

28 July 2011

The Rank Group Plc Half-year results for the six months ended 30 June 2011

Financial highlights

- Group revenue* of £294.0m (2010: £281.1m)
- Statutory revenue of £282.0m (2010: £269.6m)
- Group EBITDA before exceptional items of £47.8m (2010: £43.1m)
- Group operating profit before exceptional items of £29.5m (2010: £28.6m)
- Group operating profit after exceptional items of £97.5m (2010: £66.1m)
- Adjusted profit before tax of £26.3m (2010: £25.1m)
- Adjusted earnings per share of 4.6p (2010: 4.6p)
- Basic earnings per share after exceptional items of 35.8p (2010: 13.0p)
- Net cash of £37.2m (net debt of £123.4m at 31 December 2010)
- Dividend per share of 1.00p (2010: 0.74p)

Group key performance indicators

- Customers up 5.1% to more than 2.6 million** as we continue to broaden the appeal of our products
- Customer visits up 1.5% to 11.5 million*** reflecting product and service improvements
- Spend per visit up 1.0% to £22.71*** led by a strong performance in Mecca Bingo
- Offline-online crossover 3.1% driven by the Mecca brand's internal affiliate scheme
- Net promoter score increased to 47% with improvements in all businesses

Review of key events

- Growth in customers and customer visits from UK brands
- Single brand strategy for casinos; plans announced for significant UK expansion of Grosvenor Casinos brand creating more than 1,400 new jobs by 2015
- Positive regulatory reform for Mecca Bingo
- European Court of Justice hearing on £275m VAT claims; rulings expected by the end of 2011
- Additional VAT claims of at least £275m disclosed
- Guoco's Offer for Rank closed on 18 July and Rank has retained its listing on the London Stock Exchange

* before adjustment for free bets, promotions and customer bonuses; ** customer numbers shown on a moving annual total ('MAT') basis; *** excludes Rank Interactive

Ian Burke, chairman of The Rank Group Plc said:

"During the first half of 2011 we have maintained the progress of recent years as rising customer numbers drive profit and revenue. We have a portfolio of some of the strongest

brands in UK gaming and the ability to reach our customers through our estate of well-invested venues, our high quality websites and increasingly via mobile channels.

“The strength of our first-half results reflects the success of our efforts to entertain and delight our customers, with both customer visits and customer numbers up across the Group.”

Ends

Definition of terms:

- Group revenue is before adjustment for free bets, promotions and customer bonuses;
- Group EBITDA is Group operating profit before depreciation and amortisation;
- Adjusted profit before tax is profit from continuing operations before taxation adjusted to exclude exceptional items, the unwinding of discount in disposal provisions and other financial gains or losses; and
- Like for like excludes club openings and closures.

Enquiries

The Rank Group Plc

Philip Munn, investor relations

Tel: 01628 504149

Financial Dynamics

Ben Foster/Marc Cohen

Tel: 020 7831 3113

Photographs available from www.rank.com

Analyst meeting and webcast details:

Thursday 28 July 2011

There will be an analyst meeting at the auditorium, Bank of America Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ, starting at 9.30am. There will 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 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.

Chief Executive's review

During the first half of 2011 the Group achieved growth in revenue and operating profit, stepped-up investment in its brands and strengthened its financial position. The positive trading performance was built on growth in customer numbers from Grosvenor Casinos, Mecca Bingo and Rank Interactive. Adjusted earnings per share was in line with the same period last year as a result of a 3.6% point rise in the Group's effective tax rate (see finance review on page 18).

Rank's brands now entertain more than 2.6m customers a year. During the period they received more than 11.5m customer visits, reflecting a third successive six-month period increase.

More Rank customers than ever before are experiencing our brands both in our venues and online. The proportion of our customers who used both online and land-based channels increased from 2.9% to 3.1%. We believe that there remains an exciting opportunity to increase the crossover going forward.

Group key performance indicators (KPIs)

	H1 2011	H1 2010
Customers (000s)*	2,643	2,514
Customer visits (000s)**	11,451	11,287
Spend per visit (£)*	22.71	22.48
Offline-online crossover	3.1%	2.9%
Net promoter score	47%	30%

* 2010 restated ** excludes Rank Interactive

Review of results

During the first six months of the financial year, Rank grew revenue by 4.6% to £294.0m (5% on a like-for-like basis), while operating profit before exceptional items of £29.5m was up 3.1%. Grosvenor Casinos, Rank Interactive and Mecca Bingo all delivered positive performances but Top Rank España experienced difficult trading conditions, following the introduction of a full smoking ban at the start of the year.

£m	Revenue*		Operating profit**	
	2011 H1	2010 H1	2011 H1	2010 H1
Grosvenor Casinos	123.4	116.6	20.2	17.6
Mecca Bingo	121.7	118.7	16.2	16.0
Top Rank España	14.9	18.4	0.5	3.0
Rank Interactive	34.0	27.4	2.7	2.3
Central costs			(10.1)	(10.3)
Group	294.0	281.1	29.5	28.6

* before adjustments for free bets, promotions and customer bonuses; ** before exceptional items

Revenue from Grosvenor Casinos increased by 5.8% to £123.4m as a result of continued growth in customers and customer visits. Operating profit rose by 14.8% to £20.2m.

Mecca Bingo increased revenue by 2.5% to £121.7m due to a strengthening in spend per visit. Customer numbers were up for the fourth successive six-month period but customer visits declined slightly on reduced frequency. The business recorded its first rise in operating profit since 2006 – up 1.2% to £16.2m.

Trading at Top Rank España was affected negatively by the implementation of the full smoking ban at the start of the year. Revenue declined by 19.0% to £14.9m on fewer customer visits and reduced customer spending. Operating profit of £0.5m was £2.5m lower than in the first half of 2010, reflecting the business's operational gearing.

Rank Interactive increased revenue by 24.1% to £34.0m, led by a strong performance from the Mecca Bingo brand. Operating profit rose by 17.4% to £2.7m as the business balanced strong trading with sustained investment in key brands and start-up costs for a new brand in Spain. As in 2010, management expects the business to benefit from first half investment to deliver a stronger second half performance.

Central costs were slightly lower than in the first half of 2010.

The Group's adjusted net financing charge of £3.2m was £0.3m lower than in the first half of 2010, reflecting lower interest rates and a substantial strengthening in the Group's financial position. Adjusted earnings per share of 4.6p was level with the first half of 2010.

Regulation and taxation

The Department for Culture, Media and Sport has ratified changes to amusement machine regulations in licensed bingo clubs and amusement arcades. The maximum stake on B3 jackpot machines was raised from £1 to £2 (the maximum prize was left unchanged at £500). The number of B3 machines permitted per bingo club was changed from eight to 20% of the total supply. Rank reacted immediately by increasing stakes on more than 400 server-based machines across 100 Mecca Bingo clubs. Over the course of the second-half we will continue to upgrade the quality of machines in our bingo clubs.

HM Treasury and HM Revenue & Customs released a consultation which confirmed their intention to change the tax regime for amusement machines from VAT and AMLD to a Machine Games Duty. The legislation is timetabled for Finance Bill 2012 with an intention to implement the changes in 2013.

The Department for Culture, Media and Sport announced on 14 July 2011 that the Gambling Act's treatment of remote gambling operators will change. In essence the government plans to regulate any gambling operator dealing with or advertising to UK consumers. The measures will ensure that the Gambling Commission can protect consumers regardless of the location of the operator. HM Treasury has announced its intention to consider whether these changes should prompt a change in the taxation of online operators. Specifically whether tax should be due on the basis of the customers' location rather than, as present, being based on where the operator is established.

The European Commission is expected to opine on the complaint from a group of Danish taxpayers in the next few weeks. The Commission has been asked to consider whether a proposed tax of 20% for online operators amounts to illegal state aid as the equivalent land-based businesses are taxed at a rate of up to 75%. Should the Commission find against Denmark, the UK's own gaming tax regime might well come under pressure. In the UK land based businesses pay a rate of up to 50% whereas UK established online operators pay only 15%.

The Select Committee for Culture, Media and Sport has announced that in September 2011 it will be holding an inquiry into the effectiveness of the Gambling Act 2005. Rank has made a written submission to the committee and will seek to make a positive contribution to the inquiry.

Board changes

On 15 July 2011, Ian Burke was appointed to the post of chairman of Rank, replacing Peter Johnson who had announced his retirement in April 2011. Ian assumed the post of chairman in addition to his role of chief executive following discussions with a number of Rank's largest shareholders.

On 27 July 2011, Clive Jennings was appointed to the board as group finance director. He replaced Paddy Gallagher who stepped down after three years in the role.

Financial position

At 30 June 2011, the Group had net cash of £37.2m, having finished 2010 with net debt of £123.4m. This movement was due in large part to the receipt of £162.8m in VAT refunds and associated interest. These items are explained in detail within the finance review on page 18.

Dividend

The board is pleased to declare an interim dividend of 1.00 pence per share to be paid on 12 September 2011 to shareholders on the register at 5 August 2011. This represents approximately one-third of the anticipated dividend for the full year.

Current trading and outlook

The Group has maintained progress during the four weeks since the start of the second half, with increases in like-for-like revenue across each of its UK businesses.

The board is encouraged by the Group's trading performance in the year to date, with particular regard to the success achieved in growing customer visits. The board remains confident in the full-year prospects for the Group and its longer-term growth strategy.

Strategic update

Rank's aim is to generate wealth for shareholders by achieving sustainable growth in earnings and dividends per share. The Group holds established positions in three regulated European markets - Great Britain, Spain and Belgium - and perceives opportunities to grow by broadening the appeal of gaming-based leisure.

Group Strategy

Our Group strategy is to develop well-known and trusted gaming-based entertainment brands, targeted at specific customer segments and offered to customers via licensed venues and remote channels. We aim to operate in markets where the regulatory and fiscal frameworks offer the opportunity to generate attractive, sustainable returns.

Our core market is Great Britain, where we perceive significant opportunities for growth by broadening the appeal of our brands and extending their reach in order to increase the number of customers we serve and to capture a greater part of their leisure expenditure.

As a business operating in a highly regulated sector of the leisure and entertainment market, three key capabilities are core to our strategy:

- **Customer focus** – we use customer insight (based on the analysis of quantitative data and qualitative intelligence) to guide investment strategy, customer engagement and service and product evolution;
- **Responsible operation** – the way that we look after our customers not only determines the sustainability of our customer relationships but also our position with regard to regulators, governments and the broader communities within which we operate; and
- **Constructive political engagement** – we work with governments and regulators to shape a regulatory and fiscal environment that supports both our own development and responsible policy objectives.

Over the course of recent years, we have worked with our trade associations to achieve important changes to the way that our businesses are taxed and regulated, including positive tax and regulatory reform for licensed bingo clubs in Great Britain and Spain.

Whilst the markets in which we operate are characterised by generally tolerant attitudes towards gaming, there are further opportunities for reform which we believe would be socially beneficial and commercially advantageous. We will continue to engage with governments and regulators to achieve reforms based upon principles of fairness, responsibility and sustainability.

We recognise that our ability to seek these reforms is based upon the overwhelmingly positive social and economic effects of our operations; and on our ability to minimise any negative effects.

Brands Strategy

We view our ownership of established and trusted brands and the ability to reach out to more than 2.6 million customers both through our land-based venues and remote channels as a source of competitive advantage.

Rank is following a clear strategy to grow customer numbers, visits and revenue through:

1. The systematic use of data and customer feedback to inspire service and product improvements;
2. Capital investment to extend the reach and broaden the appeal of our land-based venues; and
3. The wider distribution of our brands via online and mobile media.

1. The systematic use of data and customer feedback

1.1 Customer focus through insight & engagement

Over the course of recent years, Rank has invested significant time and resource in order to gain a deeper understanding of customer motivations and preferences. A range of new systems have been deployed and research teams established to collect and analyse customer data and to study customer behaviours.

Significantly, at the end of 2010, Rank launched a single inventory customer relationship management database. This database enables the Group to see how customers interact with its brands across land-based venues and remote channels; and in turn affects the way that we think about and engage with our customers. It is pivotal to our strategy of building strong brand positions in our venues and online (including mobile).

Over recent years, the development of customer reward programmes has enabled Rank's brands to gain a more detailed understanding of how customers spend their time and money in our venues. During the first half of the year, we extended Grosvenor's Play Points programme from 13 casinos to 20 and we plan to increase this to 25 by the end of the year. We are currently tracking 17% of Grosvenor Casino's revenue using this system.

A key indicator of the success of this focus on insight is net promoter score, which measures customer propensity to recommend our brands. During the first half of 2011, Group net promoter score increased by 9% points to 47%. Rank has now recorded increases in Group net promoter score for the last three six-month periods.

1.2 Insight into action – service improvements

In the first half of 2011 we have continued to invest in service and product improvements based on the insights we have gathered, particularly in the areas of gaming, food and drink.

Gaming

During the first half of the year, Mecca Bingo completed the roll-out of Mecca Max mobile gaming terminals across its estate, replacing a variety of electronic bingo units. The touchscreen terminals allow customers to play a full range of bingo games as well as some of the more popular games from our amusement arcades. We experienced an increase in utilisation of handhelds as a consequence of this roll-out.

Grosvenor Casinos has replaced 340 amusement machines since the beginning of the year, about half of Grosvenor's machine estate. The new machines are providing customers with a wider range of different games and are suitable for server-based gaming.

Rank Interactive introduced over 25 new online games during the first half of the year as well as capitalising on Mecca and Grosvenor's tie up with Britain's Got Talent.

Across the Group, gaming revenue increased by 4.3% to £269.3m with Rank Interactive up 24.1%, Grosvenor Casinos up 5.5% and Mecca Bingo up 1.8%.

Food and Drink

Sustained improvements to the quality of food and drink in Grosvenor Casinos and Mecca Bingo venues have been important drivers of customer satisfaction and revenue growth in recent years.

During the first half of the year, Mecca Bingo extended cook-to-order dining from 63 clubs to 75 at a cost of £0.4m. The shift from servery style catering to table service in Mecca along with a series of menu improvements in our UK venues has led to increased customer spending on food and drink. Grosvenor Casinos also delivered growth in food and drink as a result of menu enhancement and better restaurants in G Casino venues.

First-half revenue from food and drink increased by 8.3% compared to the same period last year, reaching £24.7m, over 8% of the total revenue for these businesses.

2. Capital investment to extend the reach and broaden appeal

2.1 Grosvenor Casinos

During the first half of the year, Rank invested £8.6m of capital in Grosvenor Casinos, the majority of which related to the continued expansion and modernisation of the brand's casinos in Great Britain.

Two venues – at Walsall and Plymouth - were converted to the Grosvenor brand's G Casino format at a combined capital cost of £2.4m.

The G Casino is designed for mainstream gaming-based entertainment. Large, high profile venues in good locations offer a wide range of casino table games, electronic games and large poker rooms as well as stylish bars, restaurants and sports lounges. These venues generate higher levels of customers, visits, revenue and EBITDA than traditional casinos as the table below illustrates.

	Grosvenor G Casino	Traditional Grosvenor	Variance
Customer visits/wk	4,060	2,423	68%
Revenue (£k)/wk	120.1	73.7	63%
EBITDA (£k)/wk	35.5	18.2	95%
EBITDA Margin (%)	29.6	24.7	20%

We plan to achieve a significant expansion of our land-based casinos business with the number of venues set to increase from 35 to 45 by the end of 2015. Of this number, 30 will be presented under the G Casino format (compared with 15 today).

During the second half of the year Grosvenor will open a new G casino at Stockton-on-Tees and complete the conversion of its Cardiff venue. The Grosvenor Connoisseur Casino in Kensington, London will close later this year. Although the casino has not been profitable in recent years, the London market remains highly attractive and we will seek to open another London venue once suitable premises have been secured.

The medium-term development plan for the Grosvenor brand is set out in the table below and includes two new casinos in 2012.

Grosvenor Casinos expansion and enhancement

Location	Project	Opening date
Walsall	Conversion and extension	February 2011
Plymouth	Conversion	April 2011
Cardiff	Conversion	August 2011
Stockton-on-Tees	New casino	September 2011
Parrs Wood, South Manchester	New casino	2012
New Brighton	New casino	2012

The expansion of the Grosvenor Casinos estate is part of a wider plan to grow the brand, including greater online distribution.

2.2 Mecca Bingo

Mecca Bingo has invested £7.3m so far this year to maintain and improve its estate including further work on the Full House Destination and Full House Local programmes.

Full House Destination clubs are modern leisure venues that provide community games, entertainment, amusements and food and drinks in a social, female-focused environment. The first Full House Destination club was launched in Beeston, Nottingham in May 2009 - Mecca now operates six Full House Destination clubs.

These clubs have consistently achieved higher than average levels of customer visits, customer satisfaction scores and revenue than traditional bingo clubs; and at 45 years, the average age of customers is lower than the national average. However, due to the high level of investment required, the clubs are not at present achieving Rank's 15% pre-tax hurdle rate of return.

Whilst we continue to explore ways to broaden the appeal of our venues, through product expansion and service improvement, we are also seeking to reduce the capital required to convert a club to the Full House Destination format. During the second half of 2011, we will convert our Wood Green club in London at a capital cost of £0.6m – or around 40% of the average cost of the previous five conversions.

Full House Local is an investment programme designed to upgrade those traditional bingo clubs which are not suitable for conversion to the Destination format. During the first six months of the year we invested £0.4m on major improvements to six clubs, enhancing club décor and facilities (including the introduction of cook-to-order dining).

The Full House Local programme has delivered positive results in terms of net promoter score, revenue and operating profit; and we plan to invest in a further nine projects during the second half of the year.

2.3 International opportunities

Currently, less than 10% of Rank's revenue is generated in markets outside Great Britain. In the near-term we believe this is unlikely to change as a consequence of the Group's focus on Great Britain and the challenges that we face in our secondary markets (Spain and Belgium).

Nevertheless, we do perceive medium and long term opportunities in both Spain and Belgium. During the second half of the year, we will launch Enracha, a new community gaming brand for the Spanish market, distributed via licensed clubs. Following the recently announced regulation of the Spanish online gambling market we will also distribute this brand online, including mobile channels. We continue to monitor regulatory developments in Belgium and in particular the licensing of online gaming.

3. Wider distribution of our brands via online and mobile media

The development of established, trusted brands, distributed to meet customer preference is a key component of our strategy. We believe that this multi-brand, multi-channel approach benefits our target customers and gives the Group a source of sustainable advantage.

Over time we perceive an opportunity to generate higher levels of brand awareness and brand loyalty through enhanced distribution, integrated gaming experiences, online-offline customer rewards programmes and simplified methods of payment and redemption.

One key measure of our success is the extent to which customers choose to play with our brands across multiple distribution channels. During the first half of 2011, the proportion of Rank Group customers using our brands both online and offline increased from 2.9% to 3.1%. The low level of cross-over represents an area of opportunity for Rank, particularly as the use of mobile communications devices for gaming increases in popularity.

Revenue by brand (land-based and online)

£m	H1 2011	H1 2010
Mecca Bingo brand	146.3	137.3
Grosvenor Casino brands	125.2	118.3
Top Rank España*	14.9	18.4
Blue Square**	7.6	7.1

*land-based operations only, **online operations only

Mecca Bingo brand

Revenue from our Mecca Bingo clubs and Mecca branded websites increased by 6.6% to £146.3m with a strong performance from meccabingo.com supplementing a modest improvement from the brand's venues. Continued investment in the brand included a national TV advertising campaign and the extension of the relationship with Fremantle TV's 'Britain's Got Talent'. The brand launched the first real-money iPhone app in January, which had achieved more than 70,000 downloads by the end of June.

Online-offline crossover increased from 4.3% to 5.2%, partly as a result of the brand's internal affiliate scheme, which rewards clubs for promoting meccabingo.com.

Grosvenor Casinos brand

Following a review of opportunities, the Group has decided to focus efforts on building the Grosvenor Casinos brand across all of its British casinos (including G Casino format venues) and online. Revenue from Grosvenor Casinos venues and branded websites increased 5.8% to £125.2m in the period. While the majority of this growth came from our land-based venues, we believe that online distribution remains an area of opportunity.

In July, we re-launched grosvenorcasinos.com as our flagship online casino and we plan to step up the brand's capability in mobile gaming.

The brand's online-offline crossover rate stands at 0.4%. Plans to achieve significant growth from this low base include the introduction of an internal affiliate scheme to promote the brand online to customers playing in our venues (as successfully demonstrated by Mecca Bingo).

Top Rank España and Enracha

During the second half of this year, we will launch Enracha with the ambition of creating a new multi-channel community gaming brand for the Spanish market. The new brand will offer a range of gaming experiences including bingo, amusements, casino games and (where licensing permits) sports betting. The first venue is due to open in Madrid in 2011, following the conversion of one of our Top Rank bingo clubs.

The development of the brand online is reliant upon gaining a licence from the Spanish regulator; and we hope to achieve this in 2012.

Business review

Grosvenor Casinos

Grosvenor Casinos enjoyed a strong first half, with increases in customers and customer visits driving a seventh successive six-month period of operating profit growth.

	2011 H1	2010 H1
Revenue* (£m)	123.4	116.6
EBITDA** (£m)	26.9	22.2
Operating profit** (£m)	20.2	17.6
Like-for-like revenue	6.3%	

* before adjustments for free bets, promotions and customer bonuses; ** before exceptional items

Revenue of £123.4m was up by 5.8% (or 6.3% on a like-for-like basis) with a 12.5% rise in customer visits offsetting a 5.9% decline in spend per visit. The growth in new customers has caused a dilution in spend per visit in the period. Operating profit increased by 14.8% to £20.2m despite the negative effect of the rise in the standard rate of VAT.

Key performance indicators

	2011 H1	2010 H1
Customers (000s)*	1,113	1,021
Customer visits (000s)	2,952	2,624
Spend per visit (£)	41.80	44.41
Net promoter score	41%	30%

* Customers shown on a moving annual total ('MAT') basis

During the period, Grosvenor made strong gains in net promoter score (which measures customer propensity to recommend), reflecting sustained efforts to improve product and service quality. This is reflected in the strong growth in customer numbers (now more than 1.1 million on a 12-month basis) and customer visits.

We carried out major refurbishments to our Walsall and Plymouth venues (with the addition of a second casino licence in Walsall). At 30 June 2011, we operated 35 casinos in Great Britain (incorporating 37 licences) and two in Belgium.

Segmental analysis

	Customer visits (000s)		Spend per visit (£)		Revenue (£m)		Operating profit (£m)	
	2011 H1	2010 H1	2011 H1	2010 H1	2011 H1	2010 H1	2011 H1	2010 H1
London	533	488	87.50	93.00	46.6	45.4	9.0	8.3
Provinces	2,260	1,988	30.28	31.83	68.5	63.3	11.1	8.7
Belgium	159	148	52.50	53.38	8.3	7.9	0.1	0.6
Total	2,952	2,624	41.80	44.41	123.4	116.6	20.2	17.6

London – revenue from our five London casinos rose 2.6% to £46.6m as a 9.2% increase in visits offset a 5.9% decline in spend per visit (lower staking levels and a slight fall in win margin). Operating profit increased by 8.4% to £9.0m.

Provinces – revenue from our provincial casinos rose by 8.2% to £68.5m. Customer visits increased by 13.7% but the growth in new customers resulted in a dilution in average expenditure with spend per visit 4.9% lower. On a like-for-like basis, revenue grew by 9.1% as a result of a 13.8% increase in customer visits and a 4.1% decline in spend per visit. Operating profit rose by 27.6% to £11.1m.

Belgium – Sterling revenue from our casinos in Belgium increased by 5.1% to £8.3m. Customer visits grew by 7.4% as increasing numbers of gaming machines helped to attract a higher number of customers. A substantial increase in the amortisation charge (see page 35 of the 2010 Annual Report and Financial Statements) resulted in operating profit declining by £0.5m to £0.1m.

Revenue analysis – Great Britain only

£m	2011 H1	2010 H1
Casino games	81.9	77.9
Gaming machines	18.7	17.7
Card room games	5.5	4.9
Food & drink/other	9.0	8.2
Total	115.1	108.7

Casino games – Revenue from casino games (tables and electronic) increased by 5.1% to £81.9m as a result of growth in customer visits and service and product improvements (particularly electronic roulette).

Gaming machines – Revenue from gaming machines increased by 5.6% to £18.7m as a result of increased customer visits and improvements to our range of machines. This result was achieved in spite of a rise in the standard rate of VAT which reduced revenue by £0.4m.

Card room games – Revenue from card room games, including poker and mah jong increased by 12.2% to £5.5m. This was due in part to continuing improvements in the quality of our card rooms and the popularity of the Grosvenor UK Poker Tournament.

Food & drink/other – Revenue from food and drink grew by 9.8% to £9.0m. This growth was as a result of an increased number of customer visits in the period.

Mecca Bingo

Mecca Bingo produced a steady performance with growth in revenue and operating profit. Customer numbers increased although customer visits declined slightly as a result of club closures and a small dilution in frequency.

	2011 H1	2010 H1
Revenue* (£m)	121.7	118.7
EBITDA** (£m)	23.8	22.4
Operating profit** (£m)	16.2	16.0
Like-for-like revenue	3.2%	

* before adjustments for free bets, promotions and customer bonuses; ** before exceptional items

Revenue of £121.7m was up by 2.5% (or 3.2% on a like-for-like basis) with a 3.4% rise in spend per visit offsetting a 0.4% reduction in customer visits. Operating profit rose marginally to £16.2m as reduced bingo duty offset higher VAT costs.

Key performance indicators

	2011 H1	2010 H1
Customers (000s)*	924	895
Customer visits (000s)	7,489	7,521
Spend per visit (£)	16.32	15.78
Net promoter score	57%	43%

* Customers shown on a moving annual total ('MAT') basis; 2010 restated

During the period, Mecca continued to make improvements in net promoter score (which measures customer propensity to recommend) and at 57%, the business is now ahead of target for this measure. This is reflected in a fourth successive period of growth in customer numbers (now more than 924,000 on a 12-month basis).

Mecca invested £7.3m of capital in its clubs during the first half of the year but closed three clubs, in Southampton, Edinburgh and Norwich. At 30 June 2011, the brand operated 100 licensed bingo clubs in Great Britain.

Revenue analysis

£m	2011 H1	2010 H1
Main stage bingo	21.1	20.9
Interval games	54.0	52.6
Amusement machines	33.6	33.3
Food & drink/other	13.0	11.9
Total	121.7	118.7

First-half revenue grew by £3.0m, with food and drink delivering a particularly strong performance.

Main stage bingo – Revenue from main stage bingo increased by 1.0% to £21.1m, reflecting a slight increase in spend per visit.

Interval games – Revenue from interval bingo increased by 2.7% to £54.0m due to gameplay improvements and the roll-out of Mecca Max mobile gaming terminals.

Amusement machines – revenue from amusement machines grew by 0.9% to £33.6m despite the increase in the standard rate of VAT. Machines gross win (which excludes the effect of the tax rise) increased by 3%.

Food & drink/other – revenue from food and drink increased by 9.2% to £13.0m. The roll-out of cook-to-order table service (replacing servery food) from 33 clubs (in June 2010) to 75 clubs by June 2011 was the principal factor behind this.

Top Rank España

Our Spanish business, Top Rank España, was negatively affected by the implementation of a full smoking ban at the start of the year. The ban has exacerbated problems caused by the country's difficult economic conditions to create a tough trading environment for gaming companies.

	2010 H1	2010 H1
Revenue (£m)	14.9	18.4
EBITDA* (£m)	1.8	4.4
Operating profit* (£m)	0.5	3.0
Like-for-like revenue	(19)%	

* before exceptional items

Sterling revenue declined by 19.0% to £14.9m as a result of an 11.6% reduction in customer visits and a 8.4% reduction in spend per visit. In euros, revenue was down 19.8%.

The focus for the business has been to keep tight control on costs while working hard to improve customer satisfaction. Nevertheless, operating profit in the period was down £2.5m to £0.5m.

Key performance indicators

	2011 H1	2010 H1
Customers* (000s)	319	341
Customer visits (000s)	1,010	1,142
Spend per visit (£)	14.75	16.11
Net promoter score	53%	31%

* Customers shown on a moving annual total ('MAT') basis

Despite the negative effects on trading of the smoking ban, customers reacted positively to service improvements, including refreshed menus and the provision of facilities for smokers. These investments meant that net promoter score for the business increased from 31% to 53%. At 30 June 2011, customer numbers stood at 319,000 (on a 12-month basis).

Revenue analysis

£m	2011 H1	2010 H1
Bingo	9.3	11.8
Amusement machines	4.1	5.0
Food & drink/other	1.5	1.6
Total	14.9	18.4

Bingo – Revenue from games of bingo of £9.3m was 21.2% lower than the first half of 2010 due to fewer customer visits and shorter customer dwell time.

Amusement machines – Revenue from amusement machines decreased by 18.0% to £4.1m.

Food & drink/other – Revenue from food and drink declined by £0.1m to £1.5m.

There were no changes to the portfolio during the period and at 30 June 2011, Top Rank España operated 11 bingo clubs across Catalonia, Madrid, Galicia and Andalucia.

Rank Interactive

Rank Interactive, which distributes our brands via internet and mobile channels, enjoyed a strong six-month period. The business achieved significant growth in revenue as it continued to invest in building strong online positions for Rank's brands.

Mobile gaming achieved particularly strong growth and accounted for 5.8% of total revenue in the period (compared with 2.4% during the first half of 2010). In January, several mobile applications were launched for the Mecca Bingo and Blue Square brands and by the end of the period more than 70,000 customers had downloaded them.

	2011 H1	2010 H1
Revenue* (£m)	34.0	27.4
EBITDA (£m)	4.9	4.0
Operating profit (£m)	2.7	2.3
Like-for-like revenue	24.1%	

* before adjustments for free bets, promotions and customer bonuses

Revenue from Rank Interactive increased by 24.1% to £34.0m as a result of continued growth from meccabingo.com and Blue Square.

Operating profit rose by 17.4% to £2.7m as the business balanced a strong trading performance with continued investment in brands and international development.

Key performance indicators

	2011 H1	2010 H1
Customers (000s)	287	257
Net promoter score	17%	9%

Improvements to Rank Interactive's websites over the last year and customer engagement has been translated into an 8% point increase in the business's net promoter score. Continued investment in Rank's brands has also driven an 11.6% increase in customer numbers.

Revenue analysis

£m	2011 H1	2010 H1
Bingo & games	25.9	19.8
Casino	3.0	3.0
Poker	0.7	1.0
Sportsbook	4.4	3.6
Total	34.0	27.4

Bingo & Games – Revenue from bingo and games increased by 30.8% to £25.9m, spurred by increased investment in marketing (which included a meccabingo.com TV advertising campaign) and continued improvement in cross-selling to customers of Mecca Bingo venues.

Casino – Revenue from casino sites was in line with the first half of 2010 as a rise in stakes was offset by a softening in the win margin.

Poker – Revenue from poker declined by £0.3m to £0.7m.

Sportsbook – Revenue from sportsbook increased by 22.2% to £4.4m as a result of targeted investment in the Blue Square brand and an improvement in win margin.

KEY RESULTS
For the period ended 30 June 2011
(from continuing operations)

	2011	2010
Group revenue	£294.0m	£281.1m
Group statutory revenue*	£282.0m	£269.6m
Operating profit:		
- before exceptionals	£29.5m	£28.6m
- after exceptionals	£97.5m	£66.1m
Adjusted net interest payable (note 4)	£(3.2)m	£(3.5)m
Adjusted profit before taxation**	£26.3m	£25.1m
Profit before taxation:		
- before exceptionals	£26.4m	£24.3m
- after exceptionals	£175.3m	£67.4m
Profit after taxation:		
- before exceptionals	£17.4m	£17.5m
- after exceptionals	£135.8m	£48.6m
Basic earnings per share:		
- before exceptionals	4.5p	4.5p
- after exceptionals	35.8p	13.0p
Adjusted earnings per share (note 7)	4.6p	4.6p
Dividend per share	1.00p	0.74p
Group EBITDA before exceptional items***	£47.8m	£43.1m
Net cash (debt) (note 9)	£37.2m	£(133.4)m
Net (cash) debt to EBITDA**** ratio	(0.4)x	1.6x
Weighted average number of ordinary shares in issue	389.6m	389.5m

* Statutory revenue is stated after adjustment for free bets, promotions and customer bonuses.

** Adjusted profit before taxation is calculated by adjusting profit from continuing operations before taxation to exclude exceptional items, the unwinding of discount in disposal provisions and other financial gains or losses.

*** Group operating profit before depreciation and amortisation.

**** Rolling 12 month EBITDA.

Key results

Group revenue from continuing operations rose by £12.9m to £294.0m whilst Group operating profit before exceptionals of £29.5m was £0.9m higher than in 2010 as a result of the continued strong performance from Grosvenor Casinos.

Adjusted net interest payable of £3.2m was £0.3m lower than in 2010, reflecting the Group's net cash position following the further receipt of VAT monies in March 2011.

Adjusted Group profit before tax was £1.2m higher than in 2010.

Adjusted earnings per share of 4.6p (2010: 4.6p) reflects marginally higher adjusted pre-tax profits and weighted average number of ordinary shares.

Effective tax rate

The Group's effective corporation tax rate was 31.6% (2010: 28.0%) based on a tax charge of £8.3m on adjusted profit before taxation and exceptionals of £26.3m. This is towards the upper end of the Group's anticipated effective tax rate of 28% to 32% due to prior year adjustments and an increase in the level of non-qualifying expenditure, predominantly on fixed assets. The Group's effective corporation tax rate for 2011 is expected to remain around 31%. Further details on the taxation charge of £9.0m and the adjustment to tax of £0.7m are provided in notes 5 and 7 to the Group financial information.

Cash tax rate

The Group had an effective cash tax rate of 2.3% on adjusted profit following the utilisation of brought forward losses and capital allowances. The Group is expected to have a cash tax rate of 22% to 24% in 2011, excluding any tax payable on the resolution of a number of legacy issues.

Dividends

The Group is committed to a policy of paying out a progressively higher ratio of earnings in dividends, taking into consideration both the Group's capital investment requirements and the stability of the wider economic environment. A final dividend of 1.66 pence per share for 2010 was paid on 4 May 2011 following the resumption of the payment of ordinary dividends in 2010.

An interim dividend for 2011 of 1.00 pence per share has been declared.

Exceptional items

In order to give a full understanding of the Group's financial performance and aid comparability between periods, the Group reports certain items as exceptional to normal trading.

	2011 £m	2010 £m
Grosvenor Casinos	(1.5)	4.0
Mecca Bingo	78.9	34.7
Top Rank España	(5.1)	(1.2)
Central	(4.3)	-
Continuing operations before financing and taxation	68.0	37.5
Finance income	80.9	5.6
Taxation	(30.5)	(12.0)
Exceptional items relating to continuing operations	118.4	31.1
Discontinued operations	3.6	1.8
Total exceptional profit	122.0	32.9

The key 2011 exceptional items are detailed below by business:

Grosvenor Casinos incurred an exceptional cost of £1.5m following the decision to close the Connoisseur casino in London. The cost includes the estimated costs associated with the closure, together with provision for the remaining property lease.

The Group received £81.9m from HMRC in refunds on overpaid VAT on main stage and interval bingo revenue. After costs, this resulted in an exceptional profit of £80.3m in Mecca Bingo. The Group also received £80.9m of interest in respect of the refunds. In addition, Mecca Bingo recognised a £1.4m exceptional cost associated with the closure of three clubs in Norwich, Southampton and Edinburgh. The cost included an increase in the onerous lease provision of £1.0m to cover the estimated liability under the remaining property leases together with other closure related costs of £0.4m.

Top Rank España incurred £0.7m in redundancy costs following the continued restructuring of operations. Also, following the introduction of a full smoking ban at the start of the year and the continued difficult economic conditions in Spain an impairment charge of £4.4m has been

recognised. It is possible that further impairment charges may be required if the future performance of individual bingo clubs is not in line with expectations.

Central costs comprise £4.3m relating to professional fees and other related costs for the response to the Guoco Group Limited offer for the Group.

Exceptional profit from discontinued businesses of £3.6m comprises the receipt of VAT (net of costs) and associated interest following successful Conde Nast/Fleming claims relating to businesses no longer owned by the Group.

Further details on exceptional items, including 2010 exceptionals, are provided in note 3 to the Group financial information.

Disposal provisions

At 30 June 2011, the Group held £9.5m in provisions for costs associated with disposed businesses, including outstanding industrial disease and personal injury claims arising from Rank's legacy businesses, deferred payments arising from lease settlements and other directly attributable costs. The timing and exact amounts of the expenditure are uncertain as it is taking longer than originally anticipated to agree the settlement of remaining liabilities.

The provision reduced by £1.2m as a result of cash utilisation, with the movement due to currency translation (predominantly relating to US Dollar liabilities) offset by the unwinding of discount on the provision.

The utilisation in the period comprised the following expenditure:

- £0.3m on property related costs;
- £0.6m on professional support with tax investigations by a number of regulatory authorities in Europe and North America; and
- £0.3m on outstanding industrial disease and personal injury claims.

Further details on provisions, including 2010 balances, are provided in note 8 to the Group financial information.

Cash flow and net debt

	2011 £m	2010 £m
Continuing operations		
Cash inflow from operations	44.8	40.4
Capital expenditure	(21.9)	(27.1)
Fixed asset disposals	0.6	-
Operating cash inflow	23.5	13.3
Acquisitions and disposals	(0.1)	(0.1)
Net cash receipts in respect of provisions and exceptional items	77.7	37.4
	101.1	50.6
Net interest and tax receipts	80.5	4.0
Dividends paid	(6.5)	(5.3)
Purchase of own shares	(3.4)	-
New finance leases	(8.5)	-
Other (including foreign exchange translation)	(2.6)	4.1
Cash inflow	160.6	53.4
Opening net (debt)	(123.4)	(186.8)
Closing net cash (debt)	37.2	(133.4)

At the end of June 2011, net cash was £37.2m compared with net debt of £133.4m at the end of June 2010. The net cash comprised cash at bank and in hand of £128.1m offset by syndicated loan facilities of £57.9m, £8.9m in fixed rate Yankee bonds, £20.9m in finance leases and £3.2m in overdrafts.

Financial structure and liquidity

The Group's syndicated banking facility comprises a £200.0m multi-currency revolving credit facility, which was arranged in April 2007 and matures in April 2012. This facility requires the maintenance of a minimum ratio of earnings before interest, tax, depreciation and amortisation ('EBITDA') to net interest payable and a maximum ratio of net debt to EBITDA, both of which are tested bi-annually at June and December. The Group has always fully complied with its banking covenants.

In addition, the Group has uncommitted borrowing facilities of £24m, repayable on demand but which are available for general use.

The Group repaid its remaining £100.0m term loan facility in two instalments, repaying £65.0m in April 2011 and the final £35.0m in May 2011.

The outstanding £57.9m of bank loans has been drawn down in euros (euros 64.0m) in order to hedge the Group's net investments in Spain and Belgium.

The Group's facility is provided by a panel of banks with no single bank providing more than 10% of the facility. The Group treasury function sets counterparty limits for the lending banks with which it trades and regularly monitors their credit ratings to minimise risk of financial loss.

The Group intends to negotiate a replacement banking facility during the second half of 2011 and commenced initial discussions with its existing lenders in June 2011, although these were delayed during the recent offer for the Group. Based on these discussions with its existing lenders, the Group does not envisage any difficulty in arranging the new facility.

The existing bank facility incorporates a change of control clause that, should it be exercised by banks providing two thirds of the facility, requires the Group to repay all facility draw-downs and cancels the facility. This clause has not been invoked following the acquisition of a majority shareholding by Guoco Group Limited and the Group believes that it is unlikely that the panel of banks will request repayment. In the unlikely event that the change of control clause is invoked, the directors believe the Group has sufficient cash resources to repay the facility.

Rank is currently operating with a net cash position in order to retain balance sheet flexibility until such time as appeals from HMRC against the Group's VAT refunds are fully and finally resolved (see further details in the VAT claims section below).

Capital expenditure

During 2011, the Group's capital investment programme totalled £30.4m. Of this, more than 80% was invested in extending the reach and broadening the appeal of Rank's two largest businesses, Grosvenor Casinos and Mecca Bingo.

	2011 £m	2010 £m
Cash:		
Grosvenor Casinos	8.6	13.5
Mecca Bingo	7.3	9.5
Top Rank España	1.8	1.1
Rank Interactive	3.7	2.3
Central	0.5	0.7
Total	21.9	27.1
Finance leases:		
Grosvenor Casinos	8.2	-
Mecca Bingo	0.3	-
Total	8.5	-
Total capital expenditure	30.4	27.1

Grosvenor Casinos spent £2.2m on new site development at Stockton-on-Tees, Parrs Wood (South Manchester) and New Brighton (Birkenhead), £2.4m converting Plymouth and Walsall to the G Casino format and £0.8m on I.T. upgrades. The balance of the expenditure was on minor capital works.

Capital expenditure for Mecca Bingo comprised £1.9m on new mobile gaming terminals, £0.2m on amusement machines, £1.4m on club refurbishment, £0.4m on improving our food and drink offer, £0.4m on energy saving initiatives and the balance on minor capital works.

Rank Interactive spent £2.1m on UK website development, £1.0m on computer equipment and £0.6m on international expansion. Top Rank España spent £1.8m on the re-development of the Macoes club in Madrid and other minor capital works.

In addition to the amounts outlined above the Group entered into £8.5m of new finance leases, in respect of amusement machines.

Capital commitments at 30 June 2011 include £4.3m on the new G Casino sites at Stockton-on-Tees and Parrs Wood and £1.1m for the conversion of Cardiff to the G format. Mecca Bingo has commitments of £0.9m for mobile gaming terminals, £0.7m for club refurbishments and £1.2m in aggregate for communications, food and drink and energy related projects.

In light of continuing uncertain economic conditions, the Group continues to maintain strict control over committing expenditure to capital projects. We anticipate that 2011 capital investment will be towards the upper end of a range of £50-55m, following the continued success of our investments in G Casinos. Expenditure will remain phased and dependent on operating performance, which will allow quick reductions in the overall level of capital expenditure should business conditions deteriorate. The commitments to the 2011 G Casino conversion at Cardiff and the new G Casinos at Stockton-on-Tees, New Brighton and Parrs Wood are not affected by this policy.

VAT claims

Since 2006, Rank has invested significant resource in pursuing litigation to reclaim overpaid VAT. Following successful rulings in both the First-Tier Tribunal and the Upper Tribunal, the Group has received approximately £275m (net) from HMRC.

The claims are based upon Rank's assertion that UK legislation breached the European Union's principle of fiscal neutrality. This principle requires that similar products and services be taxed on a consistent basis. Rank has contended that VAT has been applied inconsistently to both games of bingo and amusement machines in Great Britain.

HMRC has appealed the decisions of the UK courts and the matter has now been referred to the European Court of Justice ('ECJ'). The ECJ heard Rank's case on 30 June 2011. It is currently expected that the ruling will be published before the end of 2011. Should the courts find in favour of HMRC, Rank will be required to repay these receipts to HMRC, plus interest.

In addition, HMRC introduced legislation in 1997 which meant that VAT claims could not extend beyond three-years. The effectiveness of this cap was successfully challenged in the courts (the Condé Nast/Fleming cases). As a result, Rank was able to re-visit VAT periods up to December 1996 (or May 1997 in the case of claims for under-recovered VAT on purchases).

The Group submitted several claims covering the period 1973 to 1997. The table in note 12 to the Group financial information sets out the value and status of the VAT claims received to date. In addition, the Group has lodged claims with a combined value of at least £275m as set out in note 11 to the Group financial information.

Financial risk

The Group's financial risk management strategy focuses on the minimisation of risks for the Group. The Group's funding, foreign exchange, liquidity, counterparty and interest rate risks are managed by the Group's treasury department in accordance with approved policies and are subject to internal audit review. All significant financing transactions and treasury policies are authorised by the board of directors. Implementation of these policies is closely managed by the finance director and the group treasury manager. The treasury function is not run as a profit centre.

The key financial risks impacting the Group are liquidity risk, interest rate risk and credit risk. The Group has limited exposure to foreign exchange and this is not considered a key risk.

i) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Quarterly cash flow forecasts are prepared that identify the requirements of the Group and these are regularly updated to ensure sufficient financial headroom exists for at least 12 months. This is coupled with a regular review of medium term funding requirements which, in particular, are updated alongside the Group's strategic plan process. The Group negotiated medium term facilities in 2007, as noted above, which mitigate the liquidity risk it may face and intends to secure replacement facilities in the second half of 2011. Further details are provided in the financial structure and liquidity section above.

ii) Interest rate risk

The Group's operating cash flows are independent of changes in interest rates. The Group primarily finances itself through syndicated bank facilities and the public debt market. The bank facilities are multi-currency although borrowings are typically drawn in Sterling and euros at floating interest rates. The Group also has US \$14.3m of public bonds outstanding, which mature in 2018. The Group normally uses interest rate swaps, caps and collars to manage its exposure to interest rate fluctuations and at the end of June 2011, 13% of the Group's borrowings were at fixed rates. Group policy is to maintain between 40% and 60% of its borrowing at fixed rates. The current low interest rates combined with the high cost of moving to fixed rates have led the Group to continue to operate outside of this policy for the time being.

iii) Credit risk

Credit risk is the risk that a counterparty may not be able to settle amounts owing in full, when due. Surplus cash is invested in short term financial instruments using a limited number of financial institutions with strong credit ratings. Counterparty credit ratings are reviewed regularly and credit limits set to avoid significant concentration of risk with any one counterparty.

Principal risks

The principal risks and uncertainties facing the Group are:

- i) Taxation and regulation
- ii) I.T. security
- iii) External events
- iv) Loss of licences
- v) Economic environment
- vi) Liquidity risk (see above)

Greater detail on these risks and uncertainties can be found in our 2010 Annual Report and Financial Statements.

Going concern

The Group is currently financed by a syndicated £200.0m multi-currency revolving credit facility, which was arranged in April 2007 and matures in April 2012. The Group has always fully complied with its banking covenants and the current drawdown on this facility is £57.9m. The bank facility incorporates a change of control clause that, should it be exercised by banks providing two thirds of the facility, would require the cancellation of the facility and the repayment of any outstanding drawdown. This clause has not been invoked following the acquisition of a majority shareholding by Guoco Group Limited and the directors believe it unlikely that the panel of banks will request repayment. Even in the unlikely event that the change of control clause is invoked, the directors believe the Group has sufficient cash resources to repay the facility.

For the purpose of operational flexibility, the Group intends to negotiate a replacement banking facility during the second half of 2011 and commenced initial discussions with its existing lenders in June 2011, although these were delayed during the recent offer for the Group. Based on these discussions with its existing lenders the directors do not envisage any difficulty in arranging a new facility.

The Group does not currently require this funding for the working capital needs of the business unless it is required to repay the amounts received from HMRC to date in relation to the litigation concerning the VAT treatment of income from interval bingo and gaming machines ("the VAT case"). Further information about this case is contained in note 12 ('Contingent liabilities') to the Group financial information.

The VAT case was heard in the European Court of Justice ("ECJ") on the 30 June 2011, and the directors continue to be very confident of the merits of the Group's claim and believe the likelihood of losing the case remains low. The ECJ judgements are expected in the latter part of 2011.

If the ECJ judgement means that the case is referred back to the UK courts and Rank loses, the VAT claim amount must be repaid plus interest. This payment is likely to be required 30 days after the decision of the referring court is handed down, which is expected in July 2012 at the earliest. Given the timeframe between the ECJ judgement and the obligation to pay, the directors are confident that there would be sufficient time to secure further financing facilities for the Group. Therefore the directors do not consider that the contingent liabilities involved invalidate the going concern basis for the Group financial information.

In adopting the going concern basis for preparing the Group financial information the directors have considered not only the impact of the current status of Group facilities and contingent liabilities described above, but have also considered the Group's trading cash flow forecasts and operating budgets. Assuming there is no significant deterioration in trading from current levels or change in the circumstances outlined above, the directors believe that the Group will generate sufficient cash to meet its requirements for at least the next 12 months and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate.

Group Financial Information

Group Income Statement For the period ended 30 June 2011 (unaudited)

	6 months to 30 June 2011			6 months to 30 June 2010		
	Before exceptional items £m	Exceptional items (note 3) £m	Total £m	Before exceptional items £m	Exceptional items (note 3) £m	Total £m
Continuing operations						
Revenue before adjustment for free bets, promotions and customer bonuses	294.0	-	294.0	281.1	-	281.1
Free bets, promotions and customer bonuses	(12.0)	-	(12.0)	(11.5)	-	(11.5)
Revenue	282.0	-	282.0	269.6	-	269.6
Cost of sales	(152.1)	-	(152.1)	(146.7)	-	(146.7)
Gross profit	129.9	-	129.9	122.9	-	122.9
Other operating costs	(100.4)	(12.3)	(112.7)	(94.3)	(1.2)	(95.5)
Other operating income	-	80.3	80.3	-	38.7	38.7
Group operating profit	29.5	68.0	97.5	28.6	37.5	66.1
Financing:						
– finance costs	(3.6)	-	(3.6)	(3.8)	-	(3.8)
– finance income	0.3	80.9	81.2	0.2	5.6	5.8
– other financial gains (losses)	0.2	-	0.2	(0.7)	-	(0.7)
Total net financing (charge) income	(3.1)	80.9	77.8	(4.3)	5.6	1.3
Profit before taxation	26.4	148.9	175.3	24.3	43.1	67.4
Taxation	(9.0)	(30.5)	(39.5)	(6.8)	(12.0)	(18.8)
Profit for the period from continuing operations	17.4	118.4	135.8	17.5	31.1	48.6
Discontinued operations	-	3.6	3.6	-	1.8	1.8
Profit for the period	17.4	122.0	139.4	17.5	32.9	50.4
Attributable to:						
Equity holders of the parent	17.4	122.0	139.4	17.5	32.9	50.4
Earnings per share attributable to equity shareholders						
– basic	4.5p	31.3p	35.8p	4.5p	8.5p	13.0p
– diluted	4.5p	31.2p	35.7p	4.5p	8.5p	13.0p
Earnings per share – continuing operations						
– basic	4.5p	30.4p	34.9p	4.5p	8.0p	12.5p
– diluted	4.5p	30.3p	34.8p	4.5p	8.0p	12.5p
Earnings per share – discontinued operations						
– basic	-	0.9p	0.9p	-	0.5p	0.5p
– diluted	-	0.9p	0.9p	-	0.5p	0.5p

Group Statement of Comprehensive Income
For the period ended 30 June 2011
(unaudited)

	6 months to 30.06.11 £m	6 months to 30.06.10 £m
Comprehensive income:		
Profit for the period	139.4	50.4
Other comprehensive income:		
Exchange adjustments net of tax	(0.1)	(1.9)
Total comprehensive income for the period	139.3	48.5
Attributable to:		
Equity holders of the parent	139.3	48.5

Group Statement of Changes in Equity
For the period ended 30 June 2011
(unaudited)

	6 months to 30 June 2011					Total £m
	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained (losses) earnings £m	
At 1 January 2011	54.2	98.2	33.4	14.5	(122.6)	77.7
Comprehensive income:						
Profit for the year	-	-	-	-	139.4	139.4
Other comprehensive income:						
Exchange adjustments including tax	-	-	-	(0.1)	-	(0.1)
Total comprehensive (expense) income for the period	-	-	-	(0.1)	139.4	139.3
Transactions with owners:						
Shares issued	-	0.1	-	-	-	0.1
Dividends paid to equity holders	-	-	-	-	(6.5)	(6.5)
Purchase of own shares	-	-	-	-	(3.4)	(3.4)
Credit in respect of employee share schemes including tax	-	-	-	-	1.5	1.5
At 30 June 2011	54.2	98.3	33.4	14.4	8.4	208.7

	6 months to 30 June 2010					Total £m
	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained losses £m	
At 1 January 2010	54.2	98.2	33.4	15.1	(169.5)	31.4
Comprehensive income:						
Profit for the period	-	-	-	-	50.4	50.4
Other comprehensive income:						
Exchange adjustments net of tax	-	-	-	(1.9)	-	(1.9)
Total comprehensive (expense) income for the period	-	-	-	(1.9)	50.4	48.5
Transactions with owners:						
Dividends paid to equity holders	-	-	-	-	(5.3)	(5.3)
Credit in respect of employee share schemes including tax	-	-	-	-	1.0	1.0
At 30 June 2010	54.2	98.2	33.4	13.2	(123.4)	75.6

Group Balance Sheet
At 30 June 2011
(unaudited)

	At 30.06.11 £m	At 31.12.10 £m
Assets		
Non-current assets		
Intangible assets	166.0	167.4
Property, plant and equipment	210.3	203.0
Deferred tax assets	14.0	22.1
Trade and other receivables	2.0	2.1
	392.3	394.6
Current assets		
Inventories	3.1	3.4
Trade and other receivables	35.1	27.0
Income tax receivable	0.6	0.2
Cash and short-term deposits	128.1	74.0
	166.9	104.6
Total assets	559.2	499.2
Liabilities		
Current liabilities		
Trade and other payables	(101.9)	(98.0)
Income tax payable	(49.0)	(28.5)
Financial liabilities – loans and borrowings	(64.2)	(8.1)
Provisions	(9.8)	(6.8)
	(224.9)	(141.4)
Net current liabilities	(58.0)	(36.8)
Non-current liabilities		
Trade and other payables	(0.2)	(0.2)
Income tax payable	(47.5)	(35.6)
Financial liabilities – loans and borrowings	(26.8)	(189.4)
Deferred tax liabilities	(5.0)	(6.1)
Provisions	(43.2)	(45.8)
Retirement benefit obligations	(2.9)	(3.0)
	(125.6)	(280.1)
Total liabilities	(350.5)	(421.5)
Net assets	208.7	77.7
Capital and reserves attributable to the Company's equity shareholders		
Share capital	54.2	54.2
Share premium	98.3	98.2
Capital redemption reserve	33.4	33.4
Exchange translation reserve	14.4	14.5
Retained earnings (losses)	8.4	(122.6)
Total shareholders' equity	208.7	77.7

Group Cash Flow Statement
For the period ended 30 June 2011
(unaudited)

	6 months to 30.06.11 £m	6 months to 30.06.10 £m
Cash flows from operating activities		
Cash generated from operations	122.5	77.8
Interest received	83.9	6.2
Interest paid	(2.8)	(2.6)
Tax (paid) received	(0.6)	0.4
Net cash from operating activities	203.0	81.8
Cash flows from investing activities		
Deferred consideration in relation to previous business acquisitions	(0.1)	(0.1)
Purchase of intangible assets	(3.4)	(2.6)
Purchase of property, plant and equipment	(18.5)	(24.5)
Proceeds from sale of property, plant and equipment	0.6	-
Net cash used in investing activities	(21.4)	(27.2)
Cash flows from financing activities		
Dividends paid to shareholders	(6.5)	(5.3)
Purchase of own shares	(3.4)	-
Proceeds from issue of shares	0.1	-
Repayment of Sterling borrowings	(100.0)	-
Repayment of syndicated facilities	(14.0)	(0.9)
Finance lease principal payments	(0.8)	(0.4)
Net cash used in financing activities	(124.6)	(6.6)
Net increase in cash, cash equivalents and bank overdrafts	57.0	48.0
Effect of exchange rate changes	0.4	(0.6)
Cash, cash equivalents and bank overdrafts at beginning of period	67.5	56.8
Cash and cash equivalents at 30 June	124.9	104.2

Notes to the Group Financial Information
For the period ended 30 June 2011
(unaudited)

1. General information, basis of preparation and accounting policies

General information

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 Statesman House, Stafferton Way, Maidenhead SL6 1AY.

This condensed consolidated interim financial information was approved for issue on 27 July 2011.

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 year ended 31 December 2010 were approved by the board of directors on 24 February 2011 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph 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 30 June 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern

The Group is currently financed by a syndicated £200.0m multi-currency revolving credit facility, which was arranged in April 2007 and matures in April 2012. The Group has always fully complied with its banking covenants and the current drawdown on this facility is £57.9m. The bank facility incorporates a change of control clause that, should it be exercised by banks providing two thirds of the facility, would require the cancellation of the facility and the repayment of any outstanding drawdown. This clause has not been invoked following the acquisition of a majority shareholding by Guoco Group Limited and the directors believe it unlikely that the panel of banks will request repayment. Even in the unlikely event that the change of control clause is invoked, the directors believe the Group has sufficient cash resources to repay the facility.

For the purpose of operational flexibility, the Group intends to negotiate a replacement banking facility during the second half of 2011 and commenced initial discussions with its existing lenders in June 2011, although these were delayed during the recent offer for the Group. Based on these discussions with its existing lenders the directors do not envisage any difficulty in arranging a new facility.

The Group does not currently require this funding for the working capital needs of the business unless it is required to repay the amounts received from HMRC to date in relation to the litigation concerning the VAT treatment of income from interval bingo and gaming machines ("the VAT case"). Further information about this case is contained in note 12 ('Contingent liabilities') to the Group financial information.

1. General information, basis of preparation and accounting policies

The VAT case was heard in the European Court of Justice ("ECJ") on the 30 June 2011, and the directors continue to be very confident of the merits of the Group's claim and believe the likelihood of losing the case remains low. The ECJ judgements are expected in the latter part of 2011.

If the ECJ judgement means that the case is referred back to the UK courts and Rank loses, the VAT claim amount must be repaid plus interest. This payment is likely to be required 30 days after the decision of the referring court is handed down, which is expected in July 2012 at the earliest. Given the timeframe between the ECJ judgement and the obligation to pay, the directors are confident that there would be sufficient time to secure further financing facilities for the Group. Therefore the directors do not consider that the contingent liabilities involved invalidate the going concern basis for the Group financial information.

In adopting the going concern basis for preparing the Group financial information the directors have considered not only the impact of the current status of Group facilities and contingent liabilities described above, but have also considered the Group's trading cash flow forecasts and operating budgets. Assuming there is no significant deterioration in trading from current levels or change in the circumstances outlined above, the directors believe that the Group will generate sufficient cash to meet its requirements for at least the next 12 months and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements. The changes did not have any impact on the financial position or performance of the Group.

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

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 January 2011.

- IAS 24 Related Party Transactions (Amendment) - The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.
- IAS 32 Financial Instruments: Presentation (Amendment) - The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) - The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements.

1. General information, basis of preparation and accounting policies (continued)

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In the case this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in the income statement.
- Improvements to IFRSs (issued May 2010) - In May 2010 the third set of amendments to standards was issued, primarily with a view to removing inconsistencies and clarifying wording.

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

2. Segment information – continuing operations

	Six months to 30 June 2011					
	Grosvenor Casinos £m	Mecca Bingo £m	Top Rank España £m	Rank Interactive £m	Central costs £m	Total £m
Continuing operations						
Revenue reported in internal information	123.4	121.7	14.9	34.0	-	294.0
Free bets, promotions and customer bonuses	(0.6)	(6.9)	-	(4.5)	-	(12.0)
Segment revenue	122.8	114.8	14.9	29.5	-	282.0
Operating profit (loss) before exceptional items	20.2	16.2	0.5	2.7	(10.1)	29.5
Exceptional operating profit	(1.5)	78.9	(5.1)	-	(4.3)	68.0
Segment result	18.7	95.1	(4.6)	2.7	(14.4)	97.5
Finance costs						(3.6)
Finance income						81.2
Other financial gains						0.2
Profit before taxation						175.3
Taxation						(39.5)
Profit for the period from continuing operations						135.8

	Six months to 30 June 2010					
	Grosvenor Casinos £m	Mecca Bingo £m	Top Rank España £m	Rank Interactive £m	Central costs £m	Total £m
Continuing operations						
Revenue reported in internal information	116.6	118.7	18.4	27.4	-	281.1
Free bets, promotions and customer bonuses	(0.6)	(6.8)	-	(4.1)	-	(11.5)
Segment revenue	116.0	111.9	18.4	23.3	-	269.6
Operating profit (loss) before exceptional items	17.6	16.0	3.0	2.3	(10.3)	28.6
Exceptional operating profit (loss)	4.0	34.7	(1.2)	-	-	37.5
Segment result	21.6	50.7	1.8	2.3	(10.3)	66.1
Finance costs						(3.8)
Finance income						5.8
Other financial losses						(0.7)
Profit before taxation						67.4
Taxation						(18.8)
Profit for the period from continuing operations						48.6

2. Segment information – continuing operations (continued)

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

Six months to 30 June 2011						
	Grosvenor Casinos £m	Mecca Bingo £m	Top Rank España £m	Rank Interactive £m	Central costs £m	Total £m
Employment and related costs	46.2	30.7	6.9	5.5	6.4	95.7
Taxes and duties	24.9	19.5	0.9	0.7	0.5	46.5
Direct costs	5.5	11.3	1.6	9.2	-	27.6
Property costs	9.0	13.6	1.0	0.4	0.5	24.5
Marketing	3.4	5.4	0.3	7.7	-	16.8
Depreciation and amortisation	6.7	7.6	1.3	2.2	0.5	18.3
Other	6.9	10.5	2.4	1.1	2.2	23.1
Total costs before exceptional items	102.6	98.6	14.4	26.8	10.1	252.5
Cost of sales						152.1
Operating costs						100.4
Total costs before exceptional items						252.5

Six months to 30 June 2010						
	Grosvenor Casinos £m	Mecca Bingo £m	Top Rank España £m	Rank Interactive £m	Central costs £m	Total £m
Employment and related costs	44.7	30.8	7.3	4.2	5.8	92.8
Taxes and duties	24.1	20.1	0.8	0.1	0.9	46.0
Direct costs	5.0	11.1	2.0	7.6	-	25.7
Property costs	8.7	12.3	1.0	0.4	0.4	22.8
Marketing	3.3	5.3	0.5	6.0	-	15.1
Depreciation and amortisation	4.6	6.4	1.4	1.7	0.4	14.5
Other	8.0	9.9	2.4	1.0	2.8	24.1
Total costs before exceptional items	98.4	95.9	15.4	21.0	10.3	241.0
Cost of sales						146.7
Operating costs						94.3
Total costs before exceptional items						241.0

2. Segment information – continuing operations (continued)

A reconciliation of total assets by segment was as follows:

At 30 June 2011						
	Grosvenor Casinos £m	Mecca Bingo £m	Top Rank España £m	Rank Interactive £m	Central costs £m	Total £m
Total segment assets	186.2	106.8	48.4	68.8	6.3	416.5
Unallocated assets	-	-	-	-	-	142.7
Total assets	186.2	106.8	48.4	68.8	6.3	559.2

At 31 December 2010						
	Grosvenor Casinos £m	Mecca Bingo £m	Top Rank España £m	Rank Interactive £m	Central costs £m	Total £m
Total segment assets	173.4	106.1	50.8	66.7	5.9	402.9
Unallocated assets	-	-	-	-	-	96.3
Total assets	173.4	106.1	50.8	66.7	5.9	499.2

3. Exceptional items

	6 months to 30.06.11 £m	6 months to 30.06.10 £m
Exceptional items relating to continuing operations		
Impairment charge	(4.4)	-
Bid response costs	(4.3)	-
Restructuring costs	(3.6)	(1.2)
Exceptional operating costs	(12.3)	(1.2)
VAT refund net of associated costs	80.3	38.7
Exceptional operating income	80.3	38.7
Finance income	80.9	5.6
Taxation	(30.5)	(12.0)
Exceptional items relating to continuing operations	118.4	31.1
Exceptional items relating to discontinued operations		
Additional profit arising on previously disposed subsidiary	2.2	0.7
Finance income	2.7	0.5
Taxation	(1.3)	0.6
Exceptional items relating to discontinued operations	3.6	1.8
Total exceptional items	122.0	32.9

3. Exceptional items (continued)

Continuing operations

Impairment charges

Following the introduction of a full smoking ban at the start of the year and the difficult economic conditions in Spain an impairment charge of £4.4m has been recognised in respect of Top Rank España. It is possible that further impairment charges may be required if the future performance of the individual bingo clubs is not in line with expectations.

Bid response costs

During the period, the Group recognised an exceptional cost of £4.3m relating to the professional fees and other related costs for the response to the Guoco Group Limited offer for the Group.

Restructuring costs

During the period, the Group recognised an exceptional cost of £3.6m relating to the closure of three Mecca Bingo clubs, the announced closure of one Grosvenor casino and continued restructuring of Top Rank España. The cost included an increase in the onerous lease provision of £1.6m and the creation of a restructuring provision of £0.9m.

VAT refunds net of associated costs

During the period, the Group received £81.9m in overpaid VAT from HMRC, together with associated interest of £80.9m. The repayment covers VAT paid on games of interval and main stage bingo (between 1973 and 1996) and main stage bingo (between 2003 and 2004). The repayments follow successive rulings in the Group's favour in both the First-tier Tribunal and Upper Tribunal (or High Court). HMRC have appealed these decisions and as a result the case was referred to the European Court of Justice ('ECJ'). The ECJ heard the Rank case on 30 June 2011. It is expected that a decision will be released before the end of 2011. In the event that Rank loses either case, the amounts received pertaining to that case would have to be repaid to HMRC, plus interest (see note 12). Further details of the exceptional gain arising on the VAT repayments are disclosed in the table below:

	Interval and main stage bingo 1973 to 1996 £m	Main stage bingo 2003 to 2004 £m	Total £m
Cash repayment received	74.8	7.1	81.9
Costs, including contingent fees and irrecoverable VAT	(1.0)	(0.6)	(1.6)
Exceptional gain before financing and taxation	73.8	6.5	80.3
Finance income	79.5	1.4	80.9
Taxation	(30.7)	(2.1)	(32.8)
Total exceptional gain on VAT refund	122.6	5.8	128.4

Discontinued operations

Additional profit arising on previously disposed subsidiary

The Group also recognised an exceptional profit of £2.2m, together with associated interest of £2.7m, following the successful outcome of certain VAT claims relating to previously disposed subsidiary undertakings.

4. Financing

	6 months to 30.06.11 £m	6 months to 30.06.10 £m
Continuing operations:		
Finance costs:		
Interest on debt and borrowings	(2.1)	(2.1)
Amortisation of issue costs on borrowings	(0.2)	(0.5)
Interest payable on finance leases	(0.5)	(0.5)
Unwinding of the discount in onerous leases provisions	(0.7)	(0.6)
Unwinding of the discount in disposal provisions	(0.1)	(0.1)
Finance costs	(3.6)	(3.8)
Finance income:		
Interest income on short term bank deposits	0.3	0.2
Finance income	0.3	0.2
Other financial gains (losses)	0.2	(0.7)
Total net financing cost for continuing operations before exceptional items	(3.1)	(4.3)
Exceptional finance income	80.9	5.6
Total net financing income for continuing operations	77.8	1.3

A reconciliation of total net financing costs to adjusted net interest included in adjusted profit is disclosed below:

	6 months to 30.06.11 £m	6 months to 30.06.10 £m
Total net financing cost for continuing operations before exceptional items	(3.1)	(4.3)
Adjust for :		
Unwinding of the discount in disposal provisions	0.1	0.1
Other financial (gains) losses – including foreign exchange	(0.2)	0.7
Adjusted net interest payable	(3.2)	(3.5)

Further details of the exceptional finance income are disclosed in note 3.

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 year.

	6 months to 30.06.11		
	Continuing operations £m	Discontinued operations £m	Total £m
Current income tax			
Current income tax – UK	(0.7)	-	(0.7)
Current income tax – overseas	(0.1)	-	(0.1)
Current income tax charge	(0.8)	-	(0.8)
Current income tax on exceptional items	(31.5)	(1.3)	(32.8)
Amounts under provided in previous year	(0.3)	-	(0.3)
Total current income tax charge	(32.6)	(1.3)	(33.9)
Deferred tax			
Deferred tax – UK	(6.9)	-	(6.9)
Restatement of deferred tax from 27.0% to 26.0%	(0.7)	-	(0.7)
Deferred tax on exceptional items	1.0	-	1.0
Amounts under provided in previous year	(0.3)	-	(0.3)
Total deferred tax charge	(6.9)	-	(6.9)
Tax charge in the income statement	(39.5)	(1.3)	(40.8)

	6 months to 30.06.10		
	Continuing operations £m	Discontinued operations £m	Total £m
Current income tax			
Current income tax – UK	(3.3)	-	(3.3)
Current income tax – overseas	(0.7)	-	(0.7)
Current income tax charge	(4.0)	-	(4.0)
Current income tax on exceptional items	(12.0)	(0.1)	(12.1)
Amounts over provided in previous year on exceptional items	-	0.7	0.7
Total current income tax (charge) credit	(16.0)	0.6	(15.4)
Deferred tax			
Deferred tax – UK	(4.5)	-	(4.5)
Amounts over provided in previous year	1.7	-	1.7
Total deferred tax charge	(2.8)	-	(2.8)
Tax (charge) credit in the income statement	(18.8)	0.6	(18.2)

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

	6 months to 30.06.11 £m	6 months to 30.06.10 £m
Current income tax credit (charge) on exchange movements offset in reserves	0.3	(1.9)
Total tax credit (charge) on items within other comprehensive income	0.3	(1.9)

5. Taxation (continued)

The tax effect of items credited directly to equity was as follows:

	6 months to 30.06.11	6 months to 30.06.10
	£m	£m
Current income tax credit on share based payments	0.8	-
Deferred tax credit on share based payments	0.1	-
Total tax credit on items credited directly to equity	0.9	-

Factors affecting future taxation

It was announced in the Budget on 23 March 2011 that the UK corporation tax rate would be reduced from 28% to 26% from 1 April 2011 and not 27% as originally announced, and subsequently enacted in the June 2010 Budget. The UK corporation tax rate will be reduced by a further 1% per annum thereafter until 1 April 2014 when the UK corporation tax rate will be 23%. The net UK deferred tax asset has been calculated based on the substantively enacted rate at the balance sheet date of 26.0% in accordance with IFRS.

The proposed rate reductions will reduce the amount of future cash tax payments to be made by the Group. Overall the reduction in the corporation tax rate from 26% to 23% is expected to reduce the Group's net deferred tax asset in the future by approximately £0.8m.

It is also proposed that from 1 April 2012, the rate of capital allowances applicable to plant and machinery expenditure will be reduced from 20% to 18% on a reducing balancing basis. The rate of capital allowances applicable to long-term assets will be reduced from 10% to 8% on a reducing balancing basis.

These changes to capital allowance rates will reduce the rate that tax relief is given to qualifying capital expenditure, which will advance cash tax payments. This will be offset by the proposed reductions to the rate of corporation tax.

6. Dividends

	6 months to 30.06.11	6 months to 30.06.10
	£m	£m
Dividends paid to equity holders		
Final for 2010 paid on 4 May 2011 - 1.66p per share	6.5	-
Final for 2009 paid on 5 May 2010 - 1.35p per share	-	5.3
Total	6.5	5.3

The Board has resolved to pay an interim dividend of 1.00p per ordinary share (2010: 0.74p). The dividend will be paid on 12 September 2011 to shareholders on the register at 5 August 2011. The financial information does not reflect this dividend.

7. Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, unwinding of the discount in disposal provisions and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

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

	6 months to 30.06.11 £m	6 months to 30.06.10 £m
Profit attributable to equity shareholders	139.4	50.4
Adjust for:		
Discontinued operations (net of taxation)	(3.6)	(1.8)
Exceptional items after tax on continuing operations	(118.4)	(31.1)
Other financial (gains) losses	(0.2)	0.7
Unwinding of the discount in disposal provisions	0.1	0.1
Taxation on adjusted items and impact of reduction in tax rate to 26.0%	0.7	(0.2)
Adjusted net earnings attributable to equity shareholders	18.0	18.1
Weighted average number of ordinary shares (m)	389.6m	389.5m
Adjusted earnings per share (p) - basic	4.6p	4.6p

8. Provisions

	Onerous leases £m	Disposal provisions £m	Restructuring provision £m	Total £m
At 1 January 2011	41.9	10.7	-	52.6
Exchange adjustments	-	(0.1)	-	(0.1)
Unwinding of discount	0.7	0.1	-	0.8
Charged to the income statement - exceptional	1.6	-	0.9	2.5
Utilised in year	(1.6)	(1.2)	-	(2.8)
At 30 June 2011	42.6	9.5	0.9	53.0
Current	5.4	3.5	0.9	9.8
Non-current	37.2	6.0	-	43.2
At 30 June 2011	42.6	9.5	0.9	53.0

Details of the £2.5m charge to exceptional items in the income statement are disclosed in note 3.

9. Borrowings to net cash (debt) reconciliation

Under IFRS, 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 cash (debt) position is provided below:

	At 30.06.11 £m	At 30.06.10 £m
Total loans and borrowings	(91.0)	(242.0)
Less: accrued interest	0.3	0.7
Less: unamortised facility fees	(0.2)	(1.0)
	(90.9)	(242.3)
Add: cash and short-term deposits	128.1	108.9
Net cash (debt)	37.2	(133.4)

10. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	6 months to 30.06.11 £m	6 months to 30.06.10 £m
Continuing operations		
Operating profit	97.5	66.1
Exceptional items	(68.0)	(37.5)
Operating profit before exceptional items	29.5	28.6
Depreciation and amortisation	18.3	14.5
Decrease in inventories	0.4	0.6
Increase in trade and other receivables	(7.7)	(6.4)
Increase in trade and other payables	3.8	2.8
Share-based payments and other	0.5	0.3
	44.8	40.4
Cash utilisation of provisions	(2.8)	(2.2)
Cash payments in respect of exceptional items	(1.1)	(1.2)
Cash receipts in respect of exceptional items	81.6	40.8
Cash generated from operations	122.5	77.8

11. Contingent assets

The Group has lodged a number of VAT claims that are the subject of ongoing litigation but have not yet been paid. These include, but are not limited to, claims submitted pursuant to the House of Lords decision in the Condé Nast/Fleming (Fleming) cases on the applicability of the three year cap that HMRC introduced to limit VAT reclaims. Fleming claims, which had to be submitted by March 2009, are based on management's best estimates from the information available and the Group expects HMRC to closely review both the Group's right to the amounts claimed and the value of each claim before settlement. In a number of cases, the Fleming claims are subject to the successful outcome of other litigation. This includes the litigation outlined in note 12 below.

The combined value of these claims, including simple interest, is currently estimated to be worth more than £275m.

The Group has not recognised any gain in its financial statements at 30 June 2011 in respect of the above items.

12. Contingent liabilities

i) Group liabilities relating to Fiscal Neutrality Case

Since 2008, the Group has received several repayments from HMRC following a series of VAT claims the Group had submitted. The basis of these claims is that UK VAT legislation breached the European Union's principle of fiscal neutrality. There are 2 separate breaches that the court has been asked to consider, one concerns income earned from interval bingo ('the bingo case'), the other concerns amusement machine income ('the slots case'). In the event that the Group loses either case, the amounts received pertaining to that case would have to be repaid to HMRC, plus interest. The First-tier Tribunal and Upper Tribunal (or High Court) have found in the Group's favour. HMRC have appealed these decisions and as a result the case was referred to the European Court of Justice ('ECJ'). The ECJ heard the Group case on 30 June 2011, and it is expected that a decision will be released before the end of 2011.

The VAT recovered to date, along with the particular nature of each claim, is detailed in the table below.

Description of claim	Date of payment	VAT received £m	Interest received £m	Total £m
Interval bingo, claim for January 2003 to June 2008	November 2008	59.1	6.8	65.9
Interval bingo, amounts accounted for on VAT returns submitted for the periods from July 2008 to April 2009		7.4	-	7.4
Main stage bingo, claim for 2004 to 2009	May 2010	16.1	1.2	17.3
Amusement machine, claim for 2002 to 2005	May 2010	26.4	4.4	30.8
Main stage bingo, claim for 2003 to 2004	February 2011	7.1	1.4	8.5
Interval and main stage Bingo, claim for 1973 to 1996	March 2011	74.8	79.5	154.3
Total recovered to date		190.9	93.3	284.2
Deductions from amount due in the event that the Group loses (including contingent adviser fees and bingo duty offsets)				(10.0)
Total due if the Group loses (excluding interest due to HMRC)				274.2

12. Contingent liabilities (continued)

In September 2010, the Group entered into an agreement with a third party that would result in the receipt of £40.5m in the event that the Court finds in favour of HMRC on the bingo case. This agreement was funded by a payment of £4.6m which was recognised as an exceptional cost in 2010. Thus, should the Group lose both the bingo case and the slots case, it would be required to pay £233.7m plus interest. The interest charged by HMRC is calculated on a simple basis and by reference to the VAT received.

ii) Grosvenor liability relating to irrecoverable VAT

The Group has been in negotiation with HMRC for several years on the means by which it calculates the amount of irrecoverable VAT in Grosvenor Casinos. From July 2007 until June 2010 the Group accounted for irrecoverable VAT on the basis that HMRC was correct. As a result, the amount of irrecoverable VAT suffered by Grosvenor Casinos exceeded the amount that the Group believed was due. The difference in the Group's position as against HMRC's position for the period under negotiation (July 2007 to June 2011) amounts to an estimated £7m.

In 2010, the point of dispute between the Group and HMRC was the subject of litigation by another, similar, taxpayer. In that case, the First-tier Tribunal and the Upper Tribunal ruled that HMRC's position was incorrect. While HMRC has appealed, precedent case law indicates that the Group's position is correct and on that basis the irrecoverable VAT charge has been adjusted accordingly. However, it remains possible that this decision will be reversed on appeal. In that event the Group would have to pay the VAT in dispute (see above) plus interest.

The directors consider that, in respect of all contingent liabilities disclosed above, it is more likely than not that no outflow will arise.

13. Related party transactions and ultimate parent undertaking

On 7 June 2011 Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange, acquired a controlling interest in The Rank Group Plc. At 27 July 2011, Guoco owned 74.5% of the Company's shares through two controlled undertakings; Asia Fountain Investment Company Limited and All Global Investments Limited. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad which is incorporated in Malaysia.

Tim Scoble and Mike Smith were appointed as non-executive directors by shareholders at the Company's annual general meeting on 22 April 2010 as appointees of Guoco. Mike Smith resigned as a director with effect from 30 April 2011. During the period ended 30 June 2011, payments of £33,333 (30 June 2010: £14,575) were made to Guoco controlled companies in relation to their fees.

Responsibility Statement

The interim management report complies with the Disclosure Rules and Transparency Rules ('DTR') of the United Kingdom's Financial Services Authority in respect of the requirement to produce a half-yearly financial report. The interim report is the responsibility of, and has been approved by, the directors. We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34;
- the interim management report includes a fair review of the important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year, as required by DTR 4.2.7R; and
- the interim management report and note 13 to the Group financial information includes a fair review of disclosure of related party transactions and changes therein, as required by DTR 4.2.8R.

The directors of The Rank Group Plc are:

Ian Burke
Clive Jennings
Richard Greenhalgh
Owen O'Donnell
Tim Scoble
Bill Shannon
John Warren

Signed on behalf of the board on 27 July 2011

Ian Burke
Chairman and chief executive

Independent Review Report to The Rank Group Plc

Introduction

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 30 June 2011 which comprises the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Balance Sheet and the related explanatory notes. 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.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. 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 Ireland) 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.

Conclusion

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 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
27 July 2011