

**The Rank Group Plc  
Half-year results for the six months ended 30 June 2009**

**Significant earnings progression despite challenging operating environment**

**Financial highlights**

- Group revenue of £266.0m (2008: £257.0m; £263.8m on a comparable basis\*)
- Group operating profit before exceptional items of £30.2m (2008: £28.9m; £31.8m on a comparable basis\*); after exceptional items £31.6m (2008: £66.3m loss; £63.4m loss on a comparable basis\*)
- Adjusted profit before tax\*\* of £24.7m (2008: £17.6m)
- Adjusted earnings per share\*\*\* of 4.5p (2008: 3.0p)
- Basic earnings per share of 5.0p (2008: 13.0p loss per share)
- Net debt of £208.1m (£226.5m at 31 December 2008)

**Review of key events**

- Strong trading performance in Grosvenor Casinos; continued stabilisation in Mecca Bingo
- Significant growth in adjusted earnings per share as a result of lower financing charge
- Financial position strengthened through further reduction in net debt
- Capital investment stepped-up to support growth strategy
- Senior management team strengthened with appointment of Mark V. Jones as managing director of Mecca Bingo
- Tax changes announced in the 2009 Budget expected to cost Group approximately £9m on annualised basis (as announced previously)

Ian Burke, chief executive of The Rank Group said: "Rank performed well during the first half of the year, achieving profitable revenue growth in a difficult economic environment and further strengthening the Group's balance sheet through debt reduction.

"We have set out a clear strategy for growth within the UK gaming market, expanding our portfolio of G Casinos, delivering operational improvements in Mecca Bingo and repositioning Rank Interactive to prioritise its gaming websites and meccabingo.com in particular.

"The first half of the year has been marked by a number of positive changes to gaming regulations, resulting from improved understanding between the bingo industry and the Department for Culture Media and Sport ('DCMS'). However, the volatile nature of HM Treasury's fiscal policy remains the principal challenge for the Group. We are disappointed by the Government's decision to introduce a significant increase in the taxation of bingo during this year's Budget and will continue to give active support to the Bingo Association in its campaign to achieve a fair deal for Britain's licensed bingo clubs.

"Despite the economic uncertainty, we are encouraged by the progress we have made this year in terms of enhanced customer propositions, a stronger senior management team and the Group's financial position. While we remain cautious in the near-term, we look forward with confidence in the long-term prospects for gaming and the success of the Group's growth strategy."

\* Revenue and operating profit figures for Mecca Bingo and the Group for the first half of 2008 are published on a revised basis within the Business Review, to illustrate the effect of the non-payment or refunding of VAT on interval bingo in 2008. See explanatory note below for analysis.

\*\* Adjusted profit is calculated by adjusting profit or loss before tax from continuing operations to exclude exceptional items, unwinding of discount in disposal provisions, other financial gains or losses, amortisation of equity component of the convertible bond and net return on defined benefit pension asset.

\*\*\* A reconciliation of adjusted earnings per share is included in note 6 to the Group financial information.

### **The Rank Group Plc**

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Photographs available from [www.rank.com](http://www.rank.com)

### **Analyst meeting, webcast and dial-in details:**

#### **Friday 31 July 2009**

There will be an analyst meeting at Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ, starting at 9.30am. There will be a simultaneous webcast for the meeting.

For the live webcast, please register at [www.rank.com](http://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 UK Listing 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.

### Explanatory note - changes to reporting & disclosure

There are a number of changes to our disclosure of first-half revenue and operating profit, arising from changes in gambling taxation and segmental reporting.

Reflecting these changes and in order to provide a comparable basis for analysis of the reporting period, the Business Review shows prior year revenue and operating profit for Mecca Bingo and the Group on a different basis from that shown in the Group Income Statement. The table below sets out these differences.

#### 2008 half-year results – changes in the Business Review

£m	Group Income Statement	Adjustment	Business Review (comparable basis)
<b>Revenue</b>			
Mecca Bingo	110.1	6.8	116.9
<b>Group</b>	<b>257.0</b>	<b>6.8</b>	<b>263.8</b>
<b>Operating profit</b>			
Mecca Bingo	19.8	2.9	22.7
<b>Group</b>	<b>28.9</b>	<b>2.9</b>	<b>31.8</b>

A fuller explanation of these changes, together with a reconciliation to the Group's reported 2008 half-year results is contained within the Business Review.

## Business Review - summary of results

Group revenue of £266.0m was 0.8% higher than in the first six months of 2008 with strong growth in Grosvenor Casinos offsetting weaker trading at Rank Interactive. On a like-for-like basis, Group revenue declined by 0.6%.

Operating profit before exceptional items declined by 5.0% to £30.2m, principally as a result of higher revenue taxes, with like-for-like costs held in line with the same period last year (detailed disclosure of segmental and Group operating costs is contained in note 2 to the Group financial information).

£m	Revenue		Operating profit	
	2009 H1	2008 H1 (restated)	2009 H1	2008 H1 (restated)
Mecca Bingo*	116.3	116.9	19.0	22.7
Top Rank Espana	18.1	17.7	2.7	4.1
Grosvenor Casinos	106.7	102.2	14.7	12.5
Rank Interactive	24.9	27.0	3.0	3.5
Central costs			(9.2)	(11.0)
<b>Group*</b>	<b>266.0</b>	<b>263.8</b>	<b>30.2</b>	<b>31.8</b>

\* 2008 first-half revenue and operating profit for Mecca Bingo and Group restated in the interests of comparability. See explanatory note above.

Grosvenor Casinos enjoyed a strong start to the year with 4.4% growth in revenue while operating profit increased by 17.6% to £14.7m. This performance was driven by increases in customer visits across our portfolio and in spite of a lower than average win margin in our London casinos.

Revenue in Mecca Bingo was marginally lower than in the first half of 2008 while operating profit declined by 16.3% to £19.0m. The £3.7m reduction in operating profit was due in part to the benefit of a one-off £2.1m VAT refund recognised in the first half of 2008. The business incurred £1.1m of additional taxation as a result of changes in HM Government's Budget 2009 (the 'Budget'), but this was offset in the period by a one-off rebate of local business rates.

First half revenue from Top Rank Espana was ahead of last year as a result of the strength of the euro against Sterling (in euros, revenue declined). Operating profit declined by 34.1% to £2.7m, due to the difficult market conditions in Spain.

Revenue from Rank Interactive declined by 7.8% while operating profit of £3.0m was down 14.3%. The business made a poor start to the year (due largely to the performance of the Blue Square sportsbook) but showed some improvement during the second quarter. Our bingo and games sites – principally meccabingo.com - achieved strong growth in the six-month period.

We reduced central costs by £1.8m to £9.2m, reflecting the non-recurrence of a number of one-off costs incurred during the first half of 2008 (as disclosed previously).

The Group's net financing charge of £5.5m was £5.8m lower than in the comparable period last year, reflecting lower interest rates and a substantial reduction in average levels of net debt. As a consequence, adjusted earnings per share of 4.5p was significantly higher than in the first half of 2008.

## **Financial position strengthened**

### **i) Debt reduced**

During the first half of 2009 we reduced net debt by £18.4m to £208.1m as a result of positive operating cash flow.

During the next week, we expect to receive payment of £6.8m from Her Majesty's Revenue and Customs ('HMRC'), representing the interest due on the £59.1m VAT refund paid to the Group in November 2008.

In the near term, it remains our intention to achieve further reductions in net debt whilst providing the level of investment necessary to support the Group's growth strategy.

### **ii) Value Added Tax ('VAT')**

In June 2009, the High Court upheld claims brought by Rank against HMRC for VAT overpaid on interval games and on gaming machines. The High Court's ruling was consistent with earlier rulings from the VAT & Duties Tribunal (the 'Tribunal') that the inconsistent application of VAT to interval games and gaming machines was in breach of the European Union's principle of fiscal neutrality.

Following the High Court's ruling, HMRC appealed the case to the Court of Appeal. As yet, no date has been set for this further appeal hearing.

Last year, we received £59.1m relating to our VAT claim on interval bingo. We have not yet received any repayment in respect of our £26.0m VAT claim on gaming machines, which is subject to a second stage Tribunal, scheduled for the final quarter of this year.

We have submitted a number of additional claims for overpaid VAT. Due to their variety and complexity as well as the fact that some of the claims are subject to ongoing litigation, we have not disclosed the aggregated amount claimed.

## **Management team strengthened**

On 29 June 2009, Mark V. Jones was appointed as managing director of Mecca Bingo. Mark has extensive experience of the leisure retail sector, including roles as chief executive of Yates Group Plc and Pizza Hut UK Ltd (while at Whitbread PLC) and executive chairman of Premium Bars and Restaurants plc.

Mark's appointment follows the Group's strategy of adding leisure retail and technology expertise to our deep understanding of the gaming industry to help broaden the consumer appeal of our businesses.

Over the course of the last 18 months, we have reshaped the Group's senior management team with a range of new appointments to key positions.













































































