

**The Rank Group Plc
Half-year results for the six months ended 31 December 2012**

Key highlights

- Rank has delivered a good performance in a challenging economic environment during the six months to 31 December 2012, driven by a 33% rise in operating profit at its Grosvenor Casinos venues and by an 11% rise in revenue at meccabingo.com
- Group customer visits grew by 1% driven by success in its digital channels
- Our fastest growing channel of distribution was mobile, which increased revenue by 172%
- Adjusted profit before tax was down 4% due largely to one off additional marketing costs in Blue Square Bet and higher operating costs in Mecca venues
- The Group has continued to focus its investment in its Grosvenor Casinos venues and across the Group's UK digital channels, with £13.1m invested during the period
- The Competition Commission announced in December that its final report on our proposed acquisition of Gala Casinos is expected by 20 February 2013
- Strong financial position with net cash of £62.6m

Financial highlights in the six months ended 31 December 2012

	H1 2012/13 (unaudited)	H1 2011/12 (unaudited)	Change
Group revenue	£312.0m	£295.9m	5%
Statutory revenue	£296.7m	£282.7m	5%
Group EBITDA before exceptional items	£53.7m	£53.1m	1%
Group operating profit before exceptional items	£33.4m	£34.6m	(3)%
Adjusted profit before tax	£31.3m	£32.5m	(4)%
Adjusted earnings per share	5.9p	6.1p	(3)%
Net cash	£62.6m	£25.0m	150%
Dividend per share	1.25p	1.10p	14%

Ian Burke, chief executive of The Rank Group Plc said:

"Rank has delivered a satisfactory set of results in what is a challenging economic environment. Growth in customer numbers, visits and spend per visit across the Group has been achieved by strong performances in our Grosvenor Casinos venues and in meccabingo.com. Whilst adjusted profit before tax is slightly lower than last year, this is largely due to the increased marketing spend incurred by Blue Square Bet and higher operating costs in our Mecca venues.

Our focus remains on generating sustainable returns for our shareholders. This will be achieved by developing further our gaming-based entertainment brands as well as engaging positively with Governments to ensure that our activities make positive social and economic contributions to the jurisdictions in which we operate.

Allowing for the slow start to the second half we remain confident in our prospects for the remainder of the year and in our longer-term growth strategy."

Ends

Definition of terms:

- Enracha is the new brand for our Spanish business previously called Top Rank España;
- At the start of the period the Group moved to a brand based reporting structure. Our segments are now reported under the following brands: Grosvenor Casinos, Mecca, Enracha and Blue Square Bet;
- 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;
- Like for like excludes club openings and closures; and
- The term 'H1 2011/12' refers to the six month period ending 31 December 2011, 'H1 2012/13' refers to the six month period ending 31 December 2012.

Enquiries

The Rank Group Plc

Sarah Powell, investor relations

Tel: 01628 504303

FTI consulting

Marc Cohen

Tel: 020 7831 3113

Ed Bridges

Tel: 020 7269 7147

Photographs available from www.rank.com

Analyst meeting and webcast details:

Thursday 31 January 2013

There will be an analyst meeting at FTI Consulting, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB 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

I am pleased to report that during the first half of 2012/13 the Group achieved growth in customer numbers, visits and revenue and has continued to strengthen its financial position ending the period with net cash of £62.6m.

Strategy

Our strategy is to achieve sustainable growth in earnings per share by continuing to develop strong gaming-based entertainment brands, operating responsibly and engaging positively with governments in the jurisdictions in which we operate.

Our brands aim to increase customer numbers, visits and revenue by:

- using customer insight to drive product and service improvements;
- investing capital expenditure sensibly to extend the reach and broaden the appeal of the leisure experiences we deliver; and
- gaining wider distribution in a multi-channel world through digital (including mobile) channels.

Our core market is Great Britain, where we generate more than 90% of Group revenues. In the medium term, our priority is to focus resource on strengthening our position in this jurisdiction.

Group key performance indicators (KPIs)

We measure our performance through the Group's KPIs. I am pleased to report that we have made progress in all but one of these metrics during the six month period.

	H1 2012/13	H1 2011/12
Customers* (000s)	2,762	2,687
Customer visits (000s)	14,368	14,255
Spend per visit (£)	21.71	20.76
Offline-online crossover	3.2%	2.9%
Net promoter score	47%	51%

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

During the six months to 31 December 2012, the Group continued to increase its market penetration, serving more than 2.7 million customers.

Financial performance

The Group achieved 4% growth in revenue from venues and 12% growth from digital (online and mobile). The fastest growing channel of distribution was mobile which increased revenue by 172% to £7.5m, with over 30% of our digital customers in Great Britain playing our games on mobile devices.

£m	Revenue*		Operating profit**	
	H1 2012/13	H1 2011/12	H1 2012/13	H1 2011/12
Grosvenor Casinos	144.5	128.1	25.4	18.9
Mecca	146.1	144.8	22.5	26.6
Enracha	13.8	14.9	0.4	(0.3)
Blue Square Bet	7.6	8.1	(4.8)	(1.7)
Central costs			(10.1)	(8.9)
Group	312.0	295.9	33.4	34.6

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

Revenue from Grosvenor Casinos increased by 13% to £144.5m as a result of growth in customers, spend per visit and a higher than normal win margin in London. Operating profit rose by 34% to £25.4m largely driven by a strong performance in London.

Mecca's revenue increased by 1% to £146.1m with an increase in venues spend per visit and growth in customer numbers. Operating profit fell 15% to £22.5m due to an increase in venue operating costs.

Enracha's euro revenue increased by 1% to €17.3m on a 7% increase in euro spend per visit. Due to an unfavourable exchange rate, sterling revenue declined by 7% to £13.8m. A small sterling operating profit was made in the period due to a reduction in marketing expenditure in its venues and lower digital costs.

Non-gaming revenue grew by 6% to £25.3m representing 8% of Group revenue. The majority of this revenue relates to food and drink served in our venues.

Blue Square Bet's revenue fell by 6% to £7.6m predominately due to a lower sports book win margin. Operating loss increased to £(4.8)m principally due to higher marketing costs.

Central costs were 13% higher than in H1 2011/12 due to higher employment costs, increased IT costs and a number of non-recurring credits.

During the six month period we invested £18.7m of capital across the Group. More than 53% of this was deployed in our Grosvenor Casinos and Mecca clubs, enhancing venues and developing new ones. In addition, we invested £3.2m in extending the reach of our brands through digital channels, particularly mobile. Across the Group £5.6m was spent on general maintenance and IT upgrades.

The Group's adjusted net financing charge of £2.1m was in line with the same period in 2011/12. Adjusted earnings per share were down 3% to 5.9p.

Proposed acquisition of Gala Casinos

On 20 August 2012, the Office of Fair Trading ("OFT") announced that it had referred the proposed acquisition of Gala Casinos Limited by the Group to the Competition Commission ("CC").

On 18 December 2012, the CC provided its provisional findings into the referral from the OFT. Its provisional findings can be found at <http://www.competition-commission.org.uk/our-work/rank-gala>.

The Group submitted its response to the CC's provisional findings on 13 January 2013 and awaits the CC's final report which is due by 20 February 2013.

Fiscal and regulatory update

On 1 February 2013, Machine Games Duty will be introduced, replacing the current system of VAT and AMLD (a fixed fee charged on each gaming machine offered to consumers) on amusement machine income. On 1 December 2014, remote gaming duty is expected to apply to online gambling revenue generated by customers in the UK.

We believe that it makes economic sense for both the Government and the industry, for gambling activities to be subject to a uniform taxation regime unless there are clear and explicit social policy reasons for such exceptions. Rank continues to work with Government to press our case for fundamental reform.

On 15 January 2013, the Government published its response to the Culture, Media and Sports Select Committee report "The Gambling Act 2005: A bet worth taking?". On the proposal to give 1968 Act casinos the same freedoms as 2005 Act casinos, the Government has stated it wishes to gather more data and understand further the effect the 2005 Act licences have on communities before a decision will be made. The Government has also made reference to the proposal for casino licence portability. It states it will support engagement between the casino industry and the relevant local governments; however any agreed approach must not adversely impact competition within the sector and the awarding of 2005 Act licences.

The Select Committee's proposal on reducing the rate of bingo tax from 20% to 15% has not been accepted by the Government at this current time, however they state that they will continue to engage actively with the bingo industry as part of its usual budget process.

The triennial review of stakes and prizes by the Government was also released on 15 January 2013 and will be subject to consultation. The Group is pleased to see the proposals to increase the maximum stakes for B1 machines and the maximum prize for Category C machines.

Blue Square Bet review

On 10 January 2013, the Group announced it was undertaking a review of its Blue Square Bet business. The business operates solely in the digital channel of the highly competitive sports betting market where it continues to generate an operating loss. The review remains underway and an update will be provided in due course.

VAT claims

On 5 October 2012, Rank received confirmation that the Group's amusement machine claim is to be remitted back to the First Tier Tribunal to consider the question of similarity between certain types of amusement machines. This means that the current litigation may take longer to resolve but this delay has not altered Rank's appraisal of its chances of success in this matter. This claim relates to the £30.8m (VAT of £26.4m plus interest of £4.4m) overpayment on amusement machines already received by the Group. The First Tier Tribunal date has however been held over until another point of dispute in relation to the claim is heard at the Court of Appeal which is expected to take place in May 2013. A successful result in the current amusement machines litigation will strengthen the legal arguments for Rank's additional claims for earlier and later periods which have similar facts and legal principles.

Dividends

The board is pleased to declare an interim dividend for 2012/13 of 1.25 pence per share to be paid on 22 March 2013 to shareholders on the register at 22 February 2013.

Current trading and outlook

Trading in the four weeks since the start of the second half has been mixed. The first two weeks saw trends in line with those in the pre-Christmas period, with a continued increase in like-for-like revenue. However UK trading in the last two weeks has been adversely impacted by the heavy snow, with a substantial drop in customer visits to our venues. This is expected to result in a year on year revenue reduction of approximately £3m which, due to the high level of fixed costs in our venues, will largely fall through to the Group's operating profit.

Allowing for the slow start to the second half we remain confident in the Group's prospects for the remainder of the year and its longer-term growth strategy.

Business review

Grosvenor Casinos

Grosvenor Casinos enjoyed a strong first half, with increases in customers and customer visits driving another period of strong operating profit growth.

	H1 2012/13	H1 2011/12
Total revenue* (£m)	144.5	128.1
- Venues (£m)	140.1	125.8
- Digital (£m)	4.4	2.3
Total EBITDA** (£m)	34.7	26.4
- Venues (£m)	35.6	27.1
- Digital (£m)	(0.9)	(0.7)
Total operating profit** (£m)	25.4	18.9
- Venues (£m)	27.2	20.4
- Digital (£m)	(1.8)	(1.5)
Like-for-like revenue	12%	
- Venues	10%	
- Digital	91%	

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

Venues revenue of £140.1m was up 11% (or 10% on a like-for-like basis) with a 12% rise in spend per visit. A higher than normal London win margin has contributed to an increase in operating profit by 33% to £27.2m.

Digital revenue improved during the period by 91% to £4.4m. However the operating loss increased by 20% to £(1.8)m due to increased investment in marketing, customer management and product development. These investments successfully led to customer numbers more than doubling.

Key performance indicators

	H1 2012/13	H1 2011/12
Total customers (000s)**	1,303	1,204
- Venues (000s)*	1,282	1,194
- Digital (000s)*	33	15
Total customer visits (000s)	3,218	3,143
- Venues (000s)	3,052	3,059
- Digital (000s)	166	84
Total spend per visit (£)	44.90	40.76
- Venues (£)	45.90	41.12
- Digital (£)	26.51	27.38
Net promoter score		
- Venues	44%	46%
- Digital	2%	10%

* Customers shown on a moving annual total ('MAT') basis; **cross-over customers included only once

On 7 December 2012, we completed the extension of our existing G casino in Portsmouth and in March 2013 we will open a new casino under the G format in Reading. At 31 December 2012, the brand operated 35 casinos in Great Britain (incorporating 37 licences) and two in Belgium.

The Group continues its focus on growing the digital channel making it a core part of the Grosvenor brand proposition through multi-channel thinking and development of the customer journey.

Venues regional analysis

	Customer visits (000s)		Spend per visit (£)		Revenue (£m)		Operating profit (£m)	
	H1 2012/13	H1 2011/12	H1 2012/13	H1 2011/12	H1 2012/13	H1 2011/12	H1 2012/13	H1 2011/12
London	534	566	107.12	82.15	57.2	46.5	16.5	10.2
Provinces	2,357	2,320	31.99	30.81	75.4	71.5	10.8	11.4
Belgium	161	173	46.58	45.09	7.5	7.8	(0.1)	(1.2)
Total	3,052	3,059	45.90	41.12	140.1	125.8	27.2	20.4

Revenue from our London casinos rose 23% to £57.2m due to a higher than normal win margin. This in turn was principally responsible for a 62% increase in operating profit to £16.5m. The provincial estate has seen an increase in both customer visits and spend per visit. These have resulted in an overall increase in revenue by 5%, however operating profit fell by 5% due to an increase in staff costs, a higher depreciation charge and the impact of new openings.

Trading at our two Belgian casinos has broadly been flat in local currency. However improved cost discipline and revenue from the Unibet partnership has contributed to a 92% decrease in the operating loss.

Venues revenue analysis – Great Britain only

£m	H1 2012/13	H1 2011/12	Variance
Casino games	95.8	81.9	17%
Gaming machines	20.0	19.6	2%
Card room games	5.7	6.5	(12)%
Food & drink/other	11.1	10.0	11%
Total	132.6	118.0	12%

All categories of revenue within the venues estate, apart from card room games, increased during the six month period. The growth was due to a higher than normal win margin in London and stronger food and drink sales, with key poker tournaments delayed until H2 2012/13 adversely impacting the card room income compared to the same period in 2011/12.

Mecca

In the six month period Mecca has had a broadly flat revenue performance, with growth in the digital channel partly offset by a fall in venues revenue.

	H1 2012/13	H1 2011/12
Total revenue* (£m)	146.1	144.8
- Venues (£m)	115.7	117.4
- Digital (£m)	30.4	27.4
Total EBITDA** (£m)	30.9	35.1
- Venues (£m)	18.6	22.4
- Digital (£m)	12.3	12.7
Total operating profit** (£m)	22.5	26.6
- Venues (£m)	11.1	14.8
- Digital (£m)	11.4	11.8
Like-for-like revenue	1%	
- Venues	0%	
- Digital	11%	

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

Venues revenue of £115.7m was marginally down by 1% (or flat on a like-for-like basis) with a 3% rise in spend per visit offsetting a 4% reduction in customer visits. Operating profit fell to £11.1m due to higher machine, staff, utility and property costs.

Digital revenue of £30.4m was up by 11%. However operating profit fell by 3% to due to higher marketing and shared service costs. Customer numbers have grown across both channels driven by increased marketing and customer acquisition activity.

Key performance indicators

	H1 2012/13	H1 2011/12
Total customers (000s)**	1,122	1,077
- Venues (000s)*	958	943
- Digital (000s)*	227	196
Total customer visits (000s)	9,300	9,190
- Venue (000s)	6,864	7,163
- Digital (000s)	2,436	2,027
Total spend per visit (£)	15.71	15.76
- Venues (£)	16.86	16.39
- Digital (£)	12.48	13.52
Net promoter score		
- Venues	55%	60%
- Digital	23%	27%

* Customers shown on a moving annual total ('MAT') basis; **cross-over customers included only once

Mecca invested £0.6m during the first half of the year on the Full House conversion of its Hartlepool venue following the recent success of its earlier conversion at Wood Green. One further conversion is underway at its Knotty Ash venue. The Group will then review the performance of these conversions during the second half of 2012/13 before committing to any further conversions. At 31 December 2012, the brand operated 97 licensed bingo clubs in Great Britain.

Venues revenue analysis

£m	H1 2012/13	H1 2011/12	Variance
Main stage bingo	20.0	20.8	(4)%
Interval games	50.7	51.6	(2)%
Amusement machines	32.0	32.2	(1)%
Food & drink/other	13.0	12.8	2%
Total	115.7	117.4	(1)%

Revenue from our food and drink operations grew by 2% to £13.0m. Gaming revenues declined but at a lower rate than the decline in visits.

Enracha

Despite the continuing tough economic conditions in Spain, Enracha (our new Spanish brand) has delivered growth in both revenue and spend per visit in local currency.

	H1 2012/13	H1 2011/12
Revenue (euros m)	17.3	17.2
Revenue (£m)	13.8	14.9
EBITDA* (£m)	1.5	0.9
Operating profit* (£m)	0.4	(0.3)

* before exceptional items

Euro revenue increased by 1% to €17.3m as a result of a 7% increase in spend per visit partly driven by the recent investments to the venues estate. In sterling, revenue was down 7% due to the unfavourable exchange rate. A small sterling operating profit was generated in the period due to lower marketing and employment costs.

Key performance indicators

	H1 2012/13	H1 2011/12
Customers (000s)*	291	308
Customer visits (000s)	998	1,064
Spend per visit (€)	17.33	16.17
Spend per visit (£)	13.83	14.00

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

Increased numbers of electronic gaming machines and lower rates of duty have benefited the brand's estate.

Venues revenue analysis (euros)

€m	H1 2012/13	H1 2011/12	Variance
Bingo	10.0	9.9	1%
Amusement machines	5.8	6.1	(5)%
Food & drink/other	1.5	1.2	25%
Total	17.3	17.2	1%

Amusement machine income decreased in the period due to a fall in customer visits. Food and drink has increased due to an improved offering in the converted clubs.

There were no changes to the portfolio during the period; Enracha operated 11 bingo clubs across Cataluña, Madrid, Galicia and Andalucía.

Blue Square Bet

Blue Square Bet produced a disappointing performance with a decrease in revenue and an increase in operating loss. On 10 January 2013, the Group announced a review of the brand.

	H1 2012/13	H1 2011/12
Revenue* (£m)	7.6	8.1
EBITDA** (£m)	(3.9)	(0.9)
Operating loss** (£m)	(4.8)	(1.7)
Like-for-like revenue	(6)%	

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

Revenue from Blue Square Bet decreased by 6% to £7.6m, largely due to a lower win margin in its sports book.

Operating loss increased by 182% to £(4.8)m as the brand incurred higher marketing and shared service costs.

Key performance indicators

	H1 2012/13	H1 2011/12
Customers (000s)*	120	96
Customer visits (000s)	852	858
Spend per visit (£)	8.92	9.44
Net promoter score	(8)%	(15)%

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

Whilst increased marketing has driven a 25% increase in customer numbers in a highly competitive market it has proven difficult to translate this into higher customer visits.

Revenue analysis

£m	H1 2012/13	H1 2011/12
Games	4.0	3.4
Sports betting	3.6	4.7
Total	7.6	8.1

Games – Revenue from games increased by 18% to £4.0m, driven by customer acquisition activity.

Sports betting – Revenue from sports betting decreased by 23% to £3.6m, largely as a result of a lower sports book margin.

Financial review

Pre exceptional income statement

Group revenue for the six months to 31 December 2012 from continuing operations rose by 5% to £312.0m whilst Group operating profit before exceptionals of £33.4m was £1.2m lower than the same period in 2011.

The growth in Group revenues reflects a strong performance from our Grosvenor Casinos venues and meccabingo.com. As a result of the increased marketing investment in the Blue Square Bet business and higher operating costs in Mecca venues this growth has not translated through to operating profit.

Adjusted net interest payable for the six months was in line with the same period in 2011.

Adjusted earnings per share of 5.9p (H1 2011/12: 6.1p) reflect the decrease in pre-tax profits. The weighted average number of ordinary shares was materially unchanged from the same period in 2011.

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.

During the period the Group recognised various items relating to indirect and direct taxation matters and £3.9m of transaction costs regarding the proposed acquisition of Gala Casinos from Gala Coral Group Limited.

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

Taxation

The Group's effective corporation tax rate was 26.8% (H1 2012/11: 26.8%) based on a tax charge of £8.4m on adjusted profit before taxation and exceptionals of £31.3m. This is at the upper end of the Group's anticipated effective tax rate of 26% to 27% due to a small number of prior year adjustments. The Group's effective corporation tax rate for 2012/13 is expected to remain around 27%.

The Group had an effective cash tax rate of 15.7% on adjusted profit. The Group is expected to have a cash tax rate of 18% to 20% in 2012/13, excluding any tax payable on the resolution of a number of legacy issues. This is lower than the Group's effective corporation tax rate as a result of the utilisation of brought forward losses in Spain and capital allowances in the UK.

Cash flow and balance sheet

	H1 2012/13 £m	H1 2011/12 £m
Continuing operations		
Cash inflow from operations	56.8	52.2
Capital expenditure	(17.9)	(28.0)
Fixed asset disposals	2.0	0.2
Operating cash inflow	40.9	24.4
Net cash payments in respect of provisions and exceptional items	(5.3)	(11.3)
	35.6	13.1
Net interest and tax payments	(4.7)	(23.7)
Dividends paid	(9.8)	(3.9)
New finance leases	(0.8)	(0.2)
Other (including foreign exchange translation)	0.5	2.5
Cash inflow (outflow)	20.8	(12.2)
Opening net cash	41.8	37.2
Closing net cash	62.6	25.0

At the end of December 2012, net cash was £62.6m compared with net cash of £25.0m at the end of December 2011. The net cash comprised cash at bank and in hand of £92.0m offset by £8.8m in fixed rate Yankee bonds, £17.9m in finance leases and £2.7m in overdrafts.

The Group's banking facilities comprise four £20.0m bi-lateral agreements with its relationship banks totalling £80.0m. These facilities require 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 complied with its banking covenants.

The Group currently has no drawings on its banking facilities and continues to maintain a net cash position.

Capital expenditure

During the six month period, the Group's capital investment programme totalled £18.7m. Of this, more than 53% was invested in extending the reach and broadening the appeal of Grosvenor Casinos and Mecca venues .

	H1 2012/13 £m	H1 2011/12 £m
Cash:		
Grosvenor Casinos	10.4	14.9
Mecca	3.8	6.1
Enracha	0.5	3.2
Blue Square Bet	0.8	-
Central	2.4	3.8
Total	17.9	28.0
Finance leases:		
Grosvenor Casinos	0.5	-
Mecca	0.3	0.2
Total	0.8	0.2
Total capital expenditure	18.7	28.2

Grosvenor Casinos spent £1.9m on new site development at Reading, £1.6m on extending its Portsmouth G Casino, £4.1m on new gaming machines and £0.5m on I.T. upgrades. The balance of the expenditure was on minor capital works.

Capital expenditure for Mecca comprised £0.6m and £0.2m respectively on its Hartlepool and Knotty Ash conversions with the balance on minor capital works.

Blue Square Bet spent £0.8m on UK website development. Enracha spent £0.5m on the re-development of the Universal club in Madrid and other minor capital works.

Capital commitments at 31 December 2012 include a further £4.5m on the new G Casino site at Reading and £0.6m for the extension of our G Casino in Portsmouth. Mecca has commitments of £0.4m for further works at its Knotty Ash venue in Liverpool.

In light of continuing uncertain economic conditions, the Group continues to maintain strict control over committing expenditure to capital projects. We anticipate that 2012/13 capital investment will be towards the upper end of a range of £47m-£52m. 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.

Principal risks

Key risks are reviewed by the Executive Committee on a regular basis and where appropriate, actions are taken to mitigate the key risks that are identified. The principal risks and uncertainties which could impact the Group for the remainder of the financial year remain unchanged from those detailed in the Group's Annual Report and Accounts for the 18 month period ended 30 June 2012. A summary of these risks, and what we are doing to address them, is as follows:

Taxation and regulation

Adverse changes in political and social attitudes to gambling leading to changes in regulation and changes in gambling taxation and levies continue to be our biggest risks. We participate actively in trade bodies' presentations to Government and opposition parties with regard to these issues.

IT security

We are highly dependent upon technology and our systems may fail or be vulnerable to hacker intrusion, malicious viruses or other cyber-crime attacks. We have policies and procedures in place to safeguard our customer data and respond swiftly to breaches of the Group's IT systems.

External events

Customers may be prevented or deterred from accessing our clubs due to factors such as extreme weather, illness or disease epidemics, terrorist threats, strikes and public transport system failures. Whilst outside of our direct sphere of influence, we work hard to better prepare ourselves for such eventualities.

Loss of licences

Rank's gaming licences are fundamental to its operation and therefore the loss of them would be catastrophic for Rank. Rank has a dedicated compliance function that is independent of operations and a separate independent internal audit function. We also have a director of security who is supported by an experienced security team.

Economic environment

The uncertain economic environment, higher indirect taxation and public sector job cuts could adversely affect our customers' expenditure. We are constantly looking to identify ways to improve our offer so that we become our customers' leisure destination of choice.

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying liquidity requirements are produced quarterly and sensitivity tested. A four year forecast is produced annually to facilitate planning for future financing needs. Management actively manages the Group's financing requirements and the range of maturities on its debt.

Greater detail on these risks and uncertainties can be found in our Annual Report and Financial Statements for the 18 month period ended 30 June 2012.

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
Colin Child
Richard Greenhalgh
The Rt. Hon. Sir Richard Needham
Owen O'Donnell
Tim Scoble
John Warren
Shaa Wasmund

Signed on behalf of the board on 30 January 2013

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 31 December 2012 which comprises the Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Group Balance Sheet and Group Cash Flow Statement 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 31 December 2012 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
30 January 2013

Group Income Statement

for the six months to 31 December 2012

	Six months to 31 December 2012 (unaudited)			Six months to 31 December 2011 (unaudited)		
	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	312.0	-	312.0	295.9	-	295.9
Free bets, promotions and customer bonuses	(15.3)	-	(15.3)	(13.2)	-	(13.2)
Revenue	296.7	-	296.7	282.7	-	282.7
Cost of sales	(160.7)	-	(160.7)	(154.0)	-	(154.0)
Gross profit	136.0	-	136.0	128.7	-	128.7
Other operating costs	(102.6)	(13.5)	(116.1)	(94.1)	(12.9)	(107.0)
Group operating profit (loss)	33.4	(13.5)	19.9	34.6	(12.9)	21.7
Financing:						
– finance costs	(2.3)	(2.7)	(5.0)	(2.6)	-	(2.6)
– finance income	0.1	-	0.1	0.3	-	0.3
– other financial gains (losses)	0.3	-	0.3	(0.5)	-	(0.5)
Total net financing charge	(1.9)	(2.7)	(4.6)	(2.8)	-	(2.8)
Profit (loss) before taxation	31.5	(16.2)	15.3	31.8	(12.9)	18.9
Taxation	(8.7)	2.4	(6.3)	(8.7)	4.1	(4.6)
Profit (loss) for the period from continuing operations	22.8	(13.8)	9.0	23.1	(8.8)	14.3
Discontinued operations	-	9.1	9.1	-	-	-
Profit (loss) for the period	22.8	(4.7)	18.1	23.1	(8.8)	14.3
Attributable to:						
Equity holders of the parent	22.8	(4.7)	18.1	23.1	(8.8)	14.3
Earnings per share attributable to equity shareholders						
– basic	5.8p	(1.2)p	4.6p	5.9p	(2.3)p	3.6p
– diluted	5.8p	(1.2)p	4.6p	5.9p	(2.3)p	3.6p
Earnings per share – continuing operations						
– basic	5.8p	(3.5)p	2.3p	5.9p	(2.3)p	3.6p
– diluted	5.8p	(3.5)p	2.3p	5.9p	(2.3)p	3.6p
Earnings per share – discontinued operations						
– basic	-	2.3p	2.3p	-	-	-
– diluted	-	2.3p	2.3p	-	-	-

Group Statement of Comprehensive Income
for the six months to 31 December 2012

	Six months to 31 December 2012 (unaudited) £m	Six months to 31 December 2011 (unaudited) £m
Comprehensive income:		
Profit for the period	18.1	14.3
Other comprehensive income:		
Exchange adjustments net of tax	0.6	(0.5)
Actuarial gain (loss) on retirement benefits net of tax	0.1	(0.3)
Total comprehensive income for the period	18.8	13.5
Attributable to:		
Equity holders of the parent	18.8	13.5

Group Statement of Changes in Equity
for the six months to 31 December 2012

Six months to 31 December 2012 (unaudited)						
	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings £m	Total £m
At 1 July 2012	54.2	98.3	33.4	13.4	28.7	228.0
Comprehensive income:						
Profit for the period	-	-	-	-	18.1	18.1
Other comprehensive income:						
Exchange adjustments including tax	-	-	-	0.6	-	0.6
Actuarial gain on retirement benefits net of tax	-	-	-	-	0.1	0.1
Total comprehensive income for the period	-	-	-	0.6	18.2	18.8
Transactions with owners:						
Dividends paid to equity holders (see note 6)	-	-	-	-	(9.8)	(9.8)
Refund of unclaimed dividends (see note 6)	-	-	-	-	0.1	0.1
At 31 December 2012	54.2	98.3	33.4	14.0	37.2	237.1

Six months to 31 December 2011 (unaudited)						
	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings £m	Total £m
At 1 July 2011	54.2	98.3	33.4	14.4	8.4	208.7
Comprehensive income:						
Profit for the period	-	-	-	-	14.3	14.3
Other comprehensive income:						
Exchange adjustments including tax	-	-	-	(0.5)	-	(0.5)
Actuarial loss on retirement benefits net of tax	-	-	-	-	(0.3)	(0.3)
Total comprehensive (expense) income for the period	-	-	-	(0.5)	14.0	13.5
Transactions with owners:						
Dividends paid to equity holders (see note 6)	-	-	-	-	(3.9)	(3.9)
Credit in respect of employee share schemes including tax	-	-	-	-	0.4	0.4
At 31 December 2011	54.2	98.3	33.4	13.9	18.9	218.7

Group Balance Sheet
at 31 December 2012

	31 December 2012 (unaudited) £m	30 June 2012 £m
Assets		
Non-current assets		
Intangible assets	153.8	153.7
Property, plant and equipment	215.5	217.8
Deferred tax assets	2.0	3.5
Other receivables	3.0	3.9
	374.3	378.9
Current assets		
Inventories	3.4	3.1
Other receivables	23.0	30.7
Income tax receivable	-	0.1
Cash and short-term deposits	92.0	72.5
	118.4	106.4
Held for sale assets	0.2	1.9
Total assets	492.9	487.2
Liabilities		
Current liabilities		
Trade and other payables	(97.3)	(100.4)
Income tax payable	(25.4)	(31.3)
Financial liabilities - loans and borrowings	(6.5)	(6.3)
Provisions	(16.4)	(6.8)
	(145.6)	(144.8)
Net current liabilities	(27.2)	(38.4)
Non-current liabilities		
Trade and other payables	(0.1)	(0.1)
Income tax payable	(38.3)	(39.1)
Financial liabilities - loans and borrowings	(23.3)	(24.6)
Deferred tax liabilities	(1.2)	(1.1)
Provisions	(44.0)	(46.1)
Retirement benefit obligations	(3.3)	(3.4)
	(110.2)	(114.4)
Total liabilities	(255.8)	(259.2)
Net assets	237.1	228.0
Capital and reserves attributable to the Company's equity shareholders		
Share capital	54.2	54.2
Share premium	98.3	98.3
Capital redemption reserve	33.4	33.4
Exchange translation reserve	14.0	13.4
Retained earnings	37.2	28.7
Total shareholders' equity	237.1	228.0

Group Cash Flow Statement
for the six months to 31 December 2012

	Six months to 31 December 2012 (unaudited) £m	Six months to 31 December 2011 (unaudited) £m
Cash flows from operating activities		
Cash generated from operations	51.5	40.9
Interest received	0.1	0.3
Interest paid	(1.4)	(1.8)
Tax paid	(3.4)	(22.2)
Net cash from operating activities	46.8	17.2
Cash flows from investing activities		
Purchase of intangible assets	(3.1)	(3.9)
Purchase of property, plant and equipment	(14.8)	(24.1)
Proceeds from sale of held for sale asset	1.9	-
Proceeds from sale of property, plant and equipment	0.1	0.2
Net cash used in investing activities	(15.9)	(27.8)
Cash flows from financing activities		
Dividends paid to equity holders	(9.8)	(3.9)
Refund of unclaimed dividends	0.1	-
Repayment of syndicated facilities	-	(26.8)
Finance lease principal payments	(1.6)	(1.4)
Net cash used in financing activities	(11.3)	(32.1)
Net increase (decrease) in cash, cash equivalents and bank overdrafts		
	19.6	(42.7)
Effect of exchange rate changes	0.1	(0.5)
Cash and cash equivalents at start of period	69.6	124.9
Cash and cash equivalents at end of period	89.3	81.7

1 General information, basis of preparation and accounting policies

The Company is a public limited company which is listed on the London stock exchange and 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 30 January 2013.

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 18 month period ended 30 June 2012 were approved by the board of directors on 16 August 2012 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 31 December 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the financial statements for the 18 month period ended 30 June 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern

In adopting the going concern basis for preparing the financial information the directors have considered the issues impacting the Group during the period as detailed in the business review above and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from current levels, 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 financial statements for the 18 month period ended 30 June 2012, as described in those 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 July 2012.

IFRS7 Financial Instruments: Disclosures (Amendment)

IAS1 Presentation of Items in Other Comprehensive Income (Amendments to IAS1)

IAS12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The Group has not been materially impacted by the adoption of any of these standards or amendments to standards.

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

2 Segment information

	Six months to 31 December 2012 (unaudited)								
	Grosvenor Casinos		Mecca		Enracha		Blue Square	Central costs	Total
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Bet £m	£m	
Continuing operations									
Group revenue reported in internal information	140.1	4.4	115.7	30.4	13.8	-	7.6	-	312.0
Free bets, promotions and customer bonuses	(1.9)	(1.1)	(6.9)	(3.9)	-	-	(1.5)	-	(15.3)
Segment revenue	138.2	3.3	108.8	26.5	13.8	-	6.1	-	296.7
Operating profit (loss) before shared service allocation and exceptional items	29.7	0.7	14.1	15.2	0.8	(0.2)	(1.3)	(25.6)	33.4
Shared service allocation	(2.5)	(2.5)	(3.0)	(3.8)	-	(0.2)	(3.5)	15.5	-
Operating profit (loss) before exceptional items	27.2	(1.8)	11.1	11.4	0.8	(0.4)	(4.8)	(10.1)	33.4
Exceptional operating loss	(2.1)	-	-	-	-	-	(7.5)	(3.9)	(13.5)
Segment result	25.1	(1.8)	11.1	11.4	0.8	(0.4)	(12.3)	(14.0)	19.9
Finance costs									(5.0)
Finance income									0.1
Other financial gains									0.3
Profit before taxation									15.3
Taxation									(6.3)
Profit for the period from continuing operations									9.0

	Six months to 31 December 2011 (unaudited and restated)								
	Grosvenor Casinos		Mecca		Enracha		Blue Square	Central costs	Total
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Bet £m	£m	
Continuing operations									
Group revenue reported in internal information	125.8	2.3	117.4	27.4	14.9	-	8.1	-	295.9
Free bets, promotions and customer bonuses	(1.0)	(0.5)	(7.4)	(3.4)	-	-	(0.9)	-	(13.2)
Segment revenue	124.8	1.8	110.0	24.0	14.9	-	7.2	-	282.7
Operating profit (loss) before shared service allocation and exceptional items	22.3	0.6	17.0	15.0	0.5	(0.6)	1.2	(21.4)	34.6
Shared service allocation	(1.9)	(2.1)	(2.2)	(3.2)	-	(0.2)	(2.9)	12.5	-
Operating profit (loss) before exceptional items	20.4	(1.5)	14.8	11.8	0.5	(0.8)	(1.7)	(8.9)	34.6
Exceptional operating (loss) profit	(1.5)	-	1.2	-	(10.8)	(1.8)	-	-	(12.9)
Segment result	18.9	(1.5)	16.0	11.8	(10.3)	(2.6)	(1.7)	(8.9)	21.7
Finance costs									(2.6)
Finance income									0.3
Other financial losses									(0.5)
Profit before taxation									18.9
Taxation									(4.6)
Profit for the period from continuing operations									14.3

2 Segment information continued

The Group has changed the basis of its segmental reporting from that reported in the financial statements to 30 June 2012. To ensure that the organisation better reflects our customers' needs the Group has changed the way that it manages its business, moving from a channel-led approach to a brand-led approach, with a single member of the executive committee responsible for each of the brands. This means the results of the Group's digital channel (previously reported as 'Rank Interactive') are now reported under the Grosvenor Casinos, Mecca, Blue Square Bet and Enracha brands. Enracha is the new brand for our Spanish operations, previously reported as 'Top Rank Espana'.

The shared service allocation represents those costs incurred centrally but that can be directly attributed to a specific segment.

To increase transparency, the Group includes 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 31 December 2012 (unaudited)									
	Grosvenor Casinos		Mecca		Enracha		Blue Square Bet	Central costs	Total
	Venues	Digital	Venues	Digital	Venues	Digital			
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Employment and related costs	48.9	1.1	30.1	1.8	6.4	0.1	2.3	7.4	98.1
Taxes and duties	30.7	0.1	19.2	0.5	0.9	-	0.4	0.8	52.6
Direct costs	4.9	1.4	11.4	6.9	1.2	0.2	2.0	-	28.0
Property costs	9.0	0.1	14.5	0.3	1.0	-	0.3	0.4	25.6
Marketing	3.9	1.2	5.0	4.3	0.3	-	4.6	0.3	19.6
Depreciation and amortisation	8.4	0.9	7.5	0.9	1.1	-	0.9	0.6	20.3
Other	5.2	0.3	10.0	0.4	2.1	0.1	0.4	0.6	19.1
Total costs before exceptional items	111.0	5.1	97.7	15.1	13.0	0.4	10.9	10.1	263.3
Cost of sales									160.7
Operating costs									102.6
Total costs before exceptional items									263.3

Six months to 31 December 2011 (unaudited and restated)									
	Grosvenor Casinos		Mecca		Enracha		Blue Square Bet	Central costs	Total
	Venues	Digital	Venues	Digital	Venues	Digital			
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Employment and related costs	46.9	1.0	29.1	1.5	6.8	0.3	2.0	5.9	93.5
Taxes and duties	24.9	-	19.4	0.7	0.9	-	0.5	0.9	47.3
Direct costs	5.7	1.0	10.8	5.3	1.5	0.2	2.7	-	27.2
Property costs	9.0	0.1	14.3	0.2	0.9	-	0.2	0.4	25.1
Marketing	3.5	0.3	4.5	3.4	0.4	0.2	2.6	-	14.9
Depreciation and amortisation	6.7	0.8	7.6	0.9	1.2	-	0.8	0.5	18.5
Other	7.7	0.1	9.5	0.2	2.7	0.1	0.1	1.2	21.6
Total costs before exceptional items	104.4	3.3	95.2	12.2	14.4	0.8	8.9	8.9	248.1
Cost of sales									154.0
Operating costs									94.1
Total costs before exceptional items									248.1

3 Exceptional items

	Six months to 31 December 2012 (unaudited) £m	Six months to 31 December 2011 (unaudited) £m
Exceptional items relating to continuing operations		
Impairment charges	-	(14.7)
Impairment reversals	-	3.3
Charge to provision for indirect taxation	(9.6)	-
Transaction costs	(3.9)	-
Restructuring costs	-	(1.5)
Exceptional operating costs	(13.5)	(12.9)
Finance costs (see note 4)	(2.7)	-
Taxation (see note 5)	2.4	4.1
Exceptional items relating to continuing operations	(13.8)	(8.8)
Exceptional items relating to discontinued operations		
Finance income (see note 4)	1.1	-
Taxation (see note 5)	8.0	-
Exceptional items relating to discontinued operations	9.1	-
Total exceptional items	(4.7)	(8.8)

Continuing operations

Provision for indirect taxation

The Group has recognised a provision of £9.6m in relation to a number of historic indirect taxation issues. The amount represents the directors best estimate of the cash outflow likely to arise.

Transaction costs

On 12 May 2012, the Group announced it had conditionally agreed to acquire Gala Casinos from Gala Coral Group Limited for a total cash consideration of £205.0m, subject to shareholder approval and upon receipt of UK merger control clearance by 19 September 2012.

Following the referral of the acquisition to the Competition Commission the acquisition had not become unconditional by 19 September 2012, and the agreement relating to the acquisition ceased to be legally binding. However the Group and Gala Coral Group Limited are continuing their discussions.

The Group has recognised the costs of the proposed acquisition during the period which were committed at 31 December 2012 of £3.9m as exceptional costs. Further costs relating to the proposed acquisition, committed after 31 December 2012, will be recognised as an exceptional cost during the second half of the financial year.

4 Financing

	Six months to 31 December 2012 (unaudited) £m	Six months to 31 December 2011 (unaudited) £m
Continuing operations		
Finance costs:		
Interest on debt and borrowings	(0.6)	(1.0)
Amortisation of issue costs on borrowings	(0.6)	(0.1)
Interest payable on finance leases	(0.5)	(0.6)
Unwinding of the discount in onerous lease provisions	(0.5)	(0.7)
Unwinding of the discount in disposal provisions	(0.1)	(0.2)
Total finance costs	(2.3)	(2.6)
Finance income:		
Interest income on short term bank deposits	0.1	0.3
Total finance income	0.1	0.3
Other financial gains (losses) - including foreign exchange	0.3	(0.5)
Total net financing cost for continuing operations before exceptional items	(1.9)	(2.8)
Exceptional finance costs	(2.7)	-
Total net financing cost for continuing operations	(4.6)	(2.8)
Finance income relating to discontinued operations		
Exceptional finance income	1.1	-
Total net financing income for discontinued operations	1.1	-
Total financing charge	(3.5)	(2.8)

Exceptional finance costs recognised in the period of £2.7m are in respect of direct and indirect taxation balances provided for.

Exceptional discontinued finance income recognised in the period of £1.1m is in respect of an expected tax refund attributable to discontinued activities.

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

	Six months to 31 December 2012 (unaudited) £m	Six months to 31 December 2011 (unaudited) £m
Total net financing cost for continuing operations before exceptional items and discontinued operations	(1.9)	(2.8)
Adjust for:		
Unwinding of the discount in disposal provisions	0.1	0.2
Other financial (gains) losses - including foreign exchange	(0.3)	0.5
Adjusted net interest payable	(2.1)	(2.1)

5 Taxation

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

	Six months to 31 December 2012 (unaudited)		
	Continuing operations £m	Discontinued operations £m	Total £m
Current income tax			
Current income tax – UK	(6.2)	-	(6.2)
Current income tax – overseas	(0.3)	-	(0.3)
Current income tax charge	(6.5)	-	(6.5)
Current income tax credit on exceptional items	2.8	-	2.8
Amounts under provided in previous year	(0.6)	-	(0.6)
Amounts (under) over provided in previous year on exceptional items	(0.4)	8.0	7.6
Total current income tax (charge) credit	(4.7)	8.0	3.3
Deferred tax			
Deferred tax – UK	(1.6)	-	(1.6)
Deferred tax – overseas	(0.1)	-	(0.1)
Restatement of deferred tax from 24.0% to 23.0%	(0.2)	-	(0.2)
Amounts over provided in previous year	0.3	-	0.3
Total deferred tax charge	(1.6)	-	(1.6)
Tax (charge) credit in the income statement	(6.3)	8.0	1.7

	Six months to 31 December 2011 (unaudited)		
	Continuing operations £m	Discontinued operations £m	Total £m
Current income tax			
Current income tax – UK	(3.1)	-	(3.1)
Current income tax – overseas	(0.3)	-	(0.3)
Current income tax charge	(3.4)	-	(3.4)
Current income tax on exceptional items	4.3	-	4.3
Amounts over provided in previous year	1.0	-	1.0
Total current income tax credit	1.9	-	1.9
Deferred tax			
Deferred tax – UK	(6.1)	-	(6.1)
Deferred tax - overseas	0.3	-	0.3
Restatement of deferred tax from 26.0% to 25.0%	(0.1)	-	(0.1)
Deferred tax on exceptional items	(0.2)	-	(0.2)
Amounts under provided in previous year	(0.4)	-	(0.4)
Total deferred tax charge	(6.5)	-	(6.5)
Tax charge in the income statement	(4.6)	-	(4.6)

5 Taxation continued

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

	Six months to 31 December 2012 (unaudited) £m	Six months to 31 December 2011 (unaudited) £m
Deferred tax charge on exchange movements offset in reserves	-	(0.2)
Deferred tax credit on actuarial loss on retirement benefits net of tax	-	0.1
Total tax charge on items within other comprehensive income	-	(0.1)

There was no tax effect of items credited directly to equity in either period.

Tax on discontinued operations

The £8.0m exceptional tax credit in discontinued operations relates to a reduction in the potential tax liabilities attributable to disposed entities with historic tax audits.

Factors affecting future taxation

On 23 March 2012, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 23.0% for the year starting 1 April 2013 and a further 1.0% reduction to 22.0% in April 2014. On 5 December 2012, the Chancellor of the Exchequer also announced the further reduction in the main rate of UK corporation tax to 21.0% for the year starting 1 April 2014. The proposed rate reduction will reduce the amount of cash tax payments to be made by the Group.

6 Dividends

	Six months to 31 December 2012 (unaudited) £m	Six months to 31 December 2011 (unaudited) £m
Dividends paid to equity holders		
Interim for 2011/12 paid on 12 September 2011 - 1.00p per share	-	3.9
Final for 2011/12 paid on 31 October 2012 - 2.50p per share	9.8	-
Refund of unclaimed dividends	(0.1)	-
Total	9.7	3.9

The Board has declared an interim dividend of 1.25p per ordinary share. The dividend will be paid on 22 March 2013 to shareholders on the register at 22 February 2013. 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:

	Six months to 31 December 2012 (unaudited) £m	Six months to 31 December 2011 (unaudited) £m
Profit attributable to equity shareholders	18.1	14.3
Adjust for:		
Discontinued operations	(9.1)	-
Exceptional items after tax on continuing operations	13.8	8.8
Other financial (gains) losses	(0.3)	0.5
Unwinding of the discount in disposal provisions	0.1	0.2
Taxation on adjusted items and impact of reduction in tax rate to 23.0%	0.3	-
Adjusted net earnings attributable to equity shareholders	22.9	23.8
Weighted average number of ordinary shares in issue	390.6m	390.6m
Adjusted earnings per share (p) - basic	5.9p	6.1p

8 Provisions

	Onerous lease provisions £m	Disposal provisions £m	Indirect tax provisions £m	Total £m
At 1 July 2012	46.0	6.9	-	52.9
Exchange adjustments	-	(0.1)	-	(0.1)
Unwinding of discount	0.5	0.1	-	0.6
Charged to the income statement - exceptional	-	-	9.6	9.6
Utilised in period	(1.8)	(0.8)	-	(2.6)
At 31 December 2012 (unaudited)	44.7	6.1	9.6	60.4
Current	4.2	2.6	9.6	16.4
Non-current	40.5	3.5	-	44.0
At 31 December 2012 (unaudited)	44.7	6.1	9.6	60.4

Details of the £9.6m charge to exceptional items in the income statement are disclosed in note 3.

9 Borrowings to net cash 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 position is provided below:

	At 31 December 2012 (unaudited) £m	At 31 December 2011 (unaudited) £m
Total loans and borrowings	(29.8)	(61.5)
Less: accrued interest	0.6	0.4
Less: unamortised facility fees	(0.2)	(0.3)
	(29.4)	(61.4)
Add: cash and short term deposits	92.0	86.4
Net cash	62.6	25.0

10 Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Six months to 31 December 2012 (unaudited) £m	Six months to 31 December 2011 (unaudited) £m
Continuing operations		
Operating profit	19.9	21.7
Exceptional items	13.5	12.9
Operating profit before exceptional items	33.4	34.6
Depreciation and amortisation	20.3	18.5
Increase in inventories	(0.2)	(0.3)
Decrease in other receivables	8.0	5.7
Decrease in trade and other payables	(5.1)	(6.9)
Share-based payments and other	0.4	0.6
	56.8	52.2
Cash utilisation of provisions	(2.6)	(4.9)
Cash payments in respect of exceptional items	(2.7)	(6.4)
Cash generated from operations	51.5	40.9

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 HM Revenue & Customs ("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 amusement machine 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 information at 31 December 2012 in respect of the above items.

12 Contingent liabilities

Group liabilities relating to Fiscal Neutrality Case

In May 2010, Rank received £30.8m (VAT of £26.4m plus interest of £4.4m) relating to a claim for repayment of overpaid VAT on amusement machines. This claim was heard at the European Court of Justice in 2011 but the decision was not conclusive and part of the appeal was referred back to the UK courts. The case was heard at the Upper Tribunal in June 2012 and a number of specific points have been referred back to the First Tier Tribunal for further consideration. The Group has agreed with HMRC to delay this hearing until another point of dispute in relation to the claim is heard at the Court of Appeal in May 2013.

Other VAT and duty

In previous periods the Group has disclosed contingent liabilities in respect of a limited number of VAT and duty issues. During the period an amount of £9.6m (plus interest) has been provided to cover its best estimate of the expected outflow. However, it remains possible that the ultimate resolution of these issues will vary from the amount provided. The Group's total exposure, including the amount provided, is estimated at approximately £27m (plus interest).

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 30 January 2013 Guoco owned 74.5% of the Company's shares through a wholly owned subsidiary undertaking, Rank Assets Limited. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad which is incorporated in Malaysia.

Tim Scoble was appointed as non-executive director by the shareholders at the Company's annual general meeting on 22 April 2010 as an appointee of Guoco. He subsequently became independent on 30 April 2012. During the six month period ended 31 December 2012 no payments were made to Guoco controlled companies in relation to his fees (six months ended 31 December 2011: £20,000).

On 12 December 2012, Guoco announced that Guoline Overseas Limited, a wholly owned subsidiary of Hong Leong Company (Malaysia) Berhad, intends to make a voluntary unconditional cash offer to acquire all of the remaining issued share capital of Guoco it doesn't currently control.