7 September 2001

The Rank Group Plc

Interim Results for the 6 months ended 30 June 2001

- *Profit before tax* almost doubled at £82.8m*
- *Earnings per share* almost four times higher at 9.2p*
- *Operating profit* on continuing operations up 11% to £96.0m*
- *Gaming profit up 15% with businesses well positioned to take advantage of the recommendations of the Gambling Review*
- *Hard Rock continues its return to growth with profit up 10%*
- *Deluxe profit* in line with last year*
- *Interim dividend up by 5% to 4.2p*

* before exceptional items

Commenting on the results, Mike Smith, Chief Executive, said:

"The Group continues to improve its operational and financial performance. All our businesses have performed well and the considerable restructuring completed last year means that our post interest and post tax earnings are significantly improved. We have declared a 5% increase in the interim dividend.

We have put in place several initiatives in support of future growth and we continue to invest, partly in anticipation of a favourable impact from the implementation of the recommendations of the UK Gambling Review Body. Our strong financial position and increased confidence in the future encourage us to seek further opportunities for expansion within our more focused activities."

Enquiries:

The Rank Group Tel: 020 7706 1111
Mike Smith, Chief Executive
Ian Dyson, Finance Director
Kate Ellis-Jones, Investor Relations

Press Enquiries:

The Maitland Consultancy Tel: 020 7379 5151
Angus Maitland
Laura Frost

RG/04/01

Conference call details:

Friday 7 September 2001 – the meeting starts at 9.30am – call in at 9.20am quoting The Rank Group
UK dial in number –020 8240 8240
International dial in number –+44 (0) 20 8240 8240
Instant replay number - available at anytime from the end of the meeting on 7 September for 7 days
UK dial in number – 020 8288 4459 - Access code 618 992
International dial in number - +44 (0) 20 8288 4459 - Access code 618 992
The slide presentation will be on the rank.com website

CHIEF EXECUTIVE'S REVIEW

The benefits of the actions taken in 2000 are shown in the substantial improvement in the Group's results. This is the first time for some two years that we have not been preoccupied with the disposal of businesses or major operational restructuring initiatives. A smaller capital base, much reduced borrowings, and the elimination of loss making activities, all linked to a constant drive to improve performance, have given the Group significantly improved earnings in this six month period.

Putting the benefits of the restructuring to one side, there are further improvements in operating profits as attention to margin and cost has again brought rewards. Mecca Bingo was outstanding in the six months; Grosvenor Casinos was good except within our more exclusive clubs in London; Hard Rock again improved profits; Deluxe film was strong and video resilient following all the actions taken last year.

Cash flow was neutral during this six month period and will be positive for the full year after absorbing an increased level of capital expenditure in our continuing businesses. Development activity includes the expansion and relocation of businesses within Gaming; new cafes and further reconfigurations within Hard Rock; the completion of the new Deluxe film laboratory in Rome and the start of the replacement film laboratory in Toronto. This expenditure will help drive the Group forward next year.

Whilst there is evidence of a slow down in economic activity, we have not been unduly affected to date, with only the Hard Rock markets particularly dependent upon tourism showing limited signs of downturn. Nevertheless we have already taken action to reduce costs and strengthen our marketing across all of the businesses to safeguard against the possibility of less buoyant conditions. Recent trading has been good and this, together with the steps we have taken, reinforces our belief that our expectations for 2001 results should be met.

Taking a longer term view, the adoption of the recommendations of the UK Gambling Review Body will be very positive for the Group. Timing is uncertain as there is a consultation process and a need for primary legislation before all the recommendations can be implemented. However, there is a general acceptance that the betting and gaming industries will be boosted by the more liberal regulatory environment. Our strong brands, leading market positions and customer base, combined with well invested facilities, will enable us to capitalise on the new opportunities.

Our strong financial position and increased confidence in the future encourage us to seek further opportunities for expansion within our more focused activities. To date we have made small scale business purchases, these being the Park Tower Casino in London last year and two bingo clubs very recently. We remain active in the pursuit of more significant acquisitions within Gaming.

We are pleased to be able to announce a 5% increase in the interim dividend to 4.2p per share.

Profit Before Tax

	Turnover		Profit before exceptional items	
	2001 £m	2000 £m	2001 £m	2000 £m
Gaming	209.4	226.9	45.6	39.5
Hard Rock	130.6	127.6	24.0	21.9
Deluxe	282.0	303.3	22.7	23.5
US Holidays	23.4	24.9	6.7	8.2
Central costs and other	-	-	(3.0)	(6.3)
Continuing operations	645.4	682.7	96.0	86.8
Discontinued operations	-	223.4	-	9.5
	645.4	906.1	96.0	96.3
Net income (loss) from associates and joint ventures			1.7	(13.6)
Managed businesses' interest			(14.9)	(40.6)
Profit before tax and exceptional items			82.8	42.1
Exceptional items			6.5	(184.6)
Profit (loss) before tax			89.3	(142.5)
Earnings per share before exceptional items			9.2p	2.5p
Dividend per share			4.2p	4.0p

Summary of Results

Group profit before tax and exceptional items of £82.8m was almost double last year, with earnings per share almost four times higher at 9.2p. This improvement in results reflects the substantial restructuring of the Group in 2000, allied to further strong operating profit growth from continuing operations and a further reduction in the effective tax rate.

Turnover on continuing operations was down 5.5%. A number of issues distort the comparability of turnover with last year, in particular the loss of the Fox US video contract in Deluxe, exceptional business at the Clermont casino in the first half of 2000 and a week less trading in Hard Rock this year. Adjusting for these items and reflecting the impact of changes in exchange rates leaves turnover 1.1% lower than last year.

Operating profit from continuing operations was up 11%, with Gaming and Hard Rock again performing strongly. Continued growth in film together with the major restructuring undertaken in US video last year led to a satisfactory result overall for Deluxe.

Net income from associates and joint ventures, now principally the contribution from the British Land joint venture, was £1.7m, a significant improvement on the prior year figure which included a £14.6m loss in respect of the Group's interest in Universal Studios Escape, sold in July 2000.

Managed businesses interest was £25.7m lower than last year largely reflecting the substantial reduction in net debt to £334.6m at 30 June compared to £1,048.7m at 30 June 2000. The effective tax rate has been further reduced to 19.5% (2000 full year – 21.5%).

The Group recorded net exceptional profit before tax of £6.5m, due largely to a profit on the sale and leaseback of assets within Deluxe. An analysis of exceptional items is given on page 10.

The interim dividend has been increased by 5% to 4.2p (2000 – 4.0p).

Gaming

	Turnover		**Operating Profit**	
	2001 £m	**2000 £m**	**2001 £m**	**2000 £m**
Mecca Bingo	118.8	117.9	35.0	28.2
Grosvenor Casinos	68.2	84.5	9.7	10.8
Rank Leisure Machine Services	22.4	24.5	0.9	0.5
	209.4	226.9	45.6	39.5

Gaming operating profit was up 15%, with another very strong performance by Mecca Bingo more than compensating for some weakness at the high end London casinos within Grosvenor.

Mecca's strategy of focusing on higher yield players has continued to reap rewards with operating profit up almost 25%. Spend per head was up more than 12% to £9.30 in the period and has now increased by 30% since 1998. This growth more than offset the decline in admissions to leave turnover up 1%. There is however a recognition of the need to attract more high yielding players and consequently plans are in place for increased promotional activity over the coming months. Effective management of the product mix and tight control of costs led to a further improvement in the profit margin to 29% (2000 – 24%).

In June, Mecca acquired two clubs in Rotherham and Wakefield which are both trading ahead of expectations. Further opportunities for acquisitions are under review.

Grosvenor Casinos' results were mixed with an excellent result in the provinces undermined by a more difficult trading period in London, leaving operating profit down 10%.

In London, the Clermont experienced challenging trading conditions in direct contrast to the exceptional trading last year. There has been some improvement in recent weeks with margins returning to more normal levels. The Park Tower also had a slow first half, but again has improved recently.

The provincial casinos performed well with handle per head up 6% and operating profit up 18% to £6.0m. The casinos in Birmingham, Blackpool and Great Yarmouth were relocated during the period, with Brighton to follow next year. A total of eight casinos will have been relocated or substantially extended in the past two years and we have also added two new casinos to the estate. In addition, the new Hard Rock casino in Manchester will open in the first half of 2002 and a site has been acquired for a London Hard Rock casino, subject to the grant of a new license.

The enhanced estate is now well positioned to take advantage of the recommendations made in the UK Gambling Review. We welcome the recommendations which include the abolition of permitted areas; the ending of a membership requirement; larger pay-outs in Bingo; additional gaming machines; and the possibility of offering a wider range of products.

Rank Leisure Machine Services increased operating profit to £0.9m (2000 - £0.5m).

Significant progress has been made in the development of a range of internet gaming products which will be launched later this year.

Hard Rock

	Turnover*		**Operating Profit***	
	2001 £m	**2000 £m**	**2001 £m**	**2000 £m**
Owned cafes	122.0	123.3	22.5	26.7
Cafe franchise and other income	6.9	4.2	7.4	4.7
Hotel franchise and other income	1.7	0.1	1.2	0.1
Advertising and promotion	-	-	-	(3.0)
Overheads	-	-	(5.3)	(6.6)
Restructuring charge	-	-	(1.8)	-
	130.6	127.6	24.0	21.9

* Results for 2001 are for 26 weeks (2000 – 27 weeks)

Hard Rock increased operating profit by 10% despite an extra trading week in 2000 and a restructuring charge of £1.8m. Favourable exchange rate movements increased turnover by £9.8m and profit by £1.5m compared to last year.

Like for like revenues within owned cafes were 3.5% down on 2000 (on a comparable 26 week trading period). The improved trend experienced in the first weeks of the year was adversely affected by disruption to key cafes caused by the reconfiguration projects and the slowdown in the US economy, particularly in those cities where there is a greater reliance on tourism. Europe continued to perform strongly with like for like revenues up 3.8%.

A total of £9.4m was spent in the first half of the year on 13 cafe reconfigurations, with a particular emphasis on the merchandise offering. Work has now been completed on many of the larger cafes including New York, London, Las Vegas, Paris and Washington D.C. Results have been encouraging within these cafes since their relaunch and have helped to improve the overall like for like sales trend which is down 1.9% in the third quarter to date. The programme of updating the cafe portfolio will continue with further reconfigurations, the rebuild of Toronto and the relocation of Phoenix. Plans are also in place for additional owned cafes, principally in Europe, including Munich and Birmingham, which are due to open later this year. In the US, Pittsburgh, Austin and Minneapolis are due to open next year.

We have continued our programme to increase traffic at our cafes by switching from spending on general brand reinforcement to focusing on promotional activities to increase local customer attendance. Accordingly, corporate advertising has reduced but there is higher promotional expenditure at the individual cafe level.

The global attraction of the Hard Rock brand was reinforced in the first half of the year with a significant increase in franchise and other income to £8.6m. This includes franchise territory sales amounting to £3.3m. New franchised cafes opened in Belfast, Queenstown (New Zealand), Cairo and at Universal Studios Osaka. Bogota and Osaka City will open later this year and a further six cafes are planned for 2002. We continue to believe that there are further opportunities to expand the reach of the brand both within the core cafe business and within hotels and casinos. The Hard Rock hotel in Orlando opened in January and has exceeded our expectations, contributing £1.1m of profit in the first half. Further hotel deals, including a resort hotel in Pattaya, Thailand to open in November and the Chicago deal announced last year, are in the pipeline. Within casino gaming, following the agreement with the Seminole Indian Nation, a number of other opportunities are being pursued in the US.

Overheads were again lower following the concerted efforts made to improve the efficiency of the business in 1999 and 2000. A further restructuring of the corporate office in Orlando was announced in late June 2001 at a cost of £1.8m.

Deluxe

	Turnover		Operating Profit*	
	2001	2000	2001	2000
	£m	£m	£m	£m
Film processing	154.3	135.6	23.4	22.7
Video duplication & distribution	124.8	166.3	1.5	2.9
DVD replication	2.9	1.4	(2.2)	(2.1)
	282.0	303.3	22.7	23.5

*before exceptional items

Film processing had a good first half with footage up 7% and turnover up 14%. Operating profit was, however, only 3% ahead of last year due to a much higher proportion of lower margin, front end work as a result of accelerated filming schedules in anticipation of a threatened Hollywood actors and writers strike. The threatened strike action will not now occur following settlement of the potential dispute. Margins were also adversely affected by a higher level of subcontracting in Europe following the delay of the Rome laboratory, which opened in June. The new Toronto laboratory is scheduled to commence processing later this year. Current film release print schedules are strong.

The video duplication business proved resilient in the period. Turnover was down by 25% reflecting the loss of the Fox contract in August 2000 and lower volumes in Europe, which benefited from a substantial one-off publishing project last year. The successful restructuring undertaken in the US mitigated the impact of the loss of Fox on operating profit; indeed profits in the US were higher than in 2000. A similar, albeit smaller, restructuring exercise is in progress in Europe which to date has cost £6.9m, recorded as an exceptional item within operating profit.

The DVD replication plant in California continued to disappoint, recording a loss of £2.2m. The DVD market remains extremely difficult with substantial excess capacity driving down unit prices and hampering Deluxe's attempts to gain volume.

US Holidays

US Holidays generated operating profit of £6.7m (2000 - £8.2m) and cash flow of £11.8m (2000 - £12.5m).

Central costs and other income

	2001	2000
	£m	£m
Central costs	(5.4)	(6.3)
Other income	2.4	-
	(3.0)	(6.3)

Associates and joint ventures

Associates and joint ventures comprises the net profit after interest in respect of the British Land joint venture (£1.4m) and ETS, a distributor of film release prints and trailers (£0.3m). The prior year includes losses from Universal Studios Escape of £14.6m.

Interest

Managed businesses' interest was £14.9m, a reduction of £25.7m from the prior year. This reflects the significant reduction in net debt following the restructuring of the Group in 2000. The average interest rate was 7.5% (2000 – 7.4%), with the increase reflecting the lower rate of interest received on cash deposits and the high proportion of fixed rate debt which reduced the impact of reductions in floating rates in the period. Average interest rates are expected to improve in the second half of the year following the execution of a series of interest rate swaps and refinancing of £65m of fixed rate debt within the last few months.

The interest charge includes a net credit of £0.6m in respect of a profit on early redemption of £18m of the Group's fixed rate debt, less associated costs and write-offs.

Taxation

The effective tax rate on Rank managed businesses is 19.5%, a reduction of two percentage points compared to 2000. The effective rate continues to benefit from prior year capital allowance disclaimers and US tax losses.

Dividend

An interim dividend of 4.2p per Ordinary share will be paid on 12 October 2001 to those shareholders on the register on 21 September 2001.

Exchange rates

The net translation effect of changes in average exchange rates between 2000 and 2001 was to increase turnover by £29.3m and profit before tax and exceptional items by £3.1m. The increase in profit before tax comprises an increase in operating profit of £3.7m (Deluxe £1.5m, Hard Rock £1.5m, US Holidays £0.6m, Gaming £0.1m) offset by higher interest payable of £0.6m. The average rates are given in note 7.

Exceptional items

	£m
Exceptional items within operating profit	
Restructuring charge at Deluxe Video Europe	(6.9)
Non-operating exceptional items	
Disposal of plant and equipment within Deluxe Video US	14.4
Other disposals	(1.0)
	6.5

Following the successful restructuring within the US video business in 2000, a similar, albeit smaller scale, exercise is in progress in Europe. This involves the closure of a duplication plant in France and restructuring in the UK and Germany. The costs incurred to 30 June 2001 of £6.9m have been included as an exceptional item.

On 6 June 2001, Deluxe Video US completed a sale and leaseback of the plant and equipment at the video duplication facility in Arkansas. The proceeds were £28.1m and resulted in a profit on disposal of £14.4m. The plant and equipment has been leased for a five year term.

Cash flow

	2001 £m	**2000 £m**
Cash inflow from operating activities	104.1	181.3
Capital expenditure	(51.7)	(82.3)
Fixed asset disposals	32.7	10.3
Operating cash flow	85.1	109.3
Distributions from associates and joint ventures	2.4	1.2
Acquisitions	-	(25.3)
Investments	(4.8)	(6.7)
Disposals	3.6	340.0
	86.3	418.5
Interest, tax and dividend payments	(85.0)	(122.6)
	1.3	295.9
Payments to minorities	(1.0)	-
Purchase of Ordinary share capital	-	(119.8)
	0.3	176.1

The Group generated net cash of £0.3m in the period (2000 – £176.1m). In the absence of significant disposal proceeds, this represents a robust performance given the lower level of profitability in the first half relative to the second and the fact that the 2000 final dividend of £47.3m was paid in April 2001.

Fixed asset disposals include £28.1m proceeds from the disposal of plant and equipment at Deluxe's video duplication facility in Arkansas. Investments include further payments in respect of the Group's interest in the Universal Hotels.

Capital expenditure by division was:

	2001 £m	**2000 £m**
Gaming	22.2	19.3
Hard Rock	11.7	5.4
Deluxe	17.1	10.1
Other	0.7	0.3
Total on continuing businesses	51.7	35.1
Discontinued businesses	-	47.2
Total capital expenditure	51.7	82.3

Net debt

Net debt at 30 June 2001 was £334.6m compared with £1,048.7m last year and £319.9m at 31 December 2000. An exchange loss of £19.4m arose during the period reflecting the Group's relatively high proportion of US dollar debt.

Net debt as a percentage of shareholders funds was 56% (30 June 2000 – 111%, 31 December 2000 – 58%).

GROUP PROFIT AND LOSS ACCOUNT (unaudited)

	6 months to 30.6.01			6 months to 30.6.00		
	Before Exceptional Items £m	Exceptional Items £m	Total £m	Before Exceptional Items £m	Exceptional Items £m	Total £m
Turnover						
Continuing operations	**645.4**	**-**	**645.4**	682.7	-	682.7
Discontinued operations	**-**	**-**	**-**	223.4	-	223.4
	645.4	**-**	**645.4**	906.1	-	906.1
Operating profit						
Continuing operations	**96.0**	**(6.9)**	**89.1**	86.8	(41.9)	44.9
Discontinued operations	**-**	**-**	**-**	9.5	(0.4)	9.1
	96.0	**(6.9)**	**89.1**	96.3	(42.3)	54.0
Non-operating items (Note 3)	**-**	**13.4**	**13.4**	-	(129.1)	(129.1)
Share of operating profit (loss) in associates and joint ventures:						
Universal Studios Escape	**-**	**-**	**-**	5.2	(13.2)	(8.0)
Other	**3.4**	**-**	**3.4**	2.8	-	2.8
Profit (loss) before interest	**99.4**	**6.5**	**105.9**	104.3	(184.6)	(80.3)
Net interest:						
Managed businesses	**(14.9)**	**-**	**(14.9)**	(40.6)	-	(40.6)
Universal Studios Escape	**-**	**-**	**-**	(19.8)	-	(19.8)
Other	**(1.7)**	**-**	**(1.7)**	(1.8)	-	(1.8)
Profit (loss) before tax	**82.8**	**6.5**	**89.3**	42.1	(184.6)	(142.5)
Tax (Note 4)	**(16.3)**	**-**	**(16.3)**	(12.6)	3.0	(9.6)
Profit (loss) after tax	**66.5**	**6.5**	**73.0**	29.5	(181.6)	(152.1)
Minority interests	**(1.3)**	**-**	**(1.3)**	(1.5)	-	(1.5)
Preference dividends	**(10.5)**	**-**	**(10.5)**	(10.5)	-	(10.5)
Earnings (loss)	**54.7**	**6.5**	**61.2**	17.5	(181.6)	(164.1)
Basic and diluted earnings (loss) per Ordinary share (Note 5)	**9.2p**	**1.1p**	**10.3p**	2.5p	(25.6)p	(23.1)p
Net dividend per Ordinary share			**4.2p**			4.0p

GROUP PROFIT AND LOSS ACCOUNT (unaudited)

	6 months to 30.6.01 £m	6 months to 30.6.00 £m	Year to 31.12.00 £m
Turnover			
Continuing operations	**645.4**	682.7	1,404.1
Discontinued operations	**-**	223.4	389.3
	645.4	906.1	1,793.4
Operating profit before exceptional items			
Continuing operations	**96.0**	86.8	203.1
Discontinued operations	**-**	9.5	59.7
	96.0	96.3	262.8
Exceptional items within operating profit	**(6.9)**	(42.3)	(43.5)
Non-operating items (Note 3)	**13.4**	(129.1)	(449.5)
Share of operating profit (loss) in associates and joint ventures:			
Universal Studios Escape	**-**	5.2	11.4
Other	**3.4**	2.8	6.3
Exceptional items	**-**	(13.2)	(13.8)
Profit (loss) before interest	**105.9**	(80.3)	(226.3)
Net interest:			
Managed businesses	**(14.9)**	(40.6)	(67.4)
Associates and joint ventures	**(1.7)**	(21.6)	(27.1)
Exceptional charge on repayment of fixed rate debt	**-**	-	(20.3)
Profit (loss) before tax	**89.3**	(142.5)	(341.1)
Profit before tax and exceptional items	**82.8**	42.1	186.0
Tax (Note 4)	**(16.3)**	(9.6)	23.7
Profit (loss) after tax	**73.0**	(152.1)	(317.4)
Minority interests	**(1.3)**	(1.5)	(3.0)
Preference dividends	**(10.5)**	(10.5)	(21.0)
Earnings (loss)	**61.2**	(164.1)	(341.4)
Earnings before exceptional items	**54.7**	17.5	120.0
Basic and diluted earnings (loss) per Ordinary share (Note 5)	**10.3p**	(23.1)p	(49.1)p
- before exceptional items	**9.2p**	2.5p	17.3p
Net dividend per Ordinary share	**4.2p**	4.0p	12.0p

GROUP BALANCE SHEET (unaudited)

	As at 30.6.01 £m	As at 30.6.00 £m	As at 31.12.00 £m
Fixed assets			
Intangible assets	**7.8**	10.4	7.6
Tangible assets	**769.5**	1,755.2	775.8
Investments	**62.8**	49.4	56.3
	840.1	1,815.0	839.7
Current assets			
Stocks	**80.2**	102.0	65.2
Debtors (including amounts falling due after one year)	**465.4**	542.9	486.1
Investments	**6.1**	164.9	11.7
Cash and deposits	**152.8**	103.1	156.0
	704.5	912.9	719.0
Creditors (amounts falling due within one year)			
Loan capital and borrowings	**(43.2)**	(14.8)	(42.6)
Other	**(326.9)**	(518.9)	(341.3)
	(370.1)	(533.7)	(383.9)
Net current assets	**334.4**	379.2	335.1
Total assets less current liabilities	**1,174.5**	2,194.2	1,174.8
Creditors (amounts falling due after more than one year)			
Loan capital and borrowings	**(450.3)**	(1,137.0)	(445.0)
Other creditors and provisions	**(110.1)**	(95.4)	(157.6)
	614.1	961.8	572.2
Capital and reserves			
Called up share capital	**104.7**	115.1	104.6
Share premium account	**8.5**	8.5	8.5
Other reserves	**483.9**	822.2	443.2
Shareholders' funds	**597.1**	945.8	556.3
Equity interests	**373.8**	725.8	334.1
Non-equity interests	**223.3**	220.0	222.2
Minority interests (including non-equity interests)	**17.0**	16.0	15.9
	614.1	961.8	572.2

GROUP CASH FLOW (unaudited)

	6 months to 30.6.01 £m	6 months to 30.6.00 £m	Year to 31.12.00 £m
Net cash inflow from operating activities (Note 6)	**104.1**	181.3	358.0
Distributions from joint ventures and associated undertakings	**2.4**	1.2	2.6
Returns on investment and servicing of finance			
Interest (net)	**(31.8)**	(54.0)	(88.2)
Dividends paid to Preference shareholders and minorities	**(9.4)**	(9.4)	(19.1)
	(41.2)	(63.4)	(107.3)
Tax received (paid) (net)	**3.5**	(3.3)	12.8
Capital expenditure			
Purchase of tangible fixed assets	**(51.7)**	(82.3)	(144.6)
Purchase of investments	**(3.1)**	(1.5)	(6.2)
Sale of fixed assets and assets held for disposal	**32.7**	10.3	20.1
	(22.1)	(73.5)	(130.7)
Acquisitions and disposals			
Purchase of subsidiaries	**-**	(25.3)	(25.7)
Sale of businesses and investments	**3.6**	344.4	1,219.3
Net cash disposed	**-**	(4.4)	(6.4)
Investments in associates and joint ventures	**(1.7)**	(5.2)	(13.4)
	1.9	309.5	1,173.8
Ordinary dividends paid	**(47.3)**	(55.9)	(83.7)
Cash inflow before use of liquid resources and financing	**1.3**	295.9	1,225.5
Movements in net debt			
Cash inflow before use of liquid resources and financing	**1.3**	295.9	1,225.5
Payments to minorities	**(1.0)**	-	(1.3)
Purchase of Ordinary share capital	**-**	(119.8)	(304.3)
Increase in finance leases	**-**	(8.2)	(2.0)
Gain on bond purchase	**4.4**	-	-
Foreign exchange differences	**(19.4)**	(54.7)	(75.9)
(Increase) decrease in net debt	**(14.7)**	113.2	842.0
Net debt at beginning of period	**(319.9)**	(1,161.9)	(1,161.9)
Net debt at end of period	**(334.6)**	(1,048.7)	(319.9)

GROUP RECOGNISED GAINS AND LOSSES

	6 months to 30.6.01 £m	6 months to 30.6.00 £m	Year to 31.12.00 £m
Profit (loss) for the financial period	**71.7**	(153.6)	(320.4)
Currency translation differences on foreign currency net investments	**3.4**	0.1	(5.1)
Tax on exchange adjustments offset in reserves	**-**	-	(17.9)
Total recognised gains and losses for the period	**75.1**	(153.5)	(343.4)

MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	6 months to 30.6.01 £m	6 months to 30.6.00 £m	Year to 31.12.00 £m
Profit (loss) for the financial period	**71.7**	(153.6)	(320.4)
Dividends payable	**(34.3)**	(37.2)	(87.9)
Other recognised gains and losses (net)	**3.4**	0.1	(23.0)
Purchase of Ordinary share capital	**-**	(119.8)	(304.3)
Goodwill realised on disposal	**-**	72.5	108.1
Net movement in shareholders' funds	**40.8**	(238.0)	(627.5)
Opening shareholders' funds	**556.3**	1,183.8	1,183.8
Closing shareholders' funds	**597.1**	945.8	556.3

NOTES TO THE INTERIM STATEMENTS (unaudited)

1. Accounting policies

The interim financial statements have been prepared on the basis of the accounting policies set out in the Company's statutory accounts for the financial period ended 31 December 2000. In accordance with the requirements of FRS 18 "Accounting Policies", management have reviewed the accounting policies currently adopted by the Group and consider them to be the most appropriate against the objectives of relevance, reliability, comparability and understandability.

2. Segmental analysis of continuing operations by geographical area of origin

	6 months to 30.6.01 £m	6 months to 30.6.00 £m	Year to 31.12.00 £m
Turnover			
United Kingdom	**249.2**	263.5	531.3
North America	**333.2**	354.5	743.6
Rest of the World	**63.0**	64.7	129.2
	645.4	682.7	1,404.1
Operating profit before exceptional items			
United Kingdom	**42.5**	33.0	77.7
North America	**42.9**	43.6	103.9
Rest of the World	**10.6**	10.2	21.5
	96.0	86.8	203.1

3. Non-operating items

Non-operating items comprise:

	6 months to 30.6.01 £m	6 months to 30.6.00 £m	Year to 31.12.00 £m
Non-operating items:			
Profit on disposal of fixed assets	**14.4**	-	-
Loss (including provision for loss) on disposal of continuing operations	**-**	-	(0.6)
Loss (including provision for loss) on disposal of discontinued operations	**(1.0)**	(129.1)	(448.9)
Non-operating items before tax	**13.4**	(129.1)	(449.5)
Tax credit on non-operating items	**-**	-	65.7
Non-operating items after tax	**13.4**	(129.1)	(383.8)

4. Tax charge

The tax charge may be analysed as follows:

	6 months to 30.6.01 £m	6 months to 30.6.00 £m	Year to 31.12.00 £m
Rank subsidiaries	**15.8**	12.3	42.0
Associates and joint ventures	**0.5**	0.3	-
	16.3	12.6	42.0
Exceptional tax credit	**-**	(3.0)	(65.7)

5. Weighted average number of shares

The weighted average number of shares used in the calculation of basic earnings per share is 591.5m (2000 first half: 709.8m, full year: 695.6m).

6. Reconciliation of operating profit to cash flow

	6 months to 30.6.01 £m	6 months to 30.6.00 £m	Year to 31.12.00 £m
Operating profit	**89.1**	54.0	219.3
Exceptional operating costs and provisions	**6.9**	42.3	43.5
Cash payments in respect of exceptional costs	**(14.6)**	(9.2)	(19.6)
Depreciation	**44.2**	70.0	134.0
(Increase) decrease in working capital	**(17.0)**	32.0	6.4
Other items	**(4.5)**	(7.8)	(25.6)
Net cash inflow from operating activities	**104.1**	181.3	358.0

7. Exchange rates

The US$/£ exchange rates for the relevant accounting periods are:

US$/£	**6 months to 30.6.01**	6 months to 30.6.00	Year to 31.12.00
Average	**1.42**	1.57	1.50
Period-end	**1.41**	1.51	1.49

Independent review report to The Rank Group Plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 13 to 19. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2001.

PricewaterhouseCoopers
Chartered Accountants
London
7 September 2001

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