profit of £2.8m for the year (2019: profit of £0.8m) and revenue of £14.1m (2019: £11.3m). The increase in revenue reflects the increased cost base in the growing Digital segment that was recharged to fellow Group subsidiaries. Included within the results above, are separately disclosed items ('SDIs') in the year of £0.5m (2019: £0.1m), in relation to restructuring and relocation costs. For further details please see note 3.

The balance sheet as at 30 June 2020 shows net current assets of £0.4m (2019: £1.6m) and cash of £0.1m (2019: £0.1m). Cash generated during the period has been pooled in accordance with The Rank Group Plc ('Rank' or 'Group') treasury policy to a fellow subsidiary resulting in an increase in amounts due from this fellow subsidiary.

Key performance indicators (KPI)

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 Digital division of the Group, which includes the Company, is discussed in more detail on page 36 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.

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

The risks and uncertainties and their mitigations pertaining to the Company are as follows:

Principal risks and uncertainties (continued)

1. COVID-19 pandemic			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
<p>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 (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</p>	<p>Due to the nature of the pandemic and the ongoing uncertainty this is considered an increasing risk.</p>	<p><i>Mitigation in relation to lockdown.</i></p> <p>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 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</p>	<p>1, 2, 3, 4, 5, 6</p>

**RANK DIGITAL LIMITED
STRATEGIC REPORT (CONTINUED)**

1. COVID-19 pandemic			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
that have been used to develop the modelled scenarios.		<p>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 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</p>	

RANK DIGITAL LIMITED
STRATEGIC REPORT (CONTINUED)

1. COVID-19 pandemic			
Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
		increased safer gambling measures.	

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 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.</p>	<p>The Group monitors financial performance across the venues. Venues performing adversely are raised for remedial attention with customer satisfaction metrics being used to also monitor venues performance.</p> <p>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.</p>	3, 4

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.	<p>Increasing</p> <p>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.</p>	<p>The Group ensures that it:</p> <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 	5

RANK DIGITAL LIMITED
STRATEGIC REPORT (CONTINUED)

		<ul style="list-style-type: none"> engages with regulators as appropriate and examines the learnings from, and measures adopted by, other operators and sectors of the gambling industry. 	
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4. Health and Safety

Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
<p>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 employees) to material civil, criminal and/or regulatory action with the associated financial and reputational consequences.</p>	<p>Stable</p> <p>It is envisaged that there will be no further immediate changes in standards.</p>	<p>The Group has defined policies and procedures in place which are periodically reviewed and updated as appropriate.</p> <p>The Group requires all staff to undertake annual training and 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>	3, 6

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 	<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

**RANK DIGITAL LIMITED
STRATEGIC REPORT (CONTINUED)**

Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
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>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 managed by experienced project and programme managers. 	1, 2

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
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	<p>Stable</p> <p>The Group has developed a robust control environment in relation to</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.	2, 4

RANK DIGITAL LIMITED
STRATEGIC REPORT (CONTINUED)

possible litigation leading to prosecution, fines and damage to our brands.	customer data controls and the regulatory requirements.	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.	
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9. Cyber resilience

Principal risk	Change in risk/Impact	Risk mitigation strategy	Link to strategy
<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>	2

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>	1, 2, 3, 4, 5, 6

RANK DIGITAL LIMITED
STRATEGIC REPORT (CONTINUED)

		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.	
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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 with the right skills, deployed within the right area of the business.</p>	<p>Stable</p> <p>Considered 'stable' as the risk to the business is unchanged, notwithstanding that the impact of COVID-19 cannot be ignored.</p>	<p>A programme of activity is focused on developing diversity across the organisation.</p> <p>A programme of activity is focused on succession planning for the business particularly at senior levels.</p> <p>The Group regularly reviews its reward propositions.</p> <p>Culture is a specific transformation workstream, but is also considered across all other workstreams including safer gambling.</p>	<p>1, 2, 3, 4, 5, 8</p>

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



Director: Mr W.J.S. Floyd
Date: 17 December 2020

RANK DIGITAL LIMITED 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 W.J.S.Floydd
Mr J.P. O'Reilly

Dividends

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

Going concern

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

The Directors have assessed going concern of the entity and conclude that they are dependent on the group to provide support to reach that conclusion. As a member of the Rank Group intra-funding structure the Company has access to capital resources. In the unlikely event that such support is called upon the Directors have assessed the willingness and ability to provide the level of financial support required from Rank Group Finance Plc, which manage the Group's treasury function. This assessment covers 12 months from the approval of the financial statements and the directors are satisfied with the support available.

The Directors consider, following their review, that there is a degree of risk due to the impact of the COVID-19 pandemic on consumer sentiment, government policy and the overall impact on consumer demand, however, appropriate mitigation has been taken via 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.

On this basis, and with Rank Group Finance Plc having confirmed in writing its intention to continue to support the Company for 12 months from the approval of this report, the directors consider it appropriate to adopt the going concern basis for preparing the financial information.

Further detail on the Group's assessment of going concern can be found in the Directors' Report in the statutory accounts for Rank Group Finance Plc for the year ended 30 June 2020.

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 9.

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 year. 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

RANK DIGITAL LIMITED

DIRECTORS' REPORT (CONTINUED)

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 financial performance;
- state whether the financial statements have been prepared in accordance with UK 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.

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

Rank 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 finance leases, intercompany funding and cash at bank. 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 21 of the Group's ARA. Details of how to obtain this report are shown in note 18.

Post balance sheet events

The Rank Group Plc, the parent undertaking of the smallest group to consolidate the financial statements of the Company, continues to closely monitor the ongoing government response to the COVID-19 pandemic in the markets in which it operates, and will continue to implement and adapt the business in response to the government guidance.

There is degree of risk relating to how COVID-19 will develop over the coming weeks and months after it was announced as a global health emergency by the World Health Organisation on 31 January 2020. Our major concern is to safeguard the health and wellbeing of our staff and as a result business travel has been stopped and video conferencing used as an alternative. 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.

RANK DIGITAL LIMITED
DIRECTORS' REPORT (CONTINUED)

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 & Young LLP will continue as auditors of the Company.

On behalf of the board



Director: Mr W.J.S. Floyd
Date: 17 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANK DIGITAL LIMITED

Opinion

We have audited the financial statements of Rank Digital Limited (the 'Company') 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 19, 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 2020 and of its loss 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.

Emphasis of Matter

We draw attention to note 1 and 19 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 DIGITAL LIMITED (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 10, 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

Emily Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

17 December 2020

RANK DIGITAL LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Year ended 30 June 2020			Year ended 30 June 2019		
		Underlying £000	Separately disclosed Items (note 3) £000s	Total £000s	Underlying £000	Separately disclosed Items (note 3) £000s	Total £000s
Revenue	2	14,132	-	14,132	11,328	-	11,328
Cost of sales		(825)	-	(825)	(94)	-	(94)
Gross profit		13,307	-	13,307	11,234	-	11,234
Other operating costs	3	(9,959)	(526)	(10,485)	(10,312)	(149)	(10,461)
Operating profit	3	3,348	(526)	2,822	922	(149)	773
Interest receivable	4	9	-	9	5	-	5
Interest payable	4	(27)	-	(27)	-	-	-
Net interest (payable)/receivable		(18)	-	(18)	5	-	5
Profit from ordinary activities before taxation		3,330	(526)	2,804	927	(149)	778
Taxation	5	(3,693)	-	(3,693)	(128)	-	(128)
(Loss)/profit for the period		(363)	(526)	(889)	799	(149)	650

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
(Loss)/profit for the year	(889)	650
Total comprehensive (loss)/income for the year	(889)	650

RANK DIGITAL LIMITED
BALANCE SHEET
AT 30 JUNE 2020

	Note	At 30 June 2020 £000	At 30 June 2019 £000
Fixed assets			
Intangible assets	6	398	21
Tangible assets	7	139	322
Right-of-use assets	8	654	-
Investment in subsidiary	9	-	-
Deferred tax	10	451	461
		<u>1,642</u>	<u>804</u>
Current assets			
Other receivables	11	5,280	2,165
Cash at bank and in hand	15	137	99
		<u>5,417</u>	<u>2,264</u>
Payables: amounts falling due within one year			
Trade and other payables	12	(1,274)	(649)
Income tax payable	5	(3,681)	(49)
Lease liability	13	(77)	-
		<u>(5,032)</u>	<u>(698)</u>
Net current assets		385	1,566
Total assets less current liabilities		2,027	2,370
Payables: amounts falling due after more than one year			
Lease liability	13	(630)	-
		<u>(630)</u>	<u>-</u>
Net assets		1,397	2,370
Capital and reserves			
Ordinary share capital	14	6	6
Retained earnings		1,391	2,364
Total equity		<u>1,397</u>	<u>2,370</u>

The notes on pages 18 to 31 are an integral part of these financial statements.

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



Director: Mr W.J.S. Floyd

RANK DIGITAL LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital £000	Retained earnings £000	Total £000
At 1 July 2018	6	1,714	1,720
Comprehensive Income:			
Total comprehensive income for the year	-	650	650
At 30 June 2019	6	2,364	2,370
Effect of adoption of IFRS 16	-	(84)	(84)
At 1 July 2019 – Adjusted comprehensive	6	2,280	2,286
Comprehensive Income:			
Total comprehensive (loss) for the year	-	(889)	(889)
At 30 June 2020	6	1,391	1,397

RANK DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 requirements 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's ARA, details of which are contained in note 18.

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

Going concern

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

The Directors have assessed going concern of the entity and conclude that they are dependent on the group to provide support to reach that conclusion. As a member of the Rank Group intra-funding structure the Company has access to capital resources. In the unlikely event that such support is called upon the Directors have assessed the willingness and ability to provide the level of financial support required from Rank Group Finance Plc, which manage the Group's treasury function. This assessment covers 12 months from the approval of the financial statements and the directors are satisfied with the support available.

The Directors consider, following their review, that there is a degree of risk due to the impact of the COVID-19 pandemic on consumer sentiment, government policy and the overall impact on consumer demand, however, appropriate mitigation has been taken via 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.

On this basis, and with Rank Group Finance Plc having confirmed in writing its intention to continue to support the Company for 12 months from the approval of this report, the directors consider it appropriate to adopt the going concern basis for preparing the financial information.

Further detail on the Group's assessment of going concern can be found in the Directors' Report in the statutory accounts for Rank Group Finance Plc for the year ended 30 June 2020.

Critical accounting judgements

The following are the critical accounting judgements, apart from those involving estimates (which are dealt with separately below) that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)
A Basis of preparation (continued)

The Company has changed the adjusted results it discloses on its consolidated income statement in addition to the IFRS compliant measures. The presentation of the income statement has changed from "before exceptional items" and "exceptional items" in the prior year to "underlying" and "separately disclosed items" in the current year. The comparatives in the income statement have been restated to reflect this change.

SDIs are items that are material and infrequent in nature and/or do not relate to underlying business performance. They are effectively "exceptional items" as per the prior year plus other items that do not relate to underlying business performance. "Exceptional items" in the prior year were described as material non-recurring items. The change was made to provide more relevant information to the users of the accounts as the 'underlying' results more appropriately represent the underlying performance of the group, enable comparability between years and amongst peers within the industry, is in line with common practice and shows the underlying measures used to run the business.

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;
- Impairment charges;
- Reversal of impairment charges;
- Restructuring costs as part of an announced programme; and
- Tax impact of all the above.

For further detail of those items included as SDIs, refer to note 3.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of intangible assets and property, plant and equipment.

Details of the Company's accounting policy in relation to impairments and impairment reversals are disclosed in part F 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 intangible assets and property, plant and equipment are associated. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Estimates of fair value less costs of disposal are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external experts or, if applicable, offers received. Value in use 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.

In the current year, as a result of the COVID-19 pandemic, the Company has assessed the impact of incorporating an additional COVID-19 risk factor into the impairment testing of goodwill and non-current assets and included additional sensitivity analysis in the disclosures. The key judgement is the timing for the reopening of venues post lockdown and the impact on estimated future cashflows. With regards to the reopening of venues there were indicators of some uncertainty observable at the balance sheet date with regards to these launch plans, these have been factored into the Company's impairment calculations as at 30 June 2020. At 30 June 2020 balance sheet date, the UK was still starting to move out of the "lockdown" phase with the anticipated reopening of most of the Mecca Venues on 4 July 2020.

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)
A Basis of preparation (continued)

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

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

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 16 – Leases
- IFRIC 23 – Uncertainty over Income Tax Treatments

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

IFRS 16 – Leases

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

Transitional and current year impact

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.09%.

	£000
Operating lease commitments disclosed as at 30 June 2019	865
Impact of discounting using the lessee's incremental borrowing rate at the date of initial application	(25)
Lease liability recognised as at 1 July 2019	840
Current liabilities	133
Non-current liabilities	707
Lease liability recognised as at 1 July 2019	840

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

The effect of adopting IFRS 16 as at 1 July 2019 is as follows:

	£000
Assets	
Right-of-use assets	773
Prepaid rent	(37)
Deferred tax asset	20
Total assets	756
Liabilities	
Lease liabilities	(840)
Total liabilities	(840)
Total adjustment on equity:	
Retained earnings	(84)

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

A Basis of preparation (continued)

For the year ended 30 June 2020 operating profit increased by £16,000 and finance costs increased by £27,000 as a result of applying IFRS 16. The net impact was £11,000 of loss before tax. This is illustrated in the table below.

	£000
Operating profit	16
Finance costs	(27)
Loss before tax	(11)

Practical expedients applied as part of transitioning to IFRS 16

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a lease.
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

B Revenue recognition

Sale of services

Revenue from services is recognised in the accounting period the services have been rendered. Service revenue for Rank Digital Limited arose exclusively from services provided to Rank Digital Gaming (Alderney) Limited and Rank Digital Services (Gibraltar) Limited in accordance with IFRS15.

C Foreign currency translation

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.

D 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.

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 three to 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 difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

E Intangible assets

Computer software and other development costs

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 on a straight-line basis over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

E Intangible assets (continued)

Costs that are directly associated with the production and development 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 specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives (three to five years).

F Impairment of intangible assets and 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 as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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 inflows (cash-generating units, CGUs). The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an exceptional expense in the income statement 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 all other assets.

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 in the income statement immediately.

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 employee benefit expense when they are due.

(ii) *Share-based compensation* - The Company is included in 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 (iii) revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

(iv) *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.

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

H 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.

I 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.

J Investment in subsidiaries

Investments in subsidiaries are held at cost less impairment.

K Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and 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. The increase in the provision due to the passage of time is recognised as a finance cost.

L 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.

M Financial assets

Initial recognition and measurement

Financial assets are classified, 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

The Company only holds financial assets that are classified and measured 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.

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

M Financial assets (continued)

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.

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.

N Financial liabilities

Initial recognition and measurement

Financial liabilities 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.

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 DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Revenue

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Geographical market		
UK	14,132	11,328
Europe	-	-
Total	14,132	11,328

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

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Category		
Rendering of services	14,132	11,328
Total	14,132	11,328

3. Operating profit for the year

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

	Note	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Staff costs	17	6,721	6,854
Depreciation of tangible assets			
- Owned assets	7	109	112
- Leased assets	8	119	-
Amortisation of intangible assets	6	28	8
Separately disclosed items (see below)		526	149
Auditors' remuneration for audit services		50	17

The analysis of the separately disclosed items during the year is as follows:

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Restructuring and relocation costs	526	149
Total	526	149

4. Interest

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Interest receivable from Group companies	9	5
Lease interest expense	(27)	-
Net Interest receivable	(18)	5

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Taxation

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Current tax		
UK corporation tax in respect of current year	555	46
Exceptional items	(100)	(28)
Adjustment in respect of prior periods	3,208	16
Total current tax	3,663	34
Deferred tax		
Origination and reversal of timing differences	84	119
Adjustment in respect of prior periods	-	(16)
Deferred tax restatement	(54)	(9)
Total deferred tax	30	94
Total tax charge	3,693	128

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

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Profit before tax	2,804	778
Tax calculated at 19.00% (2019: 19.00%)	533	148
Effects of:		
Expenses not deductible for tax purposes	6	4
Deferred tax restatement	(54)	(9)
Income not subject to tax	-	(15)
Adjustment in respect of prior periods	3,208	-
Total tax charge	3,693	128

The tax rate for the current year is the same as prior year.

A reduction to the UK corporation tax rate from 19% to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015. A further reduction in the UK corporation tax rate to 17% (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%. This change was substantively enacted on 17 March 2020.

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Intangible assets

Cost	Computer software licence and development costs £000
At 1 July 2018	327
Additions	28
At 30 June 2019	355
Additions	405
At 30 June 2020	760
Aggregate amortisation and impairment	
At 1 July 2018	(326)
Charge for the year	(8)
At 30 June 2019	(334)
Charge for the year	(28)
At 30 June 2020	(362)
Net book value at 30 June 2019	21
Net book value at 30 June 2020	398

The amortisation charge for the year has been recognised as an operating expense.

7. Tangible assets

Cost	Fixtures, fittings, plant and machinery £000
At 30 June 2019	724
Transfer	(74)
At 30 June 2020	650
Aggregate depreciation	
At 30 June 2019	(402)
Charge	(109)
At 30 June 2020	(511)
Net book value at 30 June 2019	322
Net book value at 30 June 2020	139

The depreciation charge for the year has been recognised as an operating expense.

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Right-of-use assets

	Right-of-use land and buildings £000	Right-of-use fleet and machinery £000	Total £000
Cost			
At 1 July 2019 – Recognition of right-of-use assets on application of IFRS 16	697	76	773
Additions	-	-	-
At 30 June 2020	697	76	773
Aggregate depreciation and Impairment			
At 1 July 2019 – Recognition of right-of-use assets on application of IFRS 16	-	-	-
Charge for the year	(102)	(17)	(119)
Disposals	-	-	-
At 30 June 2020	(102)	(17)	(119)
Net book value			
At 30 June 2020	595	59	654

9. Investment in subsidiary

	Investment £000
Cost:	
At 1 July 2018, 30 June 2019 and 30 June 2020	200
Aggregate amortisation and impairment:	
At 1 July 2018, 30 June 2019 and 30 June 2020	(200)
Net book value at 30 June 2019	-
Net book value at 30 June 2020	-

10. Deferred tax

	At 30 June 2020 £000	At 30 June 2019 £000
Accelerated capital allowances	434	461
Right-of-use assets	17	-
Deferred tax asset	451	461
	At 30 June 2020 £000	At 30 June 2019 £000
Accelerated capital allowances	27	94
Right-of-use assets	3	-
Deferred tax charge in the income statement	30	94

The reconciliation of movement in the deferred tax asset is as follows:

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
At 1 July	461	555
Deferred tax charge in the income statement	(30)	(94)
Deferred tax credit to equity	20	-
At end of year	451	461

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Trade and other receivables

	At 30 June 2020 £000	At 30 June 2019 £000
Amounts owed by group undertakings	5,252	1,787
Other receivables	-	50
Prepayments	28	328
	<u>5,280</u>	<u>2,165</u>

The Company held no trade receivables at either balance sheet date and accordingly no provision for trade receivables was held. The other classes within other receivables do not contain impaired or past due assets.

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 related undertakings which attract an interest rate of 1.14% (2019: 1.04%), are unsecured and repayable on demand. Cash generated during the period has been pooled in accordance with the Group's treasury policy to a fellow subsidiary resulting in an increase in amounts due from this fellow subsidiary.

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

12. Trade and other payables

	At 30 June 2020 £000	At 30 June 2019 £000
Trade payables	321	375
Other tax and social security	841	255
Accruals	112	19
Amounts falling due within one year	<u>1,274</u>	<u>649</u>

The Company's trade payables 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.

13. Leases

The Group leases various properties and equipment. Rental contracts are made for various fixed periods ranging up to 94 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group as a lessee.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	Year ended 30 June 2020 £000
As at 1 July 2019	840
Accretion of interest	27
Payments	(160)
As at 30 June 2020	<u>707</u>
Current liabilities	77
Non-current liabilities	630
Total	<u>707</u>

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Leases (continued)

The maturity analysis of lease liabilities is disclosed below:

	As at 30 June 2020	
	Present value of the minimum lease payments £000	Total minimum lease payments £000
Not later than one year	77	100
After one year but not more than five years	548	601
After five years	82	82
	707	783
Less: total future interest expenses		(76)
Present value of lease liabilities		707

The following are the amounts recognised in profit or loss:

	Year ended 30 June 2020 £000
Depreciation expense of right-of-use assets	119
Interest expense on lease liabilities	27
Total amount recognised in income statement	146

14. Called-up share capital

	At 30 June 2020 £000	At 30 June 2019 £000
Authorised		
499,500,000 "A" ordinary shares of 1p each	4,995	4,995
500,000 "B" ordinary shares of 1p each	5	5
	5,000	5,000
Issued and fully paid		
100,000 (2018: 14,884,600) "A" ordinary shares of 1p each	1	1
500,000 "B" ordinary shares of 1p each	5	5
	6	6

The "A" and "B" ordinary shares rank pari passu in all respects save that, on transfer, "B" ordinary shares are first required to be offered to all members in proportion to their existing holdings of shares.

15. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 30 June 2020 £000	At 30 June 2019 £000
Cash at bank and in hand	137	99

RANK DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Financial assets and liabilities

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

	Other financial assets	
	At 30 June 2020 £000	At 30 June 2019 £000
Other receivables	5,252	1,837
Cash and cash equivalents	137	99
Total	5,389	1,936

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

	Other financial liabilities	
	At 30 June 2020 £000	At 30 June 2019 £000
Trade and other payables	321	375
Total	321	375

17. Employees

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Staff costs for the Company during the year		
Wages and salaries	5,692	5,953
Social security costs	627	683
Other pension costs	402	218
	6,721	6,854

The average monthly number of employees was 171 (2019: 153).

18. Parent undertakings and related party transactions

The Company's immediate parent company was Rank Digital Holdings Limited a company 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. Rank is the parent undertaking of the smallest group to consolidate these financial statements. Copies of Rank's ARA 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, TOR, Saint-Cloud Way, Maidenhead, Berkshire, SL6 8BN.

19. Post balance sheet events

The Rank Group Plc, the parent undertaking of the smallest group to consolidate the financial statements of the Company, continues to closely monitor the ongoing government response to the COVID-19 pandemic in the markets in which it operates, and will continue to implement and adapt the business in response to the government guidance.

There is degree of risk relating to how COVID-19 will develop over the coming weeks and months after it was announced as a global health emergency by the World Health Organisation on 31 January 2020. Our major concern is to safeguard the health and wellbeing of our staff and as a result business travel has been stopped and video conferencing used as an alternative. 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.