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26 January 2023

The Rank Group Plc ('Rank' or the 'Group')

Interim results for the six months ended 31 December 2022

Rank (LSE: RNK) is pleased to announce its interim results for the six months ended 31 December 2022.

Overview

- LFL NGR in H1 grew 2% year on year with 9% growth in Digital offset by weakness in Grosvenor venues, which declined 5%
- LFL underlying operating profit of £4.2m (H1 2021/22 £24.9m), reflecting the impact of £15.0m of incremental energy costs and wage inflation in H1
- Grosvenor digital business successfully migrated to the RIDE platform in September 2022, with all Group brands now operating on Rank's proprietary technology platform and well set to drive growth
- Strong Christmas and New Year trading, particularly in Grosvenor venues, however we remain cautious about H2 given macro-economic conditions
- Cash and available bank facilities of £148.4m at 31 December 2022, with net cash pre IFRS 16 of £10.9m. Refinancing of bank facilities planned for H2
- Our strong financial position enables continued investment in both the digital and venues businesses and positions the Group well for when trading conditions normalise
- Maintaining operating profit guidance range of between £10m and £20m for the full year

Financial highlights

		H1 2022/23	H1 2021/22	Change
Financial KPIs	Group underlying LFL net gaming revenue (NGR) ¹	£337.4m	£330.5m	2%
	Digital underlying LFL NGR	£100.8m	£92.3m	9%
	Venues underlying LFL NGR ¹	£236.6m	£238.2m	(1)%
	Underlying LFL operating profit ^{1,2}	£4.2m	£24.9m	(83)%
	Net cash pre IFRS 16	£10.9m	£53.6m	(80)%
	Underlying (loss) / earnings per share ²	(0.8)p	2.8p	-

		H1 2022/23	H1 2021/22	Change
Statutory performance	Reported NGR	£338.9m	£333.7m	2%
	Group operating (loss) / profit	£(101.0)m	£102.4m	-
	(Loss) / profit before taxation	£(107.1)m	£101.5m	-
	(Loss) / profit after taxation	£(101.2)m	£84.0m	-
	Net free cash flow	£(5.7)m	£101.2m	-
	Net (debt)	£(158.3)m	£(142.7)m	11%
	Basic (loss) / earnings per share	£(21.6)p	17.9p	-
	Dividend per share	-	-	-

1. On a like-for-like ('LFL') basis which removes the impact of club openings, closures, foreign exchange movements and discontinued operations.
2. Excludes separately disclosed items.

- Venues LFL NGR of £236.6m declined 1% on the prior year. Grosvenor venues declined 5%, Mecca venues grew 4% and Enracha venues increased by 25%
- Digital LFL NGR of £100.8m, up 9% with 9% growth in the UK and 9% growth in Spain
- Underlying LFL operating profit for H1 of £4.2m compared with £24.9m in the same period last year
- Statutory Group operating loss of £101.0m includes £95.4m of impairment charges, reflecting soft trading in UK venues, and £7.3m of venues closure costs
- The balance sheet remains strong with £148.4m of cash and available facilities

Operational highlights

- Grosvenor venues LFL NGR declined 5% in H1 compared with the prior year, but grew 15% on H2 2021/22 as the business continued to improve the quality of its safer gambling measures, invest in products and facilities and encourage lapsed customers to revisit
- Grosvenor venues customer visit volumes grew 5% on the prior year and active customers increased by 4% but spend per visit declined 9% due to impact of affordability restrictions and the cost of living crisis. LFL NGR was down 22% on H1 2019/20 which was unaffected by the pandemic
- Mecca venues LFL NGR grew 4%, with customer visit volumes up 4%, continuing the slow recovery from the impact of the pandemic on the bingo sector. LFL NGR was down 20% on H1 2019/2020. Mecca's venues estate profitability continues to be actively managed, with the planned closure of eight venues in H2 2022/23

- Enracha venues delivered very strong LFL NGR growth of 25% on customer visit volumes up 16% and active customers up 27%. LFL NGR was 11% ahead H1 2019/20 levels
- The 9% growth in Digital NGR was driven by the successful migration of Grosvenor onto the RIDE proprietary platform, completing the migration of the Rank brands, with development effort consequently refocused on enhancements to the player experience and product offering
- The strong balance sheet of the Group has enabled continued investment in revenue generating projects within the transformation programme

Current trading and outlook

We experienced strong Christmas and New Year trading and, whilst this has continued into the first three weeks of January 2023, we recognise that the cost-of-living pressures are likely to continue to have an effect on our UK venues' customers over the coming months.

The digital business has continued to trade very positively in recent weeks, and we expect to deliver strong growth through to the year end.

Whilst we have experienced a good start to the second half of the year, in light of the challenging macroeconomic environment, we are maintaining our underlying LFL operating profit guidance range of between £10m and £20m for the full year.

Dividend

Taking account of the difficult trading environment for our UK venues businesses and the considerable pipeline of investment opportunities, the Board has not proposed an interim dividend but expects to recommence dividend payments as soon as circumstances permit.

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

"The recovery from the severe impact of the pandemic on our UK venues businesses, Grosvenor and Mecca, has certainly been slower than we anticipated. Since lockdown we have faced a huge increase in energy costs, high wage inflation, the slow return of overseas visitors to London and the increasing pressure on consumer's discretionary income. We have also experienced a continued tightening of the regulatory environment, particularly in regards to affordability restrictions on customers. However, trading is improving as we invest in the quality of our products and properties, introduce new gaming concepts for our customers, reduce the level of intrusion in managing customer risk and reintroduce lapsed customers to the fun and excitement of our gaming experience.

"Our digital business is continuing to perform well and, with all our brands now operating on proprietary technology, we are very well placed to drive strong growth on the back of further improvements to our platforms and enhanced customer experiences both online and cross-channel. We are now in control of our future from a technology standpoint and have the vision and capability to deliver a market leading cross-channel customer experience in both Grosvenor and Mecca alongside strong and growing support brands in the UK and internationally.

"We experienced strong trading over the Christmas and New Year holiday period but recognise that the trading environment is likely to be challenging in the months ahead and cost pressures will continue to weigh heavily on the UK hospitality sector. We are driving efficiencies across our business whilst always ensuring that we are well placed in terms of the quality of our customer offering and the talent within the Group for the challenges and opportunities that lie ahead.

"We continue to look forward to the publication of the UK Government's gambling review white paper. Casino and bingo venues are in need of long overdue modernisation of outdated regulation which heavily restricts the customer proposition. This appears to be widely recognised within the debate surrounding the Government's review and we are hopeful of a positive policy outcome followed by the much-needed rapid implementation of new regulation.

"Given the challenges we have faced, I am very grateful to my colleagues across the Group for their commitment to their customers and to the local communities they serve and for the progress we continue to make in the ongoing transformation of Rank."

Definition of terms:

- Net gaming revenue ('NGR') is revenue less customer incentives;
- Underlying measures exclude the impact of amortisation of acquired intangibles; profit or loss on disposal of businesses; acquisition and disposal costs including changes to deferred or contingent consideration; impairment charges; reversal of impairment charges; restructuring costs as part of an announced programme; retranslation and remeasurement of foreign currency contingent consideration; discontinued operations; significant material proceeds from tax appeals and the tax impact of these, should they occur in the period. Collectively these items are referred to as separately disclosed items ('SDIs');
- EBIT is operating profit before SDIs;
- Underlying earnings per share is calculated by adjusting profit attributable to equity shareholders to exclude SDIs;
- 'H1 2022/23' refers to the six-month period to 31 December 2022, 'H1 2021/22' refers to the six-month period to 31 December 2021 and 'H1 2019/20' refers to the six-month period to 31 December 2019;
- Like-for-like ('LFL') measures have been disclosed in this report to show the impact of club openings, closures, acquired businesses, foreign exchange movements and discontinued operations;
- Prior year LFL measures are amended to show an appropriate comparative for the impact of club openings, disposals, closures and acquired businesses;
- The Group results make reference to 'underlying' results alongside our statutory results, which we believe will be more useful to readers as we manage our business using these adjusted measures. The directors believe that SDIs impair visibility of the underlying performance of the Group's business because these items are often material, non-recurring and do not relate to the underlying trading performance. Accordingly, these are excluded from our non-GAAP measurement of revenue, EBITDA, operating profit, profit before tax and underlying EPS. Underlying measures are the same as those used for internal reports. Please refer to APMs for further details; and
- Venues includes Grosvenor venues, Mecca venues and Enracha venues.

Enquiries

Enquiries

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Analyst meeting and webcast details:**Thursday 26 January 2023**

There will be an analyst meeting at 9.30am, admittance to which is by invitation only. There will also be a simultaneous webcast of the meeting.

For the live webcast, please register at www.rank.com. A replay of the webcast and a copy of the slide presentation will be made available on the website later. The webcast will be available for a period of six months.

Forward-looking statements

This announcement includes 'forward-looking statements'. These statements contain the words 'anticipate', 'believe', 'intend', 'estimate', 'expect' and words of similar meaning. All statements, other than statements of historical facts included in this announcement, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group's products and services) are forward-looking statements that are based on current expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance, achievements or financial position of the Group to be materially different from future results, performance, achievements or financial position expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's operating performance, present and future business strategies, and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this announcement. Subject to the Listing Rules of the Financial Conduct Authority, the Group expressly disclaims any obligation or undertaking, to disseminate any updates or revisions to any forward-looking statements, contained herein to reflect any change in the Group's expectations, with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Past performance cannot be relied upon as a guide to future performance.

Business review

Whilst year-on-year comparisons are now free from the material impacts of the pandemic experienced in calendar years 2020 and 2021, the Group continues to review performance against the 12 months to 31 December 2019 (CY 2019), the last comparable period which was unaffected by COVID-19. For the purposes of comparing performance in H1 2022/23 to a pre-pandemic period, we are using H1 2019/20 which forms the comparable six months of CY 2019.

During H1 2022/23, the Group undertook a review of the Group's central costs and concluded it is appropriate that a proportion of central costs should be allocated to each of its operating business units. As a consequence, we have presented operating profit pre and post the central cost reallocation and, to aid comparisons, H1 2021/22 operating profit for each business unit has been restated accordingly.

At a Group level, underlying LFL NGR of £337.4m was up 2% on the prior period but down 15% on H1 2019/20. The venues businesses were down 1% on the prior period and down 20% on H1 2019/20. In contrast, Digital NGR grew 9% on last year and 1% in comparison to H1 2019/20¹.

Underlying LFL operating profit of £4.2m was down on the £24.9m of operating profit in H1 2021/22 and £58.8m in H1 2019/20.

Operating margins have been impacted by material increases in energy, wages and other costs. Including COVID-19 related Government support received in 2021/22, we expect total comparable costs to increase by around £45-50m in 2022/23 compared to the prior year. Energy costs, which were £13m in CY 2019 and £24m in 2021/22, are expected to be £31m for 2022/23 with 100% of our gas and electricity requirement now hedged in Q3 2022/23 and 75% in Q4 2022/23. We expect energy costs for 2023/24 to be approximately £26m based on current market prices. Average wage increases across the Group have been 8% compared to the prior period with Grosvenor and Mecca colleagues receiving average increases of 9% to support them through this period of high cost of living increases. A number of initiatives including energy efficiency programmes, changes to opening hours, renegotiating leases and other contracts are mitigating some of the impact of the Group's cost increases.

1. Stride was acquired in October 2019 and has been included on a proforma basis in the H1 2019/20 LFL measure.

NGR / £m	H1 2022/23	H1 2021/22	Change
Grosvenor venues	£153.4m	£161.1m	(5)%
Mecca venues	£65.5m	£62.9m	4%
Enracha venues	£17.7m	£14.2m	25%
Digital	£100.8m	£92.3m	9%
Underlying LFL² Group	£337.4m	£330.5m	2%
Impact of venues openings, closures and FX ³	£1.5m	£3.2m	(53)%
Underlying Group	£338.9m	£333.7m	2%
Operating profit / £m	H1 2022/23	H1 2021/22	Change
Grosvenor venues	£9.9m	£34.6m	(71)%
Mecca venues	£(0.1)m	£(0.3)m	(67)%
Enracha venues	£4.0m	£3.4m	18%
Digital	£9.9m	£3.1m	219%
Central costs	£(19.5)m	£(15.9)m	23%
Underlying LFL² Group	£4.2m	£24.9m	(83)%
<i>Presentation post reallocation of central costs:</i>			
Grosvenor venues	£4.3m	£29.8m	(86)%
Mecca venues	£(4.9)m	£(4.0)m	23%
Enracha venues	£3.9m	£3.3m	18%
Digital	£7.4m	£1.1m	573%
Central costs	£(6.5)m	£(5.3)m	23%
Underlying LFL² Group	£4.2m	£24.9m	(83)%

Impact of venues openings, closures, and FX ²	£(1.0)m	£(1.8)m	(44)%
Total Group	£3.2m	£23.1m	(86)%

- Results are presented on a like-for-like ('LFL') basis which removes the impact of club openings, club closures, foreign exchange movements and discontinued operations.
- A full analysis of these adjustments can be found in the Alternative Performance Measures ('APM') section.

Grosvenor venues

Key financial performance indicators:

	H1 2022/23 £m	H1 2021/22 £m	Change	H1 2019/20 £m	Change
LFL ¹ NGR	153.4	161.1	(5)%	197.4	(22)%
London	53.7	54.4	(1)%	80.4	(33)%
Rest of the UK	99.7	106.7	(7)%	117.0	(15)%
Total NGR	153.4	161.6	(5)%	198.1	(23)%
Underlying LFL ^{1,2} operating profit pre central cost reallocation	9.9	34.6	(71)%	47.9	(79)%
Underlying ^{1,2} LFL operating profit post central cost reallocation	4.3	29.8	(86)%		
Total (loss) / profit	£(42.4)m	£68.0m	-		

- Results are presented on a like for like ('LFL') basis which removes the impact of club openings, club closures, foreign exchange movements and discontinued operations.
- Before the impact of separately disclosed items.

Grosvenor's underlying LFL NGR was down 5% compared to H1 2021/22 and down 22% compared with the pre-pandemic H1 2019/20. London's recovery continues to be slow with NGR down 1% on the prior period and down 33% on H1 2019/20 when large numbers of overseas visitors were in London enjoying shopping, dining, entertainment and the gaming experience. Across the rest of the UK, NGR was down 7% on the prior period and down 15% on pre-pandemic performance in H1 2019/20.

Whilst NGR declined year-on-year, Grosvenor grew LFL NGR 15% compared with H2 2021/22. H2 2021/22 was a low point in Grosvenor's recovery with the impact of Omicron, very few overseas visitors into London and a tightening of affordability restrictions creating the highest level of friction for higher spending customers. In H1 2022/23, there has been a slow increase in overseas visitors into London and investments in systems and training have focussed on positive interactions with customers to build out an understanding of the customer's affordability as early as possible in the business relationship.

Average weekly NGR of £5.2m in Q3 FY22 and £5.1m in Q4 FY22 grew to £5.8m in Q1 and to £6.0m in Q2.

The number of customer visits to Grosvenor venues has grown 5% over H1 2021/22 with the number of visiting customers growing 4%. However, the average spend per visit was down 9% reflecting the impact of affordability restrictions on higher spending customers and the impact of the cost of living crisis on discretionary expenditure.

Improvements to the management of customer risk have continued to be implemented throughout the period. An algorithm to assess customers showing potentially at-risk behaviour was developed during lockdown and, following successful trials, was implemented across the Grosvenor estate in November 2021. What became clear throughout H2 2021/22 was the need for heightened skill levels and support systems to reduce the perceived level of intrusion for customers who were identified as requiring affordability interactions. Over 850 Grosvenor colleagues have now taken part in a face-to-face training programme to develop their skills in conducting positive interactions with customers. The training programme was developed in partnership with Gamcare, the leading provider of support for those experiencing problem gambling and the operator of the National Gambling Helpline. Work continues on the calibration of customer risk management across the Grosvenor estate. Moreover, enhancements are being made to the support technology with a new app, currently being trialled in three casinos, which delivers key customer information more effectively to colleagues and supports timely capture of the outputs of customer interactions.

The strongest performing venues during H1 were typically those which have received investment in recent years to improve the facilities and customer proposition. Examples include London's Barracuda and the Vic, Merchant City in Glasgow, the Maybury in Edinburgh, Soames in Manchester and Walsall.

With NGR declining 5% and material increases in energy costs and hourly wage rates across the Grosvenor estate, LFL operating profit declined 71% to £9.9m in H1. 21 of Grosvenor's 52 venues were loss making in the half, one of which, Russell Square, was permanently closed in November 2022. Whilst the estate continues to be kept under close review, the expectation is that all Grosvenor venues will return to profitability with an upturn in the trading climate and following regulatory change in the UK Government's review of gambling legislation. After reallocation of costs previously assigned as central costs but now appropriately charged to the Grosvenor business, H1 underlying LFL operating profit was £4.3m

The Grosvenor business continued to drive cost efficiencies in H1 and this work continues into the second half of the year with tight monitoring of the operating model in terms of opening hours, ensuring the optimum table openings and staking minimums are in line with customer demand, improved staff scheduling and energy saving programmes including the rollout of LED lighting across the estate. Staffing shortages have been dramatically reduced during the period with a softening of attrition rates, accelerated recruitment and an ongoing programme of gaming academies to train croupiers to meet the table opening needs of the business.

Total loss for the period was £42.4m, principally driven by impairment charges of £43.1m recognised in H1 reflecting the softer trading performance of the Grosvenor business.

Despite the difficult trading conditions, a number of key initiatives have been delivered in H1 to accelerate the transformation of the Grosvenor business and to position it for growth when the consumer climate improves and in readiness for positive regulatory change for land-based casinos in the Government's gambling review.

£3.9m has been invested in property developments during H1 including refurbishments to the Bayswater Casino, the completion of the refurbishment to Merchant City in Glasgow, further improvements to the Pier Nine casino in Brighton and the commencement of a full refurbishment to London's Gloucester Road casino which will complete in Q3 2022/23.

£3.2m has been invested in new electronic roulette terminals, gaming machines, tables and wheels during H1. This continued programme of renewal is helping to support strong table margins and the introduction of new products such as Going For Gold, a linked jackpot electronic roulette game which has been successfully trialled in the period and which will roll out early in H2 2022/23.

Mecca venues

Key financial performance indicators:

	H1 2022/23 £m	H1 2021/22 £m	Change	H1 2019/20 £m	Change
LFL ¹ NGR	65.5	62.9	4%	81.6	(20)%
Total NGR	65.5	62.9	4%	81.6	(20)%

Total NGR	67.0	65.9	2%	91.9	(21)%
Underlying LFL ^{1,2} operating (loss) / profit pre central cost reallocation	(0.1)	(0.3)	-	13.1	-
Underlying LFL ^{1,2} operating (loss) post central cost reallocation	(4.9)	(4.0)	23%		
Total (loss) / profit	(61.8)	39.9	-		

- Results are presented on a like for like ('LFL') basis which removes the impact of club openings, club closures, foreign exchange movements and discontinued operations.
- Before the impact of separately disclosed items.

The impact of the pandemic has been severe on the land-based bingo sector. Whilst customer volumes are growing, the rate of growth is slow and from a much lower base than prior to the pandemic. Mecca customer visits grew 4% in H1 compared to the prior period, with LFL NGR growing 4% to £65.5m. Compared with pre-pandemic H1 2019/20, LFL customer visits were down 28% with NGR down 20%. The largest decline in visits is amongst Mecca's older cohort of customers.

LFL NGR on the core main stage bingo game grew 13% in the period compared with H1 2021/22 with LFL NGR from the interval bingo game, Cashline, growing 11%. LFL Gaming machine NGR declined 3% with overall spend per visit flat in the period.

Underlying LFL operating profit improved from a loss of £0.3m in H1 2021/22 to a loss of £0.1m. After reallocation of costs previously assigned as central costs but now appropriately charged to the Mecca business, the underlying LFL H1 operating loss was £4.9m, compared to an operating loss of £4.0m in H1 2022/23.

Bingo requires liquidity to provide attractive prize-boards to customers and it is the venues with smaller customer bases which have suffered the most as a consequence of the pandemic. Seven loss making Mecca venues were closed in H1 and a further eight venues will close in Q3 reducing the estate to 56. 29 venues were loss making in the half.

Total loss for the half was £61.8m, principally driven by an impairment charge of £52.3m reflecting the slow rate of recovery and £3.6m of closure costs.

25 venues grew profitability in the half despite the impact of higher energy costs and wage inflation. Mecca has many profitable and good performing bingo venues and the focus is on ensuring that these businesses prosper going forwards and continue to provide an important social amenity within local communities. A key requirement is the removal of the archaic 80/20 gaming machine rule in the Government's review of gambling legislation. Under the rule, bingo venues are required to ensure that no more than 20% of gaming machines are category B3 machines, the machines that customers most choose to play and which account for nearly two thirds of Mecca's machine revenues. Regulatory reform which enables the sector to better meet the needs of its customers will be critical in sustaining bingo as a leisure option for consumers in towns and cities across the UK.

Awaiting the outcome of the gambling review, investment in the Mecca estate is largely restricted to maintenance capex, safer gambling technology and the rollout of LED lighting. However, four venues received investment to improve their external appeal as part of a trial which will be reviewed in the second half of the year. Playsafe, a system to support real time information for customers and colleagues on machine play, is being rolled out across the Mecca estate.

Enracha venues

Key financial performance indicators:

	H1 2022/23 £m	H1 2021/22 £m	Change	H1 2019/20 £m	Change
Underlying LFL ¹ NGR	17.7	14.2	25%	16.0	11%
Total NGR	17.7	14.1	26%	18.7	(5)%
Underlying LFL ^{1,2} operating profit pre central cost reallocation	4.0	3.4	18%	4.0	0%
Underlying LFL ^{1,2} operating profit post central cost reallocation	3.9	3.3	18%		
Total profit	3.8	1.4	171%		

- Results are presented on a like for like ('LFL') basis which removes the impact of club closures, foreign exchange movements and discontinued operations.
- Before the impact of separately disclosed items.

The well-invested Enracha business in Spain has continued to recover strongly from the enforced temporary closures and subsequent restrictions during the height of the pandemic. Underlying LFL NGR grew 25% year on year to £17.7m and was 11% ahead of pre-pandemic H1 2019/20.

Customer visits were up 16% in the period but were still 14% behind pre-pandemic levels. LFL bingo NGR was 13% ahead of prior period and is now just 1% behind H1 2019/20 levels. The big growth area has been in machine NGR where the business has continued to invest in the quality of the customer offering. Gaming machine NGR (AWPs, electronic roulette and B3/B4 bingo machines) was up 39% against the prior year and up 36% against H1 2019/20.

The nine Enracha venues delivered an LFL underlying operating profit of £4.0m up from £3.4m in the same period last year and in line with the £4.0m profit delivered in H1 2019/20. Spain also saw a substantial rise in energy costs and this has been the primary area of cost increase for Enracha in the period.

Digital

Key financial performance indicators:

	H1 2022/23 £m	H1 2021/22 £m	Change	H1 2019/20	Change
LFL ¹ NGR	100.8	92.3	9%	100.0	1%
Mecca	36.1	34.9	3%	34.4	5%
Grosvenor	27.8	25.8	8%	24.4	14%
Enracha/Yo	11.6	10.6	9%	6.4	81%
Other including Stride legacy brands ³	25.3	21.0	20%	34.8	(27)%
Total NGR	100.8	92.1	10%	83.2	21%
Mecca	36.1	34.9	3%	34.4	5%
Grosvenor	27.8	25.8	8%	24.4	14%
Enracha/Yo	11.6	10.4	12%	6.3	84%
Other including Stride legacy brands	25.3	21.0	20%	18.1	40%
Underlying LFL ^{1,3} operating profit pre central cost reallocation	9.9	3.1	219%	13.0	(24)%
Underlying LFL ^{1,2} operating profit post	7.4	1.1	573%		

central cost reallocation			
Total profit/(loss)	2.7	(6.1)	-

1. Results are presented on a like-for-like ('LFL') basis which removes the impact of acquired businesses and foreign exchange.
2. Before the impact of separately disclosed items.
3. Stride was acquired in October 2019 and has been included on a proforma basis.

The digital business continues to perform strongly with LFL NGR in the half up 9% on the prior period at £100.8m. The operating leverage within the business enabled LFL underlying operating profit to rise 219% to £9.9m. After deducting £4.4m of amortisation relating to acquired intangible assets and the reallocation of £2.6m of costs previously assigned as central costs, but now appropriately charged to the digital business, the H1 operating profit was £2.7m.

In the UK, LFL NGR was up 9% at £89.2m. Mecca returned to growth with NGR up 3% against the prior period. Grosvenor continues to grow, having been successfully migrated onto the proprietary RIDE platform in September 2022, with NGR up 8%. The portfolio of other brands operating on the RIDE platform grew NGR 22%, whilst those brands operating on third party platforms returned to growth, up 8% against the prior period.

With the Rank brands now fully operating on the RIDE platform acquired through the acquisition of Stride Gaming plc in late 2019, the UK facing business is well set to drive growth through enhancing the customer offering and maximising the cross-channel opportunity for the Grosvenor and Mecca brands. New live tables continue to be launched so that customers can experience the Grosvenor casino experience online and new cross-channel bingo games will be launched in Mecca in the second half of the year. The RIDE platform continues to undergo further development to deliver additional scale and to continuously improve the consistency and quality of the customer experience. In this regard, the software engineering hub in Cape Town is being further strengthened, as is the operational support hub in Mauritius.

Customer affordability journeys continue to be improved to reduce unnecessary friction for customers. A new markers of harm model has been introduced with further enhancements introduced during the period and additional developments planned for H2 2022/23 to provide for tighter identification of potentially at risk play and to ease unnecessary intrusion for customers playing within their means.

In Spain, Yo and Enracha grew NGR 9% to £11.6m. YoSports was successfully launched in September 2022 in readiness for the FIFA World Cup in November and December 2022 and it received a very positive reaction from customers. The inability to incentivise new customers and the very tight marketing restrictions imposed in Spain in May 2021 continues to make it difficult and expensive to recruit new customers. However, average customer values are much higher than previously as there are no incentives to attract them to other brands operating within the market. The challenge for the Yo and Enracha online brands is to grow market share through new customer acquisition and YoSports is an important additional asset in this regard.

Passion Gaming, the online Indian rummy business in which Rank holds a 51% share, grew LFL NGR 68% with the easing of regulatory restrictions in certain states compared to the prior period and a resultant increase in marketing investment to grow the customer base.

Group liquidity

The Group ended the H1 2022/23 in a strong liquidity position with total cash and available facilities of £148.4m.

In May 2023, the Group will make its scheduled term loan repayment of £34.5m in line with the agreed loan amortisation profile reducing its term loan to £44.3m. The final repayment of £44.3m is due in May 2024.

The Group's available debt facilities comprise £65m of Revolving Credit Facilities ('RCF') which expire in 2023/24 and a £15m RCF which expires in 2024/25. In light of the upcoming expiration dates Rank will look to refinance its debt facilities in the second half of the year.

The Group expects to meet all future financial covenants under its lending facilities.

Sustainability update

In addition to the key safer gambling achievements outlined above we have also made some significant progress on our environmental objectives.

During the half, Rank moved all its electricity energy consumption requirements from non-renewable sources to renewable sources. In addition, from October 2023 Rank will start to benefit from its renewable electricity Power Purchase Agreement ('PPA') which was entered into in October 2022.

There are many other environmental initiatives underway focused on reducing Rank's total energy consumption and environmental impact. The most material immediate project is the move from inefficient fluorescent lighting to more efficient LED lighting in the UK venues. Seven venues were completed in the half and a further 89 are expected to be completed in H2 2022/23.

Regulatory update

The Government's commitment to address some of the historic imbalances between digital and land-based gambling was made over two years ago when the review of gambling legislation was first announced. Since then, we have refined a series of modest but commercially important proposals that we have presented to DCMS, wider Government officials and parliamentarians. We have also sought elevated engagement with the Gambling Commission to ensure the key proposals are fully understood.

In Grosvenor, all but one of our 51 venues are regulated under the 1968 Gambling Act which restricts gaming machines to 20 per licence. The 2005 Act (we have one casino in Luton which benefits from this licence) permits up to 80 slots. Harmonising regulations to permit up to 80 slots per licence (a sliding scale would ensure that slot numbers are aligned to venue size) is a key proposal which, if included in the White Paper, will trigger a programme of improvements across much of our estate. The 2005 Act also permits sports betting in casinos whereas the 1968 Act prohibits it and we hope that this archaic anomaly is removed in the gambling review, irrespective of venue size. We would like to be able to offer a broader range of table gaming than just roulette on electronic terminals, as is the case across most other jurisdictions. We have also proposed the extension of cashless payment methods in venues, with appropriate customer protections, which would meet changing consumer behaviour and modernise the in-venue experience.

In terms of land-based bingo, the archaic '80/20' rule dictates that no more than 20% of our gaming machines can be the popular B3 machines which customers enjoy playing. The remainder must be Cat C or Cat D machines which are increasingly obsolete and less popular with our customers. We have argued that the removal or reform of the 80/20 rule be addressed. We have also argued that permitting side-bets on the main stage game of bingo would enhance and modernise the in-club customer experience. All our proposals are underscored by extensive customer protection measures.

Government does not involve itself in gambling legislation on a regular basis and this is therefore a vital window of opportunity for the land-based casino and bingo sectors if the customer offering is to be modernised to better meet the needs of today's consumers.

Board changes

Having completed over six years on the Board, Steven Esom, Non-Executive Director and Chair of the Remuneration Committee, stepped down from the Board on 31 December 2022.

Lucinda Charles-Jones succeeded Steven Esom as Chair of the Remuneration Committee and was appointed as the Designated Non-Executive Director for workforce engagement from 1 January 2023.

CFO's review

Within this section all prior year comparatives are to the six months ended 31 December 2021.

Reported net gaming revenue ('NGR')

For the six months ended 31 December 2022 NGR increased by 2% to £338.9m with growth in Mecca venues, Enracha venues and Digital offset by weaker trading in our Grosvenor venues.

Operating profit

Operating profit fell to a loss £101.0m, from an operating profit of £102.4m in the prior period principally due to higher operating costs, notably energy costs and wage costs, and an impairment charge of £95.4m.

Separately disclosed items ('SDIs')

SDIs are items that are infrequent in nature and/or do not relate to Rank's underlying business performance.

Total SDIs before tax and interest for the six months ended 31 December 2022 were £104.2m.

The key SDIs in the period were as follows:

- Impairment charges of £95.4m relating to lower than anticipated performances of Grosvenor and Mecca venues in the current period and a lowering of performance expectations for future periods;
- Venues closure costs of £7.3m regarding the closure of one Grosvenor casino and a number of Mecca venues;
- Amortisation costs of £4.4m relating to the acquired intangible assets of Stride, Rialto and Yo; and
- A £3.7m provision release regarding legacy claims relating to sold or closed businesses.

Further detail relating to the SDIs is provided in note 3.

Dilapidation provision

Property related provisions include provisions for dilapidations which are recognised where the Group has the obligation to make-good its leased properties.

Following the recent closures of venues in 2021/22 and 2022/23, and the possibility of future closures and the downturn in the trading outlook, together with a hardening position from landlords and recessionary environment making certain properties less attractive, the Group reconsidered the basis of the dilapidation provision estimate and has recognised an additional asset and liability of £27.2m. The recognised asset is subsequently charged to the income statement over the remaining life of the lease.

The dilapidation asset of £27.2m was included in the impairment review of the Mecca and Grosvenor businesses and resulted in an associated impairment charge of £18.6m.

The dilapidation provision is recognised based on historically settled dilapidations which form the basis of the estimated future cash outflows. Any difference between amounts expected to be settled and the actual cash outflow will be accounted for in the period when such determination is made.

Prior period restatement

During the period, the Group identified an accumulated total of £2.2m of prior year payment processing costs within the Digital business which erroneously had not been recognised in the prior year financial statements. Of the total value, £1.3m relates to 2021/22, with £0.6m relating to H1 2021/22 and £0.7m to H2 2021/22. The remaining £0.9m relates to pre 2021/22.

Net financing charge

The £6.0m underlying net financing charge for the six months ended 31 December 2022 was in line with the prior period's charge.

The underlying net financing charge includes £3.2m of lease interest calculated under IFRS-16.

Taxation

The Group's underlying effective corporation tax rate in H1 2022/23 was (39.3)% (H1 2021/22: 19.9%) based on a tax charge of £1.1m on underlying loss before taxation. This is different to the Group's anticipated effective tax rate of 16-18% for the period. This is mainly as a result of UK operations being in a loss position for the period and no tax credit recognised in respect of these losses due to uncertainty around the availability of taxable profits in the foreseeable future against which these losses can be utilised.

The underlying effective corporation tax rate for 2022/23 is expected to be higher than the anticipated effective tax rate of 16-18%. Similar to the position for H1, the full year tax rate will be driven by UK losses generated in the period on which no tax credit is expected to be recognised.

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

Earnings per share ('EPS')

Basic EPS fell to a loss of (21.6)p from 17.9p in the prior period. Underlying EPS declined to (0.8)p from 2.8p in the prior period. For further details refer to note 7.

Cash flow and net debt

As at 31 December 2022, net debt was £158.3m. Debt comprised £78.8m in term loans and £169.2m in finance leases, offset by cash at bank of £89.7m.

	H1 2022/23	H1 2021/22
	£m	£m
Operating profit from continuing operations	3.2	23.1
Operating profit from discontinued operations	-	-
Depreciation and amortisation	31.5	34.4
Working capital	16.3	(0.2)
Other	0.4	(0.3)
Cash inflow from operations	51.4	57.0
Capital expenditure	(24.2)	(13.4)
Net interest and tax	(10.0)	(10.2)
Lease principal payments	(20.3)	(13.9)
Cashflows in relation to SDI and provisions	(2.6)	81.7
Net free cash flow	(5.7)	101.2
Payment of contingent consideration	(0.3)	-
Business disposal	-	3.1
Total cash inflow	(6.0)	104.3

Opening net debt pre IFRS	16.9	(50.7)
Closing net cash / (debt) pre IFRS	10.9	53.6
IFRS 16 lease liabilities	(169.2)	(196.3)
Closing net (debt) post IFRS 16	(158.3)	(142.7)

The Group finished the period with net debt for covenant purposes of £6.8m.

Cash tax rate

In the six months ended 31 December 2022, the Group had an effective cash tax rate of (2.3)% on total loss before taxation (H1 2021/22: 5.8%). The cash tax paid in the period relates to overseas operations. The cash tax rate differs from the standard rate of UK tax due to losses generated by the Group's UK operations during the period resulting in no cash tax payable in the UK.

The Group is expected to have a cash tax rate of approximately (4)% for the year ended 30 June 2023. Similar to the position for H1, the cash tax rate is driven by losses expected to be generated by UK operations resulting in no cash tax payable in the UK.

Going concern statement

Based on the Group's cash flow forecasts and business plan, the Directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for the period up to 31 January 2024. In making such statement, the Directors highlight forecasting accuracy in relation to the level of trading performance achieved as the key sensitivity in the approved base case.

The Directors have considered three downside scenarios which reflect a reduced trading performance and an inability to successfully negotiate any new RCF facilities. The Directors note that beyond the end of the going concern period, a portion of the RCF matures and the final term loan repayment is due in May 2024. Management is confident in the ability of the business to refinance the RCF facilities and will commence discussions in February 2023. However, given the proximity of these events to the end of the going concern period, in concluding on the going concern position, management have considered the ability of the business to operate in the unlikely event that the RCF is not refinanced.

In each of these three scenarios, the Group will generate sufficient cash to meet its liabilities as they fall due in all scenarios and meet covenant requirements for the period to 31 January 2024, in all of the scenarios.

Alternative Performance Measures

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

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

Purpose

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

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

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

APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Underlying like-for-like ('LFL') net gaming revenue ('NGR')	Revenue measure	NGR	<ul style="list-style-type: none"> Separately disclosed items Excludes contribution from any venue openings, closures, disposals, acquired businesses and discontinued operations Foreign exchange movements
Underlying LFL operating profit / (loss) post central cost reallocation	Profit measure	Operating profit / (loss)	<ul style="list-style-type: none"> Separately disclosed items Excludes contribution from any venue openings, closures, disposals, acquired businesses and discontinued operations Foreign exchange movements Central cost reallocation
Underlying LFL operating profit / (loss) pre central cost reallocation	Profit measure	Operating profit / (loss)	<ul style="list-style-type: none"> Separately disclosed items Excludes contribution from any venue openings, closures, disposals, acquired businesses and discontinued operations Foreign exchange movements
Underlying profit / (loss) before taxation	Profit measure	Profit / (loss) before tax	<ul style="list-style-type: none"> Separately disclosed items
Underlying (loss) / profit after taxation	Profit measure	Profit / (loss) after tax	<ul style="list-style-type: none"> Separately disclosed items
Underlying (loss) / earnings per share	Profit measure	Earnings / (loss) per share	<ul style="list-style-type: none"> Separately disclosed items

APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Free cash flow	Cash measure	Net cash generated from operating activities	<ul style="list-style-type: none"> • Lease principal repayments • Cash flow in relation to SDIs • Cash capital expenditure • Net interest and tax payments •

Rationale for adjustments - Profit and debt measure

1. Separately disclosed items ('SDIs')

SDIs are items that bear no relation to the Group's underlying ongoing operating performance. The adjustment helps users of the accounts better assess the underlying performance of the Group, helps align to the measures used to run the business and still maintains clarity to the statutory reported numbers.

Further details of the SDIs can be found in the Financial Review and note 3.

2. Contribution from any venue openings, closures, disposals, acquired businesses and discontinued operations

In the current period (H1 2022/23), the Group closed one Grosvenor venue and seven Mecca venues. For the purpose of calculating like-for-like ('LFL') measures its contribution has been excluded from the prior period numbers and current period numbers, to ensure comparatives are made to measures on the same basis.

3. Foreign exchange movements

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

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

£m	H1 2022/23	H1 2021/22
Underlying LFL net gaming revenue (NGR)	337.4	330.5
Open, closed and disposed venues	1.5	3.6
Foreign exchange ('FX')	-	(0.4)
Underlying NGR - continuing operations	338.9	333.7

Calculation of comparative underlying LFL NGR

	H1 2021/22
Reported underlying LFL NGR	333.5
Reversal of H1 2020/21 closed venues	(3.6)
H1 2021/22 closed venues	0.2
H1 2021/22 FX	0.4
Restated underlying LFL NGR	330.5

£m	H1 2022/23	H1 2021/22
LFL underlying operating profit	4.2	24.9
Opened, closed and disposed venues	(1.0)	(1.8)
Underlying operating profit - continuing operations	3.2	23.1
Separately disclosed items	(104.2)	79.3
Operating (loss) / profit - continuing operations	(101.0)	102.4

Calculation of comparative underlying LFL operating profit

£m	H1 2021/22
Reported underlying LFL reported operating loss pre IFRS 16	24.1
Opened and closed venues	1.8
H1 2021/22 closed venues	(0.4)
Impact of prior year error	(0.6)
Underlying LFL operating profit	24.9

£m	H1 2022/23	H1 2022/22
Underlying current tax (charge)	(1.3)	(7.3)
Tax on separately disclosed items	7.0	(17.3)
Deferred tax	0.2	4.0
Tax credit / (charge)	5.9	(20.6)

	H1 2022/23	H1 2021/22
Underlying EPS	(0.8)p	2.8p
Separately disclosed items	(20.8)p	15.1p

Reallocation of central costs

During the period, the Group undertook a review of the Group's central costs and has concluded that a proportion of them, which are directly attributable to the relevant business units, should be allocated to those business units, better reflecting the underlying profitability of each segment. This resulted in changes in the underlying profit (loss) of each segment in the prior year which has been re-presented in the table below.

Six months ended 31 December 2022 (unaudited)						
	Digital £m	Grosvenor venues £m	Mecca venues £m	Enracha venues £m	Central Costs £m	Total £m
Segment revenue	100.8	153.4	67.0	17.7	-	338.9
Other operating income	-	-	-	-	-	-
Operating profit (loss)	10.0	9.9	(1.2)	4.0	(19.5)	3.2
Separately disclosed items	(4.7)	(46.7)	(55.9)	(0.1)	3.2	(104.2)
Segment result	5.3	(36.8)	(57.1)	3.9	(16.3)	(101.0)
Central costs allocation	(2.6)	(5.6)	(4.7)	(0.1)	13.0	-
Segment result (post central cost allocation)	2.7	(42.4)	(61.8)	3.8	(3.3)	(101.0)
Finance costs						(6.1)
Finance income						0.2
Other financial gains						(0.2)
Loss before taxation						(107.1)
Taxation						5.9
Loss for the period from continuing operations						(101.2)

Six months ended 31 December 2021 (unaudited and re-presented)						
	Digital £m	Grosvenor venues £m	Mecca venues £m	Enracha venues £m	Central Costs £m	Total £m
Segment revenue	92.1	161.6	65.9	14.1	-	333.7
Other operating income	-	2.3	0.7	-	-	3.0
Operating profit (loss)	3.1	34.7	(1.5)	2.7	(15.9)	23.1
Separately disclosed items	(7.2)	38.1	45.1	(1.2)	4.5	79.3
Segment result	(4.1)	72.8	43.6	1.5	(11.4)	102.4
Central cost allocation	(2.0)	(4.8)	(3.7)	(0.1)	10.6	-
Segment result (post central cost allocation)	(6.1)	68.0	39.9	1.4	(0.8)	102.4
Finance costs						(6.6)
Finance income						5.7
Profit before taxation						101.5
Taxation						(20.6)
Profit for the period from continuing operations						80.9

Analysis of total costs by type and segment and how the central costs have been re-allocated:

Six months ended 31 December 2022 (unaudited)						
	Digital £m	Grosvenor venues £m	Mecca venues £m	Enracha venues £m	Central Costs £m	Total £m
Employment and related costs	14.9	62.5	22.9	8.5	3.9	112.7
Taxes and duties	24.2	33.5	12.8	1.0	0.3	71.8
Direct costs	25.5	14.3	10.7	1.4	-	51.9
Property costs	0.3	5.4	3.2	0.5	0.5	9.9
Marketing	17.6	3.4	2.8	1.1	0.1	25.0
Depreciation and amortisation	7.4	15.9	6.0	0.8	1.4	31.5
Other	3.5	14.1	14.5	0.5	0.3	32.9
Total costs before SDI (post central cost allocation)	93.4	149.1	72.9	13.8	6.5	335.7

Cost allocation	33.7	173.1	72.3	13.8	9.3	333.7
Cost of sales						208.4
Operating costs						127.3
Total costs before SDI (post central cost allocation)						335.7

Six months ended 31 December 2022 (unaudited)						
	Digital £m	Grosvenor Venues £m	Mecca Venues £m	Enracha Venues £m	Central Costs £m	Total £m
Employment and related costs	1.7	2.6	2.1	-	(6.4)	-
Taxes and duties	0.1	0.4	0.4	0.1	(1.0)	-
Direct costs	-	-	-	-	-	-
Property costs	-	-	-	-	-	-
Marketing	-	-	-	-	-	-
Depreciation and amortisation	0.1	0.5	0.4	-	(1.0)	-
Other	0.7	2.1	1.8	-	(4.6)	-
Central cost allocation	2.6	5.6	4.7	0.1	(13.0)	-
Cost of sales						-
Operating costs						-
Central cost allocation						-

Six months ended 31 December 2022 (unaudited)						
	Digital £m	Grosvenor Venues £m	Mecca Venues £m	Enracha Venues £m	Central Costs £m	Total £m
Employment and related costs	13.2	59.9	20.8	8.5	10.3	112.7
Taxes and duties	24.1	33.1	12.4	0.9	1.3	71.8
Direct costs	25.5	14.3	10.7	1.4	-	51.9
Property costs	0.3	5.4	3.2	0.5	0.5	9.9
Marketing	17.6	3.4	2.8	1.1	0.1	25.0
Depreciation and amortisation	7.3	15.4	5.6	0.8	2.4	31.5
Other	2.8	12.0	12.7	0.5	4.9	32.9
Total costs before SDI (pre central cost allocation)	90.8	143.5	68.2	13.7	19.5	335.7
Cost of sales						208.4
Operating costs						127.3
Total costs before SDI (pre central cost allocation)						335.7

Six months ended 31 December 2021 (unaudited and re-presented)						
	Digital £m	Grosvenor Venues £m	Mecca Venues £m	Enracha Venues £m	Central Costs £m	Total £m
Employment and related costs	13.0	54.2	24.5	7.3	3.2	102.2
Taxes and duties	20.3	34.1	13.3	0.8	0.3	68.8
Direct costs	25.6	12.7	9.9	1.1	-	49.3
Property costs	0.1	4.8	1.8	0.4	0.4	7.5
Marketing	19.9	2.1	3.1	0.8	-	25.9
Depreciation and amortisation	7.1	16.5	8.3	0.7	1.8	34.4
Other	5.0	9.6	10.9	0.4	(0.4)	25.5
Total costs before SDI (post central cost allocation)	91.0	134.0	71.8	11.5	5.3	313.6
Cost of sales						198.4
Operating costs						115.2
Total costs before SDI (post central cost allocation)						313.6

Six months ended 31 December 2021 (unaudited and re-presented)						
	Digital £m	Grosvenor Venues £m	Mecca Venues £m	Enracha Venues £m	Central Costs £m	Total £m
Employment and related costs	13.0	54.2	24.5	7.3	3.2	102.2

Employment and related costs	1.9	2.5	2.3	-	(6.7)	-
Taxes and duties	0.1	0.4	0.4	-	(0.9)	-
Direct costs	-	-	-	-	-	-
Property costs	-	0.4	-	-	(0.4)	-
Marketing	-	-	-	-	-	-
Depreciation and amortisation	0.1	0.5	0.4	-	(1.0)	-
Other	(0.1)	1.0	0.6	0.1	(1.6)	-
Central cost allocation	2.0	4.8	3.7	0.1	(10.6)	-
Cost of sales						-
Operating costs						-
Central cost allocation						-

Six months ended 31 December 2021 (unaudited and re-presented)

	Digital £m	Grosvenor Venues £m	Mecca Venues £m	Enracha Venues £m	Central Costs £m	Total £m
Employment and related costs	11.1	51.7	22.2	7.3	9.9	102.2
Taxes and duties	20.2	33.7	12.9	0.8	1.2	68.8
Direct costs	25.6	12.7	9.9	1.1	-	49.3
Property costs	0.1	4.4	1.8	0.4	0.8	7.5
Marketing	19.9	2.1	3.1	0.8	-	25.9
Depreciation and amortisation	7.0	16.0	7.9	0.7	2.8	34.4
Other	5.1	8.6	10.3	0.3	1.2	25.5
Total costs before SDI (pre central cost allocation)	89.0	129.2	68.1	11.4	15.9	313.6
Cost of sales						198.4
Operating costs						115.2
Total costs before SDI (pre central cost allocation)						313.6

Principal risks and uncertainties

Key business risks are reviewed by the executive directors, other senior executives and the Board on a regular basis and, where appropriate, actions are taken to mitigate the key risks that are identified. We have a Group wide enterprise risk management framework and approach in place, integrated into our organisational management structure and responsibilities, with the Board having overall responsibility for risk management in the Group.

The principal risks and uncertainties that could impact the Group are detailed in the Group's Annual Report and Accounts 2022 with the principal risks being as follows:

- Uncertain trading environment:** Recovery from the pandemic is slowed by inflationary pressures impacting consumers' discretionary expenditure. Such pressures influence customer behaviour (see also Customer Behaviour Changes) and can reduce spend on entertainment and leisure activities such as those offered by the Group, and propensity to visit our venues. Moreover, the sharp rise in energy cost is impacting the operating margins of our venues businesses and this will be further impacted if prices continue to increase. Related risks caused by current macroeconomic and geopolitical uncertainty are energy availability and the increased cost of products and services, all of which could impact our future performance and strategic decisions.
- Customer behaviour changes:** Customer habits both as a consequence of the cost-of-living crisis and aftermath of the pandemic continues to impact customer attendance and average spend, negatively impacting our financial performance.
- Compliance with gambling law and regulations:** Regulatory and legislative regimes for betting and gaming in key markets are constantly under review and can change (including as to their interpretation by regulators) at short notice.
- Safer gambling:** This underpins our strategy with one of our five strategic pillars being that we will build sustainable relationships with our customers by providing them with safe environments in which to play. This minimises the potential for our customers to suffer harm from their gambling and will assist the Group in ensuring that it grows the business in a sustainable way.
- People:** 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.
- Change project and programmes:** Key Group projects and programme could fail to deliver, resulting in missed market opportunities for the Group, and/or take longer to deliver, resulting in missed synergies and savings.
- Health and safety:** Failure to meet the requirements of the various domestic and international rules and regulations relating to the 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.
- Data protection and management:** The inability to adequately protect sensitive customer data and other key data and information assets that could be leaked, exposed, hacked or transmitted would result in customer detriment, formal investigations and/or possible litigation leading to prosecution, fines and/or damage to our brands.

- **Cyber resilience:** Cyber-attacks can disrupt and cause considerable financial and reputational damage to the Group with the loss of assets, reputation and business, and potentially face regulatory fines and/or litigation.
- **Business continuity and Disaster Recovery:** Planning and preparation to ensure that we 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.
- **Dependency on third parties and supply chain:** The Group is dependent on a number of these for the operation of its business. The withdrawal or removal from the market of one or more of these third-party suppliers, failure of these suppliers to comply with contractual obligations, or reputational issues arising in connection with these suppliers could adversely affect operations, especially where these suppliers are niche.
- **Taxation:** Changes in fiscal regimes in domestic and international markets can happen at short notice. These changes could benefit or have an adverse impact with additional costs potentially incurred in order to comply.

Additionally, the following risk is now included as a principal risk:

- **Treasury and banking:** The Group is reliant on committed debt facilities with five lenders, all of which have specific obligations and covenants that need to be met, and multiple banks for clearing (transaction processing). A loss of debt facilities and/or clearing facilities could result in the Group being unable to meet its obligations as they become due.

Emerging and Evolving Risks

The current economic pressures, increasing rates of inflation and increasing energy costs are a cause for concern for many consumers. The executive directors continue to be vigilant of the changing economic backdrop and the impact on the Group.

Additionally, the Group continues to evolve its analysis of climate-related risks and opportunities. However, climate risks are currently not regarded as a principal risk and the risk itself is currently considered low.

Directors' Responsibility Statement

Each of the directors named below confirm that to the best of his or her knowledge:

- The financial statements, prepared under UK-adopted International Financial Reporting Standard (IFRS), give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- The management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the risk and uncertainties that they face.

The directors of The Rank Group Plc are:

Chew Seong Aun

Lucinda Charles-Jones

Richard Harris

Katie McAlister

John O'Reilly

Alex Thursby

Karen Whitworth

Signed on behalf of the board on 25 January 2023

John O'Reilly
Chief Executive

Richard Harris
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO THE RANK GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2022 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related explanatory notes that have been reviewed. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, 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 review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Glasgow
25 January 2023

Consolidated Income Statement for the six months ended 31 December 2022

	Note	Six months ended 31 December 2022 (unaudited)			Six months ended 31 December 2021 (unaudited and restated)		
		Underlying £m	Separately disclosed items (note 3) £m	Total £m	Underlying £m	Separately disclosed items (note 3) £m	Total £m
Continuing operations							
Revenue	2	338.9	-	338.9	333.7	-	333.7
Cost of sales	2	(208.4)	(95.4)	(303.8)	(198.4)	10.8	(187.6)
Gross profit (loss)		130.5	(95.4)	35.1	135.3	10.8	146.1
Other operating costs	2	(127.3)	(8.8)	(136.1)	(115.2)	(8.6)	(123.8)
Other operating income	2	-	-	-	3.0	77.1	80.1
Operating profit (loss)		3.2	(104.2)	(101.0)	23.1	79.3	102.4

Financing:							
- finance costs	4	(6.1)	-	(6.1)	(6.6)	-	(6.6)
- finance income	4	0.2	-	0.2	-	-	-
- other financial (losses) gains	4	(0.1)	(0.1)	(0.2)	0.1	5.6	5.7
Total net financing (charge) income		(6.0)	(0.1)	(6.1)	(6.5)	5.6	(0.9)
(Loss) profit before taxation		(2.8)	(104.3)	(107.1)	16.6	84.9	101.5
Taxation	5	(1.1)	7.0	5.9	(3.3)	(17.3)	(20.6)
(Loss) profit for the period from continuing operations		(3.9)	(97.3)	(101.2)	13.3	67.6	80.9
Discontinued operations							
Profit after tax for the period from discontinued operations		-	-	-	-	3.1	3.1
(Loss) profit for the period		(3.9)	(97.3)	(101.2)	13.3	70.7	84.0
Attributable to:							
Equity holders of the parent		(3.9)	(97.3)	(101.2)	13.3	70.7	84.0
Non-controlling interests		-	-	-	-	-	-
		(3.9)	(97.3)	(101.2)	13.3	70.7	84.0
(Loss) earnings per share attributable to equity shareholders							
- basic	7	(0.8)p	(20.8)p	(21.6)p	2.8p	15.1p	17.9p
- diluted	7	(0.8)p	(20.8)p	(21.6)p	2.8p	15.1p	17.9p
(Loss) earnings per share - continuing operations							
- basic	7	(0.8)p	(20.8)p	(21.6)p	2.8p	14.4p	17.2p
- diluted	7	(0.8)p	(20.8)p	(21.6)p	2.8p	14.4p	17.2p
Earnings per share - discontinued operations							
- basic		-	-	-	-	0.7p	0.7p
- diluted		-	-	-	-	0.7p	0.7p

Consolidated Statement of Comprehensive (Loss) Income
for the six months ended 31 December 2022

	Six months ended 31 December 2022 (unaudited) £m	Six months ended 31 December 2021 (unaudited and restated) £m
Comprehensive (loss) income:		
(Loss) profit for the period	(101.2)	84.0
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange adjustments net of tax	1.3	(1.5)
Total comprehensive (loss) income for the period	(99.9)	82.5
Attributable to:		
Equity holders of the parent	(99.9)	82.5
Non-controlling interests	-	-

Consolidated Balance Sheet
at 31 December 2022 and 30 June 2022

	As at 31 December 2022 (unaudited) £m	As at 30 June 2022 (audited and restated) £m
Note		
Assets		
Non-current assets		
Intangible assets	468.6	493.6
Property, plant and equipment	96.4	113.1
Right-of-use assets	70.3	101.6
Deferred tax assets	1.3	1.4
Other receivables	6.7	6.7
	643.3	716.4
Current assets		
Inventories	2.7	2.3
Other receivables	38.8	34.2
Income tax receivable	11.8	8.1
Cash and short-term deposits	89.7	95.7
	143.0	140.3

	143.0	140.3
Total assets	786.3	856.7
Liabilities		
Current liabilities		
Trade and other payables	(148.7)	(131.1)
Lease liabilities	(44.4)	(40.4)
Income tax payable	(3.3)	(4.2)
Financial liabilities - loans and borrowings	(34.9)	(33.9)
Provisions	9 (9.5)	(6.9)
	(240.8)	(216.5)
Net current liabilities	(97.8)	(76.2)
Non-current liabilities		
Lease liabilities	(124.8)	(141.3)
Financial liabilities - loans and borrowings	(43.5)	(44.1)
Deferred tax liabilities	(16.2)	(20.5)
Provisions	9 (32.0)	(5.6)
Retirement benefit obligations	(3.6)	(3.6)
	(220.1)	(215.1)
Total liabilities	(460.9)	(431.6)
Net assets	325.4	425.1
Capital and reserves attributable to the Group's equity shareholders		
Share capital	65.0	65.0
Share premium	155.7	155.7
Capital redemption reserve	33.4	33.4
Exchange translation reserve	15.9	14.6
Retained earnings	55.5	156.5
Total equity before non-controlling interests	325.5	425.2
Non-controlling interests	(0.1)	(0.1)
Total shareholders' equity	325.4	425.1

Consolidated Statement of Changes in Equity
for the six months ended 31 December 2022
For the six months ended 31 December 2022 (unaudited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings £m	Reserves attributable to the Group's equity shareholders £m	Non-controlling interest £m	Total equity £m
At 1 July 2022 (as previously reported)	65.0	155.7	33.4	14.6	158.7	427.4	(0.1)	427.3
Impact of prior period error - Note	-	-	-	-	(2.2)	(2.2)	-	(2.2)
At 1 July 2022 (as restated)	65.0	155.7	33.4	14.6	156.5	425.2	(0.1)	425.1
Comprehensive income:								
Loss for the period	-	-	-	-	(101.2)	(101.2)	-	(101.2)
Other comprehensive income:								
Exchange adjustments net of tax	-	-	-	1.3	-	1.3	-	1.3
Total comprehensive profit (loss) for the period	-	-	-	1.3	(101.2)	(99.9)	-	(99.9)
Transactions with owners:								
Credit in respect of employee share schemes including tax	-	-	-	-	0.2	0.2	-	0.2
At 31 December 2022	65.0	155.7	33.4	15.9	55.5	325.5	(0.1)	325.4

For the six months ended 31 December 2021 (unaudited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings £m	Reserves attributable to the Group's equity shareholders £m	Non-controlling interest £m	Total equity £m
At 1 July 2021 (as previously reported)	65.0	155.7	33.4	14.6	92.6	361.3	(0.1)	361.2
Impact of prior period error - Note	-	-	-	-	(0.9)	(0.9)	-	(0.9)
At 1 July 2021 (as restated)	65.0	155.7	33.4	14.6	91.7	360.4	(0.1)	360.3
Comprehensive income:								
Profit for the period	-	-	-	-	84.0	84.0	-	84.0
Other comprehensive income:								
Exchange adjustments net of								

Exchange adjustments net of tax	-	-	-	(1.5)	-	(1.5)	-	(1.5)
Total comprehensive (loss) profit for the period	-	-	-	(1.5)	84.0	82.5	-	82.5
Transactions with owners:								
Credit in respect of employee share schemes including tax	-	-	-	-	0.3	0.3	-	0.3
At 31 December 2021	65.0	155.7	33.4	13.1	176.0	443.2	(0.1)	443.1

Consolidated Cash Flow Statement
for the six months ended 31 December 2022

		Six months ended 31 December 2022 (unaudited) £m	Six months ended 31 December 2021 (unaudited and restated) £m
	Note		
Cash flows from operating activities			
Cash generated from operations	11	48.6	139.0
Interest received		0.1	0.1
Interest paid		(7.6)	(4.4)
Tax paid		(2.5)	(5.9)
Net cash generated from operating activities		38.6	128.8
Cash flows from investing activities			
Additional proceeds on disposal of business		-	3.1
Purchase of intangible assets		(4.4)	(5.5)
Purchase of property, plant and equipment		(19.8)	(7.9)
Payment of contingent consideration of business combination	12	(0.3)	-
Net cash used in investing activities		(24.5)	(10.3)
Cash flows from financing activities			
Repayment of revolving credit facilities		-	(11.0)
Lease principal repayments		(20.3)	(13.9)
Net cash used in financing activities		(20.3)	(24.9)
Net (decrease) increase in cash and short-term deposits		(6.2)	93.6
Effect of exchange rate changes		0.2	(0.3)
Cash and short-term deposits at start of period (as restated)		95.7	68.7
Cash and short-term deposits at end of period		89.7	162.0

1 General information, basis of preparation and accounting policies

General information

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

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales under registration number 03140769. The address of its registered office is TOR, Saint-Cloud Way, Maidenhead, SL6 8BN.

This condensed consolidated interim financial information was approved for issue on 26 January 2023.

This condensed consolidated financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the 12-month period ended 30 June 2022 were approved by the Board of Directors on 18 August 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement made under Section 498 of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed but not audited.

Basis of preparation

This condensed consolidated interim financial information for the six months ended 31 December 2022 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with UK-adopted International Accounting Standards (IAS) 34 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the financial statements for the 12-month period ended 30 June 2022, which have been prepared in accordance with UK-adopted International Accounting Standards.

Going concern

Assessment

In adopting the going concern basis for preparing the consolidated interim financial statements, the Directors have considered the circumstances impacting the Group during the last year, recent trading performance, as detailed in the trading review on pages 5 to 11, including the budget for 2022/23, the latest forecast for 2022/23 and the long range forecast for 2023/24 approved by the Board, and have reviewed the Group's projected compliance with its banking covenants and access to funding options for the 12 months ending 31 January 2024, the going concern period.

The Directors recognise that there is continued uncertainty at this time caused by the slower than anticipated return of customers to UK land-based leisure entertainment venues, the impact of current geopolitical influences impacting on consumer sentiment and disposable incomes, the pressure on the operating costs of the business (including wages and

consumer sentiment and disposable incomes, the pressure on the operating costs of the business (including wages and energy costs), increase in inflation and interest rates and their overall impact on consumer demand and discretionary spending. The Directors note that this has had an impact on the accuracy of budgeting and forecasting for the current financial year, and this has been considered by the management when preparing their sensitivity review for the going concern period.

The Directors have reviewed and challenged management's assumptions for the Group's base case view for the going concern period, including their assumptions on revenues and costs. Key considerations are the assumptions on the levels of customer visits and their average spend in the venues based businesses, and the number of first time and returning depositors in the digital businesses, and the average level of spend per visit for each.

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

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

- Term loan of £78.8m which reduces to £44.3m in May 2023 due to a scheduled loan repayment
- Revolving credit facilities ("RCF") of £80.0m, reducing to £55.0m in July 2023.

At the date of approval of the consolidated interim financial statements, the term loan was £78.8m and the £80.0m RCF was undrawn.

Beyond the end of the going concern period, £40m of the RCF facility matures in May 2024 and the final term loan repayment of £44m is due in May 2024. Management are confident in the ability of the business to refinance the RCF facilities and plans to commence discussions in February 2023. However, given the proximity of these events to the end of the going concern period, in concluding on the going concern position, management have considered the ability of the business to operate in the unlikely event that the RCF is not refinanced.

In undertaking their assessment, the Directors also reviewed compliance with the banking covenants ("Covenants") which are tested bi-annually at June and December. The Group expects to meet the Covenants at June 2023 and December 2023 and have available cash to meet liabilities as they fall due.

Sensitivity Analysis

The base case view reflects the Directors' best estimate of the outcome for the going concern period. A number of plausible but severe downside risks, including consideration of possible mitigating actions, have been modelled with particular focus on the potential impact to cash flows, cash headroom and covenant compliance throughout the going concern period.

The three downside scenarios modelled are:

- (i) revenues in the Grosvenor business fall by 11.8% in the balance of FY23 and in FY24, with management taking no mitigating actions to reduce costs or capex
- (ii) the Group is not able to refinance and obtain any new RCF, management reduces operating and capital expenditure to ensure the Group retains sufficient liquidity
- (iii) the Group is not able to refinance and obtain any new RCF, management reduces operating and capital expenditure to ensure the Group retains sufficient liquidity and Grosvenor revenues decline by 13.0% and Rank Interactive by 10.0%, in the balance of FY23 and in FY24, versus the base case view. This represents a reverse stress test scenario.

Having modelled these three downsides, the indication is that the Group would continue to meet its covenant requirements in all scenarios and have available cash to meet liabilities in all three scenarios.

Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period at least through to 31 January 2024.

For these reasons, the Directors continue to adopt the going concern basis for the preparation of these consolidated interim financial statements and in preparing the consolidated interim financial statements they do not include any adjustments that would be required to be made if they were prepared on a basis other than going concern.

Going concern statement

Based on the Group's cash flow forecasts and business plan, the Directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for the period up to 31 January 2024. In making such statement, the Directors highlight forecasting accuracy in relation to the level of trading performance achieved as the key sensitivity in the approved base case.

The Directors have considered three downside scenarios which reflect a reduced trading performance and an inability to successfully negotiate any new RCF facilities.

The Directors note that beyond the end of the going concern period, a portion of the RCF matures and the final term loan repayment is due in May 2024. Management are confident in the ability of the business to refinance the RCF facilities and will commence discussions in February 2023. However, given the proximity of these events to the end of the going concern period, in concluding on the going concern position, management have considered the ability of the business to operate in the unlikely event that the RCF is not refinanced.

In each of the three downsides scenarios, the Group will generate sufficient cash to meet its liabilities as they fall due and meet covenant requirements for the period to 31 January 2024 with scenarios ii) and iii) requiring the implementation and execution of mitigating cost saving actions within the control of management.

Accounting policies

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

The accounting policies and methods of computation adopted in the condensed consolidated interim financial information are consistent with those followed in the Group's financial statements for the year ended 30 June 2022.

are consistent with those followed in the Group's financial statements for the year ended 30 June 2022.

There are no new or amended standards or interpretations that became effective in the period from 1 July 2022 which have had a material impact upon the values or disclosures in the condensed consolidated interim financial information.

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

Separately disclosed items (SDI)

The Group incurs costs and earns income that is non-recurring in nature or that, in the Directors' judgement, need to be disclosed separately by virtue of their size and incidence in order for users of the condensed consolidated interim financial information to obtain a proper understanding of the financial information and the underlying performance of the business. These items include (but are not limited to):

- Amortisation of acquired intangible assets;
- Profit or loss on disposal of businesses;
- Costs or income associated to the closure of venues;
- Acquisition and disposal costs including changes to deferred or contingent consideration;
- Impairment charges;
- Reversal of previously recognised impairment charges;
- Property related provisions;
- Restructuring costs as part of an announced programme;
- Retranslation and remeasurement of foreign currency contingent consideration;
- Discontinued operations;
- Significant, material proceeds from tax appeals;
- The tax impact of all the above.

Determining whether an item is part of specific adjusting items requires judgement to determine the nature and the intention of the transaction.

Estimates and judgements

In preparing these condensed consolidated financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense, including inflationary cost pressures impacting the cost of living and customer sentiment and behaviour. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2022 including the additional significant estimates for the interim period ending 31 December 2022.

Dilapidations provision

Provisions for dilapidations are recognised where the Group has the obligation to make-good its leased properties. These provisions are measured based on historically settled dilapidations which form the basis of the estimated future cash outflows and discounted based on the discount rates that reflect current market assessments and the risks specific to the liability. Any difference between amounts expected to be settled and the actual cash outflow will be accounted for in the period when such determination is made.

The Group's provisions are estimates of the actual costs and timing of future cash flows, which are dependent on future events, property exits and market conditions. Thus, there is inherently an element of estimation uncertainty within the provisions recognised by the Group. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

The provisions are most sensitive to estimates of the future cash outflows which are based on historically settled dilapidations. This means that an increase in cash outflows of 1% would have resulted to a £0.3m increase in the dilapidations provision. Likewise, a decrease in cash outflows of 1% would have resulted to a £0.3m decrease in the dilapidations provision.

Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Prior period restatement

These consolidated interim financial statements include a prior year restatement in relation to: the presentation and classification of the reversal of impairment charges and prior year costs identified in the Digital business which erroneously had not been recognised in the prior year consolidated interim income statements.

Presentation and classification of prior year reversal of impairment charges

During the period ended 31 December 2021, the reversal of impairment charges was presented and classified within the "Other operating income" line item of the consolidated interim financial statements in error. As the previously recognised impairment charges was presented and classified within "Cost of sales", the reversal of the impairment charges likewise need to be applied through "Cost of sales" and not through "Other operating income". The adjustment has no impact on the result for the period ended 31 December 2021, net assets or the cash flow statement.

Unrecorded costs in the Digital business

During the period, the Group identified an accumulated total of £2.2m prior year payment processing costs within the Digital business which erroneously had not been recognised in the prior year financial statements. Of the total value, £1.3m relates to FY2021/22, with £0.6m relating to the period ending 31 December 2021 and £0.7m to the six month period to 30 June 2022 respectively. The remaining £0.9m related to pre-FY2021/22.

The adjustments made to the period ending 31 December 2021 increase cost of sales by £0.6m, reduce cash and short term-term deposits by £1.5m, reduce prior year opening reserves by £0.9m and closing reserves is reduced by £1.5m.

The impact of the adjustment on the June 2022 balance sheet is a reduction to cash and short-term deposits of £2.2m, a reduction to closing reserves of £2.2m and a reduction to opening reserves of £0.9m.

The prior period comparatives have been restated for the above items in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Policies and Errors' and have impacted the primary financial statements as follows:

Income Statement
for the six months ended 31 December 2021

	As previously reported £m	Adjustment £m	Unaudited and restated £m
Revenue	333.7	-	333.7
Cost of sales	(198.4)	10.8	(187.6)
Gross profit	135.3	10.8	146.1
Other operating costs	(123.2)	(0.6)	(123.8)
Other operating income (loss)	90.9	(10.8)	80.1
Operating profit (loss)	103.0	(0.6)	102.4
Financing:			
- finance costs	(6.6)	-	(6.6)
- finance income	-	-	-
- other financial gains	5.7	-	5.7
Total net financing charge	(0.9)	-	(0.9)
Profit (loss) profit before taxation	102.1	(0.6)	101.5
Taxation	(20.6)	-	(20.6)
Profit (loss) profit for the period from continuing operations	81.5	(0.6)	80.9
Profit after tax from discontinued operations	3.1	-	3.1
Profit (loss) for the period	84.6	(0.6)	84.0

	As previously reported £m	Adjustment £m	Unaudited and restated £m
Total earnings per share attributable to equity shareholders			
- basic	18.1p	(0.2)p	17.9p
- diluted	18.1p	(0.2)p	17.9p
Underlying earnings per share attributable to equity shareholders			
- basic	3.0p	(0.2)p	2.8p
- diluted	3.0p	(0.2)p	2.8p
Total earnings per share attributable to equity shareholders - continuing operations			
- basic	17.4p	(0.2)p	17.2p
- diluted	17.4p	(0.2)p	17.2p
Underlying earnings per share attributable to equity shareholders - continuing operations			
- basic	3.0p	(0.2)p	2.8p
- diluted	3.0p	(0.2)p	2.8p

Balance Sheet

	As previously reported £m	Adjustment £m	Audited and restated £m
Assets			
Cash and short-term deposits	97.9	(2.2)	95.7
Total assets	858.9	(2.2)	856.7
Total liabilities	(431.6)	-	(431.6)
Net assets	427.3	(2.2)	425.1
Equity			
Retained earnings	158.7	(2.2)	156.5
Total equity before non-controlling interests	427.4	(2.2)	425.2
Non-controlling interests	(0.1)	-	(0.1)
Total shareholders' equity	427.3	(2.2)	425.1

At 30 June 2022

Balance Sheet

	As previously reported £m	Adjustment £m	Audited and restated £m
Assets			
Cash and short-term deposits	163.5	(1.5)	162.0
Total assets	947.8	(1.5)	946.3
Total liabilities	(503.2)	-	(503.2)
Net assets	444.6	(1.5)	443.1
Equity			
Retained earnings	177.5	(1.5)	176.0
Total equity before non-controlling interests	444.7	(1.5)	443.2
Non-controlling interests	(0.1)	-	(0.1)
Total shareholders' equity	444.6	(1.5)	443.1

At 31 December 2021

Cash flow statement
for the six months ended 31 December 2021

	As previously reported £m	Adjustment £m	Audited and restated £m
Cash flows from operating activities			
Cash generated from operations	139.6	(0.6)	139.0
Net cash generated from operating activities	129.4	(0.6)	128.8
Net cash used in investing activities	(10.3)	-	(10.3)
Net cash used from financing activities	(24.9)	-	(24.9)
Net increase in cash and short-term deposits	94.2	(0.6)	93.6
Cash and short-term deposit at the start of the period	69.6	(0.9)	(68.7)
Cash and short-term deposits at end of period	163.5	(1.5)	162.0

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, as the chief operating decision-makers (CODM), to enable them to make strategic and operational decisions.

The Group reports five segments: Digital, Grosvenor Venues, Mecca Venues, Enracha Venues and Central Costs.

2 Segment information

Six months ended 31 December 2022 (unaudited)						
	Digital £m	Grosvenor Venues £m	Mecca Venues £m	Enracha Venues £m	Central Costs £m	Total £m
Segment revenue	100.8	153.4	67.0	17.7	-	338.9
Other operating income						
Operating profit (loss)	7.4	4.3	(5.9)	3.9	(6.5)	3.2
Separately disclosed items	(4.7)	(46.7)	(55.9)	(0.1)	3.2	(104.2)
Segment result	2.7	(42.4)	(61.8)	3.8	(3.3)	(101.0)
Finance costs						(6.1)
Finance income						0.2
Other financial losses						(0.2)
Loss before taxation						(107.1)
Taxation						5.9
Loss for the period from continuing operations						(101.2)

Six months ended 31 December 2021 (unaudited, re-presented and restated)						
	Digital £m	Grosvenor Venues £m	Mecca Venues £m	Enracha Venues £m	Central Costs £m	Total £m
Segment revenue	92.1	161.6	65.9	14.1	-	333.7
Other operating income	-	2.3	0.7	-	-	3.0
Operating profit (loss)*	1.1	29.9	(5.2)	2.6	(5.3)	23.1
Separately disclosed items	(7.2)	38.1	45.1	(1.2)	4.5	79.3
Segment result	(6.1)	68.0	39.9	1.4	(0.8)	102.4
Finance costs						(6.6)
Finance income						5.7
Profit before taxation						101.5
Taxation						(20.6)
Profit for the period from continuing operations						80.9

*During the period, the Group undertook a review of the Group's Central Costs and has concluded that a proportion of them, which are directly attributable to the relevant business units, should be allocated to those business units, better reflecting the underlying profitability of each segment. This resulted in changes in the underlying profit (loss) of each segment in the prior year which has been re-presented in the table above.

2 Segment information (continued)

Under IFRS 8 - Operating Segments, segments are reported in a manner consistent with internal reporting provided to the CODM.

To increase transparency, the Group continues to include additional disclosure analysing total costs by type and segment. A reconciliation of total costs, before separately disclosed items, by type and segment is as follows:

Six months ended 31 December 2022 (unaudited)						
	Digital £m	Grosvenor Venues £m	Mecca Venues £m	Enracha Venues £m	Central Costs £m	Total £m
Employment and related costs	14.9	62.5	22.9	8.5	3.9	112.7
Taxes and duties	24.2	33.5	12.8	1.0	0.3	71.8
Direct costs	25.5	14.3	10.7	1.4	-	51.9
Property costs	0.3	5.4	3.2	0.5	0.5	9.9
Marketing	17.6	3.4	2.8	1.1	0.1	25.0
Depreciation and amortisation	7.4	15.9	6.0	0.8	1.4	31.5
Other	3.5	14.1	14.5	0.5	0.3	32.9
Total costs before SDI	93.4	149.1	72.9	13.8	6.5	335.7
Cost of sales						208.4
Operating costs						127.3
Total costs before SDI						335.7

Six months ended 31 December 2021 (unaudited, re-presented and restated)						
	Digital £m	Grosvenor Venues £m	Mecca Venues £m	Enracha Venues £m	Central Costs £m	Total £m
Employment and related costs	13.0	54.2	24.5	7.3	3.2	102.2
Taxes and duties	20.3	34.1	13.3	0.8	0.3	68.8
Direct costs	25.6	12.7	9.9	1.1	-	49.3
Property costs	0.1	4.8	1.8	0.4	0.4	7.5
Marketing	19.9	2.1	3.1	0.8	-	25.9
Depreciation and amortisation	7.1	16.5	8.3	0.7	1.8	34.4
Other	5.0	9.6	10.9	0.4	(0.4)	25.5
Total costs before SDI	91.0	134.0	71.8	11.5	5.3	313.6
Cost of sales						198.4
Operating costs						115.2
Total costs before SDI						313.6

3 Separately disclosed items

	Six months ended 31 December 2022 (unaudited) £m	Six months ended 31 December 2021 (unaudited) £m
Separately disclosed items		
Impairment charges	(95.4)	-
Impairment reversal	-	10.8
Closure of venues	(7.3)	(1.2)
Amortisation of acquired intangible assets	(4.4)	(5.9)
Disposal provision	3.7	-
Business transformation costs	(0.7)	(0.2)
Integration costs	(0.1)	(1.3)
VAT claim	-	77.1
Impact on operating profit	(104.2)	79.3
Other financial (losses) gains	(0.1)	5.6
Taxation (see note 5)	7.0	(17.3)
Separately disclosed items relating to continuing operations	(97.3)	67.6
Profit on disposal of business	-	3.1
Separately disclosed items relating to discontinued operations	-	3.1
Total separately disclosed items	(97.3)	70.7

Impairment charges and reversal

During the period, the Group recognised impairment charges of £95.4m relating to Grosvenor venues and Mecca clubs. Following the last assessment made on 30 June 2022, further impairment charges were recognised for a number of reasons, including lower than anticipated performances, further reduction in forecast earnings and a decision to close a number of clubs and venues (see note 8 for further details).

In the prior period, the Group recognised a reversal of previously impaired assets of £10.8m relating to its Grosvenor venues. This follows the business transformation completed in 2020 and the reopening of venues, following Covid related closures, since May 2021. This contributed to an improved result in H1 of FY22 and the forecast outlook for the Grosvenor venues identified.

These items are material, non-recurring and as such, have been excluded from underlying results.

Closure of venues

During the period, the Group made the decision to close a number of Grosvenor and Mecca venue at a cost of £7.3m. These relate to

onerous contract costs, dilapidations and strip out costs on leased sites and other directly related costs that have been identified for closure. Upon initial recognition of closure provisions, management uses its best estimates of the relevant costs to be incurred, as well as the expected closure dates.

In the prior period, the Group closed one of its international venues incurring £1.2m costs including redundancy and employee settlement costs, legal costs and reallocation of assets directly attributed to this venue.

These are material, one-off costs and as such have been excluded from underlying results.

Amortisation of acquired intangible assets

Acquired intangible assets are amortised over the life of the assets with the charge being included in the Group's reported amortisation expense. Given these charges are material and non-cash in nature, the Group's underlying results have been adjusted to exclude the amortisation expense of £4.4m (2021: £5.9m) relating to the acquired intangible assets of Stride, Rialto and YoBingo.

Disposal provision

In prior years, provision has been made for legacy industrial disease and personal injury claims, and other directly attributable costs arising as a consequence of the sale or closure of previously owned businesses.

During the period, the Group have re-considered this provision by reviewing the historic and recent claims including the final settlement made. The Group also assessed the likelihood of payment for existing and potential future claims and concluded, on most cases, that the payment could be not determined if probable. It was therefore determined necessary to release the provision of £3.7m for the period (see Note 9 and 12).

Business transformation costs

This is a multi-year change programme for the Group focused around revenue growth, cost savings, efficiencies and ensuring the key enablers are in place. The transformation programme started in January 2019 and was expected to last three years, however in light of COVID-19, the timeframe has been extended to 2023. The multi-year change programme is a material, infrequent programme and is not considered to be part of the underlying business performance.

During the period, £0.7m (2021: £0.2m) of costs are excluded from the underlying performance of the Group.

Integration Costs

Costs directly associated with the integration of business acquisitions are charged to the consolidated income statement. Such items are material, infrequent in nature and are not considered to be part of the underlying business performance.

During the period, £0.1m (2021: £1.3m) of costs have been excluded from the underlying operating results of the Group. These costs have been incurred to ready the ride proprietary platform, acquired in the Stride acquisition, for migrations of the legacy Rank brands, which were completed in the period.

VAT claim

On 30 June 2021, the Group was informed that the First-tier Tribunal ('FTT') had allowed the appeal of the Group on its claim to be refunded VAT paid on the takings from gaming machines during the period April 2006 to January 2013. Whilst this was a positive decision for the Group, HMRC had a number of avenues of appeal before the matter reached a definitive conclusion, beginning with an initial 56-day period from the date of decision in which to lodge an appeal and agree the exact guarantee of the claim with the Group. Due to this, the transaction was disclosed as contingent assets in the Group's Annual Report for the year ending 30 June 2021.

On 2 December 2021, the refund was received in relation to this claim comprising £77.5m principal and interest of £5.6m, with costs directly incurred amounting to £0.4m. This confirmed the closure of the claim and the Group assessed no further appeal opportunities to any parties.

This is a material, one-off amount and as such was excluded from underlying results.

Profit on disposal of business

Charges or credits associated with the disposal of part or all of a business may arise. Such disposals may result in one time impacts that in order to allow comparability means the Group removes the profit or loss from the underlying operating results.

The Belgium casino sale was reported in the Annual Report and Accounts at 30 June 2021 at a profit of £23.8m. At 31 December 2021, an additional profit of £3.1m was recognised, relating to proceeds received from the sale of the Belgium casino following a positive outcome in a salary moderation case in Belgium, the benefit of which was retained by Rank in the sale.

4 Financing

	Six months ended 31 December 2022 (unaudited) £m	Six months ended 31 December 2021 (unaudited) £m
Finance costs:		
Interest on debt and borrowings	(2.2)	(2.2)
Amortisation of issue costs on borrowings	(0.7)	(1.0)
Interest payable on leases	(3.2)	(3.4)
Total finance costs	(6.1)	(6.6)
Finance income:		
Interest income on short-term bank deposits	0.2	-
Finance income	0.2	-
Other financial (losses) gains	(0.1)	0.1

Total net financing charge before SDI	(6.0)	(6.5)
Separately disclosed items	(0.1)	5.6
Total net financing charge	(6.1)	(0.9)

5 Taxation

Income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial period.

	Six months ended 31 December 2022 (unaudited)	Six months ended 31 December 2021 (unaudited)
	£m	£m
Current income tax		
Current income tax - UK	0.3	(1.9)
Current income tax - overseas	(1.1)	(0.7)
Current income tax charge	(0.8)	(2.6)
Current income tax on SDI	3.0	(6.2)
Amounts over provided in previous periods	(0.5)	(4.7)
Total current income tax credit (charge)	1.7	(13.5)
Deferred tax		
Deferred tax - UK	-	(0.8)
Deferred tax - overseas	(0.3)	(0.5)
Restatement of deferred tax due to rate change	-	0.6
Deferred tax on SDI	4.0	(11.1)
Amounts over provided in previous year	0.5	4.7
Total deferred tax credit (charge)	4.2	(7.1)
Tax credit (charge) in the income statement	5.9	(20.6)

The tax effect of items within other comprehensive income is as follows:

	Six months ended 31 December 2022 (unaudited)	Six months ended 31 December 2021 (unaudited)
	£m	£m
Current tax credit (charge) on exchange movements offset in reserves	0.2	(0.1)
Total tax credit (charge) on items within other comprehensive income	0.2	(0.1)

The credit in respect of employee share schemes included within the Statement of Changes in Equity includes a deferred tax credit of £nil (six months ended 31 December 2021: £0.4m).

Factors affecting future taxation

The Group operates in a number of territories and so the Group's profits are subject to tax in various jurisdictions. The Group monitors income tax developments in these territories which could affect the Group's tax liabilities. The Group notes recent developments in relation to the OECD inclusive Framework on Base Erosion and Profit Shifting, with the new rules expected to apply to accounting periods beginning on or after 31 December 2023. The Group continues to monitor the progress of relevant legislation and the potential impact on the Group's tax charge.

UK corporation tax is calculated at 20.5% (six months ended 31 December 2021: 19%) of the estimated assessable profit for the period. Taxation for overseas operations is calculated at the local prevailing rates.

On 3 March 2021, the Chancellor of the exchequer announced the increase in the main rate of UK corporation tax from 19% to 25% for the year starting 1 April 2023. This change was substantively enacted on 24 May 2021.

This rate increase will increase the amount of cash tax payments to be made by the Group.

6 Dividends

No interim dividend in respect of the period ended 31 December 2022 (31 December 2021: £nil) has been recommended.

7 Underlying earnings per share

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

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

	Six months ended 31 December 2022 (unaudited)	Six months ended 31 December 2021 (unaudited and restated)
	(101.2)m	84.0m
(Loss) profit attributable to equity shareholders		
Adjusted for:		
Separately disclosed items, after tax	87.2m	(70.7)m

Separately disclosed items after tax	97.5m	(10.7)m
Underlying (loss) earnings attributable to equity shareholders	(3.9)m	13.3m
Continuing operations	(3.9)m	13.3m
Discontinued operations	-	-
Weighted average number of ordinary shares in issue	468.4m	468.4m
Underlying (loss) earnings per share - basic	(0.8)p	2.8p
Continuing operations	(0.8)p	2.8p
Discontinued operations	-	-
Underlying (loss) earnings per share - diluted	(0.8)p	2.8p
Continuing operations	(0.8)p	2.8p
Discontinued operations	-	-

8 Impairment reviews

The Group considers each venue to be a separate cash-generating unit ('CGU'). The Group's digital operations consist of the UK digital business and the International digital business. UK digital and International digital are each assessed as separate CGUs. The individual Grosvenor venues are aggregated for the purposes of allocating the Grosvenor goodwill.

As at 31 December 2022, the Group assessed whether indicators of impairment existed within its Venues and Digital operations. It was concluded that no indicators of impairment existed within Digital operations and its Enracha Venues. Equally, consideration was given as to whether there had been any changes in the estimates used to determine the recoverable amount of assets (excluding goodwill) which had previously been impaired. No changes were identified and therefore no impairment loss reversals have been recognised.

The remaining two Venue operations, Grosvenor and Mecca, have indicators of impairment primarily caused by lower than anticipated performances or low level of forecast earnings. This further resulted to a decision to close a number of Grosvenor and Mecca venues which resulted in impairment charges of £6.5m.

The impairment test was conducted in December 2022 and management are satisfied that the assumptions used were appropriate.

Testing is carried out by allocating the carrying value of these assets to CGUs and determining the recoverable amounts of those CGUs. The individual CGUs were first tested for impairment and then the group of CGUs to which goodwill is allocated were tested. Where the recoverable amount exceeds the carrying value of the CGUs, the assets within the CGUs are considered not to be impaired. If there are legacy impairments for such assets, except goodwill, these are considered for reversal.

The recoverable amounts of all CGUs or group of CGUs have been calculated with reference to their value in use. Value in use calculations are based upon estimates of future cash flows derived from the Group's strategic plan for the five-year period ending 30 June 2027. Future cash flows will also include an estimate of long-term growth rates which are estimated by business unit.

Pre-tax discount rates were re-assessed at 31 December 2022 and are applied to each CGU or group of CGUs' cash flows and reflect both the time value of money and the risks that apply to the cash flows of that CGU or group of CGUs. These estimates have been calculated by external experts and are based on typical debt and equity costs for listed gaming and betting companies with similar risk profiles. The rates adopted are disclosed in the table below.

	Pre-tax discount rate	Long-term growth rate
Grosvenor venues	13%	2%
Mecca venues	13%	0%

As a result of the impairment test, the following impairment charges have been recognised during the period and disclosed within the separately disclosed items in the Group income statement.

	Property, plant and equipment £m	Right of use and dilapidation assets £m	Intangible assets £m	Total £m
Impairment charge				
Grosvenor venues ¹	11.6	10.5	21.0	43.1
Mecca venues ²	12.1	40.2	-	52.3
	23.7	50.7	21.0	95.4

1. Impairment charges are recorded at the different individual Grosvenor venue CGUs. The total value in use of the CGUs where impairment charges were recognised totalled to £47.8m.

2. Impairment charges are recorded at the different individual Mecca venue CGUs. The total value in use of the CGUs where impairment charges were recognised totalled £nil.

Sensitivity of impairment review

The calculation of value in use is most sensitive to the following assumptions:

- revenue growth
- discount rates
- growth rates used to extrapolate cash flow beyond the forecast period

Whilst the Directors recognise that there is current inflationary pressure, management can take actions to mitigate controllable costs unlike revenue which is driven by customer demand and has the most significant impact for the impairment sensitivity.

Future projections contain inherent uncertainty. These uncertainties include changing customer behaviours, future geopolitical events which could impact consumer sentiment and disposable income, variable inflationary pressures on the operating costs of the business, the impact of inflation and increases in the cost of living on consumer demand and discretionary spending. The Directors note that this has had an impact on the accuracy of budgeting and forecasting for the current financial year, and this has been considered by Management when preparing their sensitivity for the impairment review.

The Group has carried out sensitivity analysis on the reasonable possible changes in key assumptions in the impairment tests for (a) each CGU or group of CGUs to which goodwill has been allocated and (b) its venue CGUs (including indefinite life intangible assets).

For Grosvenor venues and Mecca venues, the following sensitivities would result in changes to the recognised impairments.

Grosvenor Venues CGUs

Key Assumptions	Reasonable Possible Change	Impact on Impairment	£m
Revenue Growth	10% decrease in revenue from year 1	Increase	(18.2)
	10% increase in revenue from year 1	Decrease	7.5
Pre-tax discount rates	1% decrease in discount rates	Decrease	2.3
	1% increase in discount rates	Increase	(7.9)
Long-term growth rates	1% decrease in long-term growth rates	Increase	(1.8)
	1% increase in long-term growth rates	Decrease	2.0

Mecca Venues CGUs

Key Assumptions	Reasonable Possible Change	Impact on Impairment	£m
Revenue Growth	10% decrease in revenue in year 1	Increase	(4.6)
	10% increase in revenue in year 1	Decrease	5.8
Pre-tax discount rates	1% decrease in discount rates	Decrease	1.3
	1% increase in discount rates	Increase	(0.1)
Long-term growth rates	1% decrease in long-term growth rates	Increase	0.5
	1% increase in long-term growth rates	Decrease	0.7

9 Provisions

	Property related provisions £m	Disposal provisions £m	Indirect tax provisions £m	Pay provisions £m	Warranty provisions £m	Total £m
At 1 July 2022 (audited)	6.8	3.9	1.2	0.1	0.5	12.5
Created	27.2	-	-	-	-	27.2
Charge to income statement - SDI	7.3	-	-	-	-	7.3
Released to the income statement - SDI	-	(3.7)	-	-	-	(3.7)
Utilised in period	(1.8)	-	-	-	-	(1.8)
At 31 December 2022 (unaudited)	39.5	0.2	1.2	0.1	0.5	41.5
Current	7.9	0.1	1.2	0.1	0.2	9.5
Non-current	31.6	0.1	-	-	0.3	32.0
At 31 December 2022 (unaudited)	39.5	0.2	1.2	0.1	0.5	41.5

Property related provisions

Where the Group no longer operates from a leased property, onerous property contract provisions are recognised for the least net cost of exiting from the contract. Unless a separate exit agreement with a landlord has already been agreed, the Group's policy is that this onerous contract provision includes all unavoidable costs of meeting the obligations of the contract. The amounts provided are based on the Group's best estimates of the likely committed outflows and site closure dates. These provisions do not include lease liabilities, however do include unavoidable costs related to the lease such as service charges, insurance and other directly related costs. As at 31 December 2022, property related provision include £36.5m provision for dilapidations and £3.0m onerous contracts provision.

Property provisions include provisions for dilapidations which are recognised where the Group has the obligation to make-good its leased properties. Following the recent closures of venues in FY22 and FY23, the possibility of future closures and the downturn in the trading outlook, together with a hardening position from landlords and recessionary environment making certain properties less attractive, the Group re-considered the basis of the dilapidation provision estimate and has recognised an additional asset and liability of £27.2m. These provisions are recognised based on historically settled dilapidations which form the basis of the estimated future cash outflows. Any difference between amounts expected to be settled and the actual cash outflow will be accounted for in the period when such determination is made.

Where the Group is able to exit lease contracts before the expiry date or agree sublets, this results in the release of any associated property provisions. Such events are subject to the agreement of the landlord, therefore the Group makes no assumptions on the ability to either exit or sublet a property until a position is contractually agreed.

Disposal provisions

In prior years, a provision has been made for legacy industrial disease and personal injury claims, and other directly attributable costs arising as a consequence of the sale or closure of previously owned businesses.

During the period, the Group have re-considered this provision by reviewing the historic claims and any final settlements made. The nature and timing of any personal injury claims is uncertain and therefore, in most cases, the payment could not be determined as probable. It was therefore determined necessary to release the provision of £3.7m and recognise the possible settlement of legacy industrial disease and personal injury claims as a contingent liability (see Note 12).

10 Borrowings to net debt reconciliation

Accrued interest and unamortised facility fees are classified as loans and borrowings. A reconciliation of loans and borrowings disclosed in the balance sheet to the Group's net debt position is provided below:

	At 31 December 2022 (unaudited) £m	At 31 December 2021 (unaudited and restated) £m
Total loans and borrowings	(78.4)	(108.7)
Adjusted for:		
Accrued interest	0.4	2.3
Unamortised facility fees	(0.8)	(2.0)
	(78.8)	(108.4)
Cash and short-term deposits from operations	89.7	162.0
Net cash excluding lease liabilities	10.9	53.6
Lease liabilities	(169.2)	(196.3)
Net debt	(158.3)	(142.7)

11 Cash generated from operations

	Six months ended 31 December 2022 (unaudited) £m	Six months ended 31 December 2021 (unaudited and restated) £m
(Loss) profit for the year	(101.2)	84.0
Adjustments for:		
Depreciation and amortisation	31.5	34.4
Net financing charge	6.0	6.5
Income tax charge	1.1	3.3
Share-based payments	0.2	0.3
Loss on disposal of property, plant and equipment	-	0.3
Separately disclosed items	97.3	(70.7)
	34.9	58.1
Increase in inventories	(0.3)	(0.4)
Increase in other receivables	(3.9)	(22.9)
Increase in trade and other payables	20.5	22.4
	51.2	57.2
Cash utilisation (receipt) of provisions	(1.8)	0.1
Cash (payments) receipts in respect of SDI	(0.8)	81.7
Cash generated from operations	48.6	139.0

The Group restated the prior year cash flow format to start from (loss) profit for the year instead of operating (loss) profit. This method provides more comprehensive information which would be useful to the reader of the consolidated and company financial statements.

12 Contingent liabilities

Property arrangements

The Group has certain property arrangements under which rental payments revert to the Group in the event of default by the third party. At 31 December 2022, it is not considered probable that the third party will default. As such, no provision has been recognised in relation to these arrangements. If the party were to default on these arrangements, the obligation for the Group would be £0.9m on a discounted basis.

Legal and regulatory landscape

Given the nature of the legal and regulatory landscape of the industry, from time to time the Group receives notices and communications from regulatory authorities and other parties in respect of its activities and is subject to regular compliance assessments of its licensed activities.

The Group recognises that there is uncertainty over any fines or charges that may be levied by regulators as a result of past events and depending on the status of such reviews, it is not always possible to reliably estimate the likelihood, timing and value of potential cash outflows.

Disposal claims

As a consequence of historic sale or closure of previously owned businesses, the Group may be liable for legacy industrial disease and personal injury claims alongside any other directly attributable costs. The nature and timing of these claims is uncertain and depending on the result of the claim's assessment review, it is not always possible to reliably estimate the likelihood, timing and value of potential cash outflow.

Contingent consideration

On 21 April 2022, the Group completed the purchase of the remaining 50% shareholding of Rank Interactive Limited (formerly known as Aspers Online Limited) for a total consideration £1.3m. Of this consideration, £0.5m was paid in cash on completion in lieu of the outstanding loan balance the Company owed to the seller and £0.8m in contingent consideration included in Trade and other payables of the Consolidated balance sheet. The contingent consideration will be equivalent to a percentage of the net gaming revenue generated from the acquired customer database. A present value of £0.8m has been provisionally recognised for the contingent consideration and is dependent upon the date a competing online gaming operation is established.

At 31 December 2022, the Group settled £0.3m of the contingent consideration leaving a balance of £0.5m.

13 Related party and ultimate parent undertaking

Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange has a controlling interest in The Rank Group Plc. The ultimate parent undertaking of Guoco is GuoLine Capital Assets Limited ('GuoLine') which is incorporated in Jersey. At 31 December 2022, entities controlled by GuoLine owned 57.5% (31 December 2021: 56.1%) of the Company's shares, including 53.4% (31 December 2021: 52.0%) through Guoco's wholly-owned subsidiary, Rank Assets Limited, the

Company's immediate parent undertaking.



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