Rank Group

# News Release

**31 July 2009**

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

**Significant earnings progression despite challenging operating environment**

## Financial highlights

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

## Review of key events

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

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

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

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

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

* Revenue and operating profit figures for Mecca Bingo and the Group for the first half of 2008 are published on a revised basis within the Business Review, to illustrate the effect of the non-payment or refunding of VAT on interval bingo in 2008. See explanatory note below for analysis.
** Adjusted profit is calculated by adjusting profit or loss before tax from continuing operations to exclude exceptional items, unwinding of discount in disposal provisions, other financial gains or losses, amortisation of equity component of the convertible bond and net return on defined benefit pension asset.
*** A reconciliation of adjusted earnings per share is included in note 6 to the Group financial information.

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Photographs available from www.rank.com

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

**Friday 31 July 2009**
There will be an analyst meeting at Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ, starting at 9.30am. There will be a simultaneous webcast for the meeting.

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

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

**Explanatory note - changes to reporting & disclosure**

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

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

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

| **£m** | Group Income Statement | Adjustment | Business Review (comparable basis) |
|---|---|---|---|
| **Revenue** | | | |
| Mecca Bingo | 110.1 | 6.8 | 116.9 |
| **Group** | **257.0** | **6.8** | **263.8** |
| | | | |
| **Operating profit** | | | |
| Mecca Bingo | 19.8 | 2.9 | 22.7 |
| **Group** | **28.9** | **2.9** | **31.8** |

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

**Business Review - summary of results**

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

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

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

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

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

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

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

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

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

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

**Financial position strengthened**

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

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

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

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

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

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

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

**Management team strengthened**

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

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

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

**Regulatory changes**

During the first half of 2009, there were two important changes to gaming machine regulations in British bingo clubs. These changes constituted a response from DCMS to industry requests for more supportive regulation of bingo clubs and gaming arcades, following a number of negative changes to legislation in recent years.

In February, the maximum number of Category B3 jackpot machines (£1 maximum stake/£500 maximum prize) permitted in a bingo club was increased from four to eight; and in June, the maximum stakes and prizes on Category C machines were increased from 50p and £35 to £1 and £70 respectively.

These new regulations enabled Mecca Bingo to enhance its product offer, which in turn contributed to revenue growth from gaming machines.

**The Budget**

On 22 April 2009, we announced that, as a result of changes made in the Budget to the taxation of bingo, player-to-player card games and gaming machines, Rank's operating profit would be approximately £9m lower than anticipated (on an annualised basis). The changes were introduced without prior warning or consultation.

The estimated effect of the Budget on Group profits is analysed below.

| **Revenue stream** | **Change** | **Net effect** |
|---|---|---:|
| **Mecca Bingo** | | |
| Bingo | Increase in bingo duty from 15% to 22%; exemption of main stage bingo from VAT | £(7.0)m |
| Gaming machines | 9% increase in amusement machine licence duty ('AMLD') | £(0.4)m |
| | | |
| **Grosvenor Casinos** | | |
| Poker | Subject to casino gaming duty of up to 50%; exemption from VAT | £(1.9)m |
| Gaming machines | 9% increase in AMLD | £(0.1)m |
| | | |
| **Total** | | £(9.4)m |

Since the Budget, Rank and the Bingo Association have met with HM Treasury officials and shadow Treasury officials on a number of occasions in an attempt to have the increase in bingo duty reversed. Despite this – and in the face of significant popular and political opposition – the Government refused to review bingo taxation during the passage of the Finance Bill.

Rank believes that HM Treasury has taken no account of the damaging social and economic consequences of its actions in the Budget and the Group will continue to support the Bingo Association's campaign for fair taxation for bingo.

In addition, it was announced in the Budget that HM Treasury would consult on the replacement of VAT and AMLD on gaming machines with a gross profits tax. The consultation process was launched in July 2009 and is scheduled to conclude in October. Rank will participate actively in this consultation process, both directly and via relevant trade bodies. HM Treasury has stated that it intends the new taxation regime to be revenue neutral for the Exchequer, although this does not necessarily mean that its impact would be neutral for all businesses.

### Current trading

Due to the nature of the gaming industry, short trading periods are not necessarily a reliable guide to long-term performance. Nevertheless, Group revenue growth has accelerated slightly since the start of the second half of the year.

Growth in customer visits – both in London and the provinces – continued to drive a strong revenue performance from Grosvenor Casinos.

In Mecca Bingo, revenue remained in line with the comparable period in 2008 with increases in spend per visit offsetting decline in customer visits.

Average weekly revenue from Top Rank Espana was broadly in line with the first half of the year in terms of euros. Sterling revenue was marginally lower than in the comparable period in 2008 as a result of foreign exchange movements.

Rank Interactive continued to perform broadly in line with the first half, with revenue decline in sportsbook partially offset by continued strong growth in bingo and games, particularly meccabingo.com.

### Outlook

We are encouraged by the Group's trading performance during the first half of 2009. Grosvenor Casinos performed ahead of our expectations while Mecca Bingo delivered a creditable half-year result in spite of the challenging consumer environment. We have improved the operational management of our businesses and started to make progress in achieving closer working relationships between online and offline channels.

The consumer outlook remains uncertain and the second half of the year will prove more difficult for the Group with profits affected by a full six months of the higher taxation rates (compared with just the final two months of the first half).

Nevertheless, with improved consumer propositions, a stronger senior management team and a firm financial position, the board remains confident in the prospects for the Group.

## Dividend

In December 2007, the board took the decision to suspend dividend payments in the light of the difficult trading conditions that Rank had encountered during the second half of that year.

Whilst Rank's financial position and trading performance have continued to improve during 2009, the wider economic environments in the UK and in Spain remain difficult. As a consequence, the board has decided not to recommend payment of a dividend in respect of the first half of 2009. It remains the board's intention to resume dividend payments in the future, once trading conditions and market outlook improve.

## Business Review - review of strategy

### Strategic priorities

Our focus is on increasing the number of customers visiting our businesses by developing gaming-based leisure experiences to appeal to a broader base of customers.

As we set out at the time of the Group's annual results in February 2009, Rank's strategy is built upon three key platforms:

1. Deepen customer understanding to shape product innovation, create service differentiation and consistently deliver value for money propositions;
2. Strengthen position in Britain while assessing longer term growth opportunities overseas;
3. Seek to work positively with government, the Gambling Commission and other stakeholders to achieve the aims of the Gambling Act 2005 (the '2005 Act') and to help shape a positive regulatory environment.

### 1. Deepen customer understanding

At the heart of our strategy is an ambition to become the most highly recommended gaming business in Britain. To achieve this we have invested in data collection and analysis to improve our understanding of customer expectations and behaviours.

This approach drives our product and service innovation and is designed to generate revenue growth through improved customer satisfaction and to reduce operating costs through greater efficiency.

#### i) Sharper insight

During the first half of the year we established customer insight teams in Mecca Bingo, Grosvenor Casinos and Rank Interactive. Through systematic evaluation of market data together with quantitative and qualitative research these businesses are refining their product offer and service standards to meet and exceed customer expectations.

The development of customer rewards schemes and player tracking systems is a component of our insight programme. We have installed our Play Points system in five of our casinos, while Lucky Swipes has been extended to three Mecca Bingo clubs. In Rank Interactive we have introduced an enhanced VIP programme. We will continue to invest in this programme, gradually extending both Play Points and Lucky Swipes over the next 12 months.

#### ii) Enhanced management information systems

During the first half of the year we extended the Play Safe gaming machines management system to 66 of our Mecca Bingo clubs. The system provides us with live inventory data on the performance of more than 3,900 gaming machines in those clubs. We intend to extend the system to all Mecca Bingo clubs during the second half of the year.

The enhanced EPOS system introduced to Mecca Bingo and Grosvenor Casinos during the second half of 2008 has given us more detailed information on customer preferences with regard to food and drink. This has enabled us to tailor our product range to customer tastes and to drive efficiencies through improved stock control.

### iii) Product and service improvements

**Electronic gaming –** During the last 12 months we have made a range of improvements to our electronic gaming products in both Mecca Bingo and Grosvenor Casinos. These actions have helped to deliver significant increases in gaming machine revenues in both businesses.

In Mecca Bingo, we have invested in the quality of service, environment and games offered to customers in our amusement arcades. As a consequence of our more active approach to machines management we were able to take immediate advantage of the changes to gaming machine regulations introduced in the first half of the year (see ‘Regulatory changes’).

In addition, we have developed the content available to customers on electronic bingo terminals, including low-stakes amusements and roulette.

In Grosvenor Casinos, we have increased gaming machine revenue through improved levels of service, the replacement of poor-performing games with more popular machines and better machine layouts.

**Food and drink -** Following the success of last year’s initiative to improve the quality of Mecca Bingo’s food and drink, we have this year launched a trial of table service in our Leicester and Beeston clubs.

Initial customer feedback has been positive and both clubs are now generating levels of spend per visit on food and drink substantially higher than the business average. We will continue to evaluate the effect of these trials on revenue and operating costs before considering further roll-out.

### iv) Measurement - willingness to recommend

In 2008, we introduced the Net Promoter Score methodology to measure our success in meeting and exceeding customer expectations across our businesses. Based upon feedback from 8,000 customers every three months, Net Promoter Score tracks the propensity of our customers to recommend us to their friends (subtracting negative scores from positive scores to derive a net recommendation percentage).

Within the broader context of our insight programmes, the system enables us to measure our progress and to identify ways to improve the quality of our products and service.

During the first six months of 2009, we achieved improvements in our Net Promoter Score in Mecca Bingo and Grosvenor Casinos; but Rank Interactive experienced reductions in its scores across both gaming and sports betting. We aim to achieve sustained improvements in Net Promoter Scores across each of these businesses.

**Net Promoter Scores – Q2 2009 vs Q1 2009**

| | **2009 Q2** | 2009 Q1 |
|---|---|---|
| Mecca Bingo | **39%** | 35% |
| Grosvenor Casinos | **40%** | 34% |
| Rank Interactive | **27%** | 35% |

**2. Selective investment to strengthen the Group's position in the UK and explore growth opportunities overseas**

Rank's capital spending priorities reflect the development needs and growth opportunities in each of its businesses.

During the first six months of the year, Group capital expenditure totalled £14.3m, representing a £3.0m increase on the first half of 2008. We forecast that capital expenditure for the full year will be in the range of £35.0m to £40.0m (2008: £28.2m), with the increase principally reflecting a number of major projects to grow our G Casino brand.

**i) Grosvenor Casinos**

**Insight**
We believe that by giving customers more reasons to visit us, we may grow demand for casinos in Britain from the 4% of adults identified in the British Gambling Prevalence Survey 2007, a level significantly lower than in many other markets.

The success of the G Casino brand has demonstrated our ability to reach out to non-traditional casino customers through improved food, drink and entertainment offers, the creation of more attractive environments and the development of a more inclusive service culture. Our G Casinos achieve average weekly customer visits approximately 45% higher than in the rest of our provincial estate. In the three locations where we have relocated a casino licence to create a G Casino, we have doubled customer visits.

The current licensing regime in Britain means that the supply of casinos is unlikely to increase significantly in the medium term. In more than half of the local markets where we operate casinos, the number of competitors we face cannot increase without legislative change.

There were two competitor casino openings (both predominantly electronic casinos) during the period and one closure. We estimate that, at 30 July 2009, there were a total of 144 casinos operating in Britain.

**Development plans**
The focus for investment in Grosvenor Casinos is the development of our G Casino brand. We plan to increase the G Casino portfolio from seven units to ten units by the end of the year and to more than 20 by the end of 2012.

Capital expenditure in Grosvenor Casinos totalled £3.9m during the first half of 2009. We plan to step up investment during the second half of the year, with forecast capital expenditure for the full year of between £16.0m and £18.0m.

**New casinos** – On 23 April 2009, we completed the £650,000 acquisition of the casino at the Ricoh Arena in Coventry from Isle of Capri Limited. The club will become our eighth G Casino when it is re-launched under the brand later this summer.

In addition to our 34 operating casinos, we hold a further 12 casino licences which are currently not being utilised.

Our intention is to use seven of these licences to develop G Casinos (subject to availability of suitable sites). The first of these will be the G Casino in Dundee, which is scheduled to open during the final quarter of this year.

We are in the process of developing a number of smaller format casinos, which will allow us to utilise our remaining licences in markets where consumer demand or site availability limits the scope for a G Casino. Earlier this month we opened a small predominantly electronic casino in Leeds, adjacent to our existing Grosvenor Casino.

**Relocations** – It is our intention to relocate a number of existing casinos to improved sites under the G Casino brand. During the second half of this year we will relocate our Sheffield casino, to re-open as a G Casino at an estimated cost of £5.0m.

**Rebranding and enhancement** – A number of our Grosvenor Casinos are capable of being converted to the G Casino brand through refurbishment. In April, we re-launched the former Grosvenor Casino in Bolton under the G Casino brand after an investment of £1.1m.

**2005 Act casinos** – At present we are working on bid proposals for a small number of the new casino licences available under the 2005 Act.

It remains our view that few, if any, of the 2005 Act casinos will be operational before 2012 and that some casinos may never be developed at all.

### ii) Mecca Bingo

#### Insight

Bingo clubs offer the opportunity to provide an affordable, out of home social gaming experience, aimed principally at women. We believe that there is an opportunity to enhance the popularity of bingo clubs with a wider segment of Britain's adult population through service and amenity improvements and through the development of more varied and exciting games.

During the first half of the year, eight competitor clubs closed and there were no competitor openings. A further nine competitor closures have been announced since the start of the second half of the year. We estimate that following these closures there will be fewer than 580 licensed bingo clubs in Britain; and we expect this figure to decrease further in the medium term.

#### Development plans

The focus for investment in Mecca Bingo is the development and gradual extension of our new concept Mecca club; and the general improvement of standards across all of our clubs.

In May 2009, we opened a new concept Mecca club at Beeston in Nottingham. The club design is based upon our programme of customer insight and reflects what existing customers, lapsed customers and non-customers told us that they wanted from a gaming-based leisure venue. Key features of the club are:

- Club exterior is bright, vibrant and welcoming;
- Entrance is welcoming and non-intimidating, with the bar and dining area near the front door;
- Food and drink represents good quality and good value and is delivered directly to the customer's table;
- Zoning allows us to create different experiences in different parts of the club;
- Games provide entertainment for a range of tastes, from traditional bingo to more innovative games;
- The amusements arcade is comfortable and attractive, features a range of machines from old favourites to the latest in server-based games and offers customer service from a dedicated amusements team;
- The garden lounge offers an attractive open-air space for smokers and non-smokers alike.

We have been encouraged both by customer feedback on the club and by its early trading performance, with higher than average levels of customer visits. We have commissioned plans to remodel two existing clubs based upon the concept developed at Beeston and expect these to be launched during the first half of 2010.

Capital expenditure in Mecca Bingo totalled £8.1m during the first half of 2009; and we forecast that full-year capital expenditure will be in the range of £12.0m to £14.0m.

### iii) Top Rank Espana

#### Insight
Despite the very difficult economic circumstances in Spain, we believe that the long-term prospects for the gaming industry are positive. This assessment is based upon the Group's experience of 15 years operating bingo clubs in Spain, the cultural position occupied by gaming within the country (Spain is one of the largest gaming markets in Europe) and a number of opportunities for regulatory progression.

#### Development plans
In the near term, our focus remains the preservation of capital, control of costs and gains in market share.

In the medium term, we believe that there may be opportunities to enhance our portfolio as a result of improved gaming regulations and targeted investment.

Capital expenditure in Top Rank Espana totalled £0.5m during the first half of 2009; and we forecast that full year capital expenditure will be in the range of £1.0m to £2.0m.

### iv) Rank Interactive

**Insight**

Rank's opportunity within the highly competitive remote gaming market is to exploit the brand strengths of its land-based gaming businesses and to offer customers an integrated online/offline gaming opportunity.

Our focus in the current year is on strengthening the position of meccabingo.com in the online bingo market and to establish a more effective presence in the online casinos market, through GCasino.com.

**Development plans**

During the first half of the year, we re-launched meccabingo.com, improving customer registration, site navigation and game content; and aligning the site more closely with the brand standards set across Mecca Bingo's clubs.

We plan to launch GCasino.com during the third quarter of 2009, following a major project to overhaul the architecture of our online casino product. The launch of GCasino.com is part of Rank's strategy to make G Casino the number one brand in the British casino gaming market.

In the Blue Square sports betting business, we have focused our efforts on improving our risk management processes, expanding and enhancing our betting-in-running product and establishing a more effective customer rewards programme.

We continued to achieve growth from a low base in our Spanish-language websites, bingouniversal.com and apuestauniversal.com; and we are actively monitoring regulatory developments in a small number of other European markets.

Capital expenditure in Rank Interactive totalled £1.6m during the first half of 2009. We forecast that full-year capital expenditure will be in the range of £4.0m to £5.0m.

### 3. Shaping the wider environment

In recent years, we have made significant progress in terms of the Group's operational performance.

However, operational improvements have too often been undermined by negative changes to the way that our markets are taxed and regulated. In particular, policy changes announced in HM Treasury's 2007 and 2009 Budget statements have collectively reduced Group pre-tax profits by more than £15.0m on an annualised basis (roughly equal to 40% of Rank's 2008 pre-tax profits).

We recognise our responsibility to our shareholders and our employees to address the effects of taxation and regulation on our businesses. As a consequence, the Group invests significant time and resources in engaging with the organisations that shape our operating environment. The aim of this programme is to ensure that policy decisions affecting our businesses are based upon a clear understanding of their likely consequences.

During the first six months of 2009, Rank met with 35 Members of Parliament, including four ministers and seven shadow ministers and participated in a number of regulatory workshops with the Gambling Commission.

In spite of these efforts, the 2009 Budget resulted in the 'soft gaming' activities of bingo and player-to-player card games becoming two of the most heavily taxed forms of gaming in Britain (see 'The Budget').

Nevertheless, the period also comprised a number of positive developments, achieved partly as a result of our programme of engagement:

- Reinvigoration of the Bingo Association, despite the withdrawal of its largest member;
- Improved relationship between the bingo industry and DCMS, leading to positive changes to gaming machine regulations (see 'Regulatory changes') and DCMS support for the industry on the question of tax reform;
- Sympathetic response from the Conservative Party front-bench and numerous Labour back-benchers on the increase in bingo duty from 15% to 22%;
- Explicit support from the Liberal Democrats and the Scottish National Party for reversal of bingo duty to 15%.

During the second half of the year, we will maintain this programme of engagement. Earlier this month, Rank's chief executive, Ian Burke met with the leader of Her Majesty's Opposition, the Rt. Hon. David Cameron MP to discuss the issue of fair taxation for Britain's bingo clubs.

**Business Review – operating review**

**Mecca Bingo**

After a couple of difficult years, Mecca Bingo maintained its stabilisation as gains in spend per visit offset a continued decline in customer visits. Operating profit declined as a result of increased taxation and the non-recurrence of last year's one-off VAT refund (relating to prior years) of £2.1m.

**Revenue & operating profit – Mecca Bingo**

| | **Revenue** | | **Operating profit** | |
|---|---|---|---|---|
| **£m** | **2009 H1** | 2008 H1 | **2009 H1** | 2008 H1 |
| | **116.3** | 116.9 | **19.0** | 22.7 |

Revenue from Mecca Bingo of £116.3m was 0.5% lower than in the first six months of 2008, with a 4.8% rise in spend per visit largely off-setting a 5.1% decline in customer visits. Operating profit declined by 16.3% to £19.0m.

The business's financial performance was affected by changes to bingo taxation implemented in the Budget. The removal of VAT resulted in a slight benefit to revenue but combined with the increase in bingo duty from 15% to 22%, it resulted in a net £1.1m reduction in operating profit. This was offset by a £1.2m one-off rebate of local business rates.

**Key performance indicators – Mecca Bingo**

| | **2009 H1** | 2008 H1 | Change | Like-for-like change |
|---|---|---|---|---|
| **Customer visits (000s)** | **7,491** | 7,893 | (5.1)% | (5.2)% |
| | | | | |
| **Spend/visit (£)** | **15.53** | 14.82 | 4.8% | 4.6% |
| | | | | |
| **Revenue (£m)** | **116.3** | 116.9 | (0.5)% | (0.8)% |

On a like-for-like basis, revenue from Mecca Bingo decreased by 0.8% with spend per visit up 4.6% and customer visits down 5.2%.

Active membership of 912,000 (moving annual total or 'MAT') was 1.6% higher than at 31 December 2008, largely reflecting the positive effect of our new club in Beeston.

**Revenue analysis – Mecca Bingo**

| **£m** | **2009 H1** | 2008 H1 | Change |
|---|---|---|---|
| Main stage bingo | **20.2** | 19.0 | 6.3% |
| Interval games | **52.4** | 56.0 | (6.4)% |
| Gaming machines | **32.7** | 30.5 | 7.2% |
| Food & drink/other | **11.0** | 11.4 | (3.5)% |
| **Total** | **116.3** | 116.9 | (0.5)% |

**Main stage bingo** – revenue from main stage bingo increased by 6.3% to £20.2m. Excluding the benefit of VAT exemption, revenue declined by 0.4% as a result of reduced customer visits.

**Interval games** - revenue from interval bingo games declined by 6.4% to £52.4m as a result of reduced customer visits. There was no year-on-year benefit from VAT exemption for interval games.

**Gaming machines** – revenue from gaming machines increased by 7.2% to £32.7m. This performance reflected the improvements we have made to our product and service levels as well as an increase in the number of the popular Category B3 jackpot gaming machines we have been able to offer.

As a result of changes to regulations (see 'Regulatory changes') and Rank's programme of adult gaming centre development, we increased the total number of B3 machines deployed across our clubs from 524 at 30 June 2008 (and 711 at 31 December 2008) to 1,043 at 30 June 2009.

**Food & drink** – revenue from food and drink declined by 3.5% as a result of reduced customer visits. Despite a reduction in pricing, we managed to achieve a slight increase in spend per visit, reflecting the improvements we have made to the quality of our dining offer.

**Portfolio changes**

During the six-month period we opened a new club at Beeston in Nottingham, representing a major step forward in the evolution of the bingo club.

There were no club closures during the period. At 30 June 2009, Mecca Bingo operated 103 clubs across Britain.

## Top Rank Espana

Our Spanish bingo clubs business, Top Rank Espana, delivered a creditable performance against a backdrop of high unemployment, economic decline and weak consumer confidence. While the business experienced declines in revenue and operating profit, it continued to grow its share of the Spanish bingo clubs market.

**Revenue & operating profit – Top Rank Espana**

| | Revenue | | Operating profit | |
|---|---|---|---|---|
| **£m** | **2009 H1** | 2008 H1 | **2009 H1** | 2008 H1 |
| | **18.1** | 17.7 | **2.7** | 4.1 |

Revenue from Top Rank Espana increased by 2.3% to £18.1m as a result of the strength of the euro against Sterling. In euros, revenue declined by 10.6% with a 6.1% decline in customer visits and a 4.8% decline in spend per visit.

Operating profit declined by 34.1% to £2.7m.

**Key performance indicators – Top Rank Espana**

| | **2009 H1** | 2008 H1 | Change | Like-for-like change |
|---|---|---|---|---|
| **Customer visits (000s)** | **1,130** | 1,203 | (6.1)% | (6.1)% |
| | | | | |
| **Spend/visit (£)** | **16.02** | 14.71 | 8.9% | 8.9% |
| | | | | |
| **Revenue (£m)** | **18.1** | 17.7 | 2.3% | 2.3% |

Active membership of 316,000 (MAT) was 2.2% lower than at 31 December 2008.

**Revenue analysis – Top Rank Espana**

| **£m** | **2009 H1** | 2008 H1 | Change |
|---|---|---|---|
| Bingo | **11.9** | 11.9 | 0.0% |
| Gaming machines | **4.2** | 3.9 | 7.7% |
| Food & drink/other | **2.0** | 1.9 | 5.3% |
| **Total** | **18.1** | 17.7 | 2.3% |

There were no changes to the portfolio in the period and at 30 June 2009, Top Rank Espana operated 11 bingo clubs across Catalonia, Madrid, Galicia and Andalucia.

### Grosvenor Casinos

Grosvenor Casinos enjoyed a strong first half performance with growth in revenue and operating profit in spite of adverse tax changes announced in the Budget.

**Revenue & operating profit – Grosvenor Casinos**

| | Revenue | | Operating profit | |
|---|---|---|---|---|
| **£m** | **2009 H1** | 2008 H1 | **2009 H1** | 2008 H1 |
| London | **41.2** | 44.1 | **5.3** | 5.7 |
| Provinces | **57.3** | 50.4 | **8.9** | 5.8 |
| Belgium | **8.2** | 7.7 | **0.5** | 1.0 |
| **Total** | **106.7** | 102.2 | **14.7** | 12.5 |

Revenue from Grosvenor Casinos increased by 4.4% to £106.7m with customer visits up by 8.2% and spend per visit down by 3.5%. Operating profit grew by 17.6% to £14.7m, despite the £0.3m impact of the increase in card room poker taxation announced in the Budget. In addition, we incurred £0.9m of net redundancy costs in our London casinos but we anticipate that this will be self-funding in the full-year. The £1.3m of legal costs incurred in the first-half of 2008 were not repeated.

On a like-for-like basis, revenue grew by 1.5% with customer visits up by 2.6% and spend per visit down 1.1%.

**Revenue analysis – Grosvenor Casinos (Britain only)**

| **£m** | **2009 H1** | 2008 H1 | Change |
|---|---|---|---|
| Table games | **72.4** | 72.5 | (0.1)% |
| Gaming machines | **16.1** | 13.8 | 16.7% |
| Poker | **3.6** | 2.3 | 56.5% |
| Food & drink/other | **6.4** | 5.9 | 8.5% |
| **Total** | **98.5** | 94.5 | 4.2% |

The majority of the business's revenue growth was generated by our gaming machines and resulted from our decision last year to move to direct supply agreements. In addition, there was strong growth from card room poker, although the profitability of this activity was undermined by the change in card room taxation (see 'The Budget').

Active membership of 842,000 (MAT) was 8.6% higher than at 31 December 2008.

**Key performance indicators – Grosvenor Casinos**

| | **2009 H1** | 2008 H1 | Change | Like-for-like change |
|---|---|---|---|---|
| **Customer visits (000s)** | | | | |
| London | **453** | 429 | 5.6% | 5.6% |
| Provinces | **1,678** | 1,526 | 10.0% | 2.3% |
| Belgium | **139** | 143 | (2.8)% | (2.8)% |
| **Total** | **2,270** | 2,098 | 8.2% | 2.6% |
| | | | | |
| **Spend/visit (£)** | | | | |
| London | **91.07** | 102.74 | (11.4)% | (11.4)% |
| Provinces | **34.09** | 33.02 | 3.2% | 6.0% |
| Belgium | **59.24** | 54.04 | 9.6% | 9.6% |
| **Total** | **47.00** | 48.72 | (3.5)% | (1.1)% |
| | | | | |
| **Revenue (£m)** | **106.7** | 102.2 | 4.4% | 1.5% |

**London** – in our five London casinos revenue declined by 6.6% to £41.2m and operating profit fell 7.0% to £5.3m. We achieved 5.6% growth in customer visits but spend per visit declined by 11.4% on a lower win percentage.

**Provinces** – revenue from our provincial casinos increased by 13.7% to £57.3m while operating profit was up 53.4% to £8.9m. Customer visits increased by 10.0% and spend per visit was up by 3.2%.

**Belgium** – revenue from our two Belgian casinos increased by 6.5% to £8.2m but operating profit of £0.5m was 50.0% lower than in the first half of 2008. The revenue performance resulted from the strength of the euro against Sterling. In euros, revenue was down 6.3% with a 2.8% decrease in customer visits and a 3.5% fall in spend per visit as the business absorbed the impact of a partial smoking ban.

**Portfolio changes**

On 23 April 2009, we completed the £650,000 acquisition of the casino at the Ricoh Arena in Coventry from Isle of Capri.

At 30 June 2009, we operated 33 casinos in Britain and two casinos in Belgium. We added a 34th casino in Britain with the opening of a predominantly electronic casino in Leeds on 17 July 2009.

## Rank Interactive

Rank Interactive experienced a difficult start to the year in spite of continued growth from meccabingo.com. Revenue from the Blue Square sportsbook declined, largely as a result of a lower than expected win margin.

**Revenue & operating profit – Rank Interactive**

| | Revenue | | Operating profit | |
|---|---|---|---|---|
| **£m** | **2009 H1** | 2008 H1 | **2009 H1** | 2008 H1 |
| | **24.9** | 27.0 | **3.0** | 3.5 |

Revenue from Rank Interactive declined by 7.8% to £24.9m, while operating profit was down 14.3% to £3.0m. There was strong growth in daily bet volumes but average stakes and average win margin were both lower than in the first half of 2008.

**Revenue analysis – Rank Interactive**

| **£m** | **2009 H1** | 2008 H1 | Change |
|---|---|---|---|
| Bingo/Games | **16.4** | 14.7 | 11.6% |
| Casino | **2.4** | 2.6 | (7.7)% |
| Poker | **1.7** | 2.0 | (15.0)% |
| Sportsbook | **4.4** | 7.7 | (42.9)% |
| **Total** | **24.9** | 27.0 | (7.8)% |

Our online bingo sites – principally meccabingo.com – increased revenue by 11.6% to £16.4m as a result of significant growth in active customers and frequency. Revenue from our casino and poker sites declined by 7.7% and 15.0% respectively.

During the second half of the year, we plan to launch GCasino.com to complement the development of the G Casino brand. It is our intention to make GCasino.com our flagship casino site in Britain.

Revenue from the Blue Square sportsbook declined by 42.9% to £4.4m on lower than historic win margin. The decline in win margin was predominantly due to adverse Premiership football results.

**Explanatory note - changes to reporting & disclosure**

**Segmental profit -** as we announced on 29 June 2009, Rank has modified its disclosure relating to segmental operating profit. Certain operating costs previously reported within 'shared services' have been allocated to operating profit for Mecca Bingo, Grosvenor Casinos and Rank Interactive. The remaining shared services costs have been aggregated with items previously reported as 'other' under the category of 'central costs'.

**Effects of non-payment or refunding of VAT –** In 2008, revenue and operating profit for both the Group and Mecca Bingo benefited from the non-payment or refunding of VAT on interval games. These benefits had not been recognised at the time of Rank's first-half results but were subsequently recognised at the time of its annual results. Within this Business Review, we have revised upwards our revenue and operating profit disclosures for the first half of 2008 by £6.8m and £2.9m respectively. We have done this in the interests of comparability, to show how the Group's financial results would have been reported had the non-payment of VAT on interval games been recognised at the time.

**Reconciliation of previously reported results**

| **£m** | 2008 H1 (as reported) | VAT benefit | Reallocation of shared services | 2008 H1 (comparable basis) |
|---|---|---|---|---|
| **Revenue** | | | | |
| Mecca Bingo | 110.1 | 6.8 | - | 116.9 |
| Top Rank Espana | 17.7 | - | - | 17.7 |
| Grosvenor Casinos | 102.2 | - | - | 102.2 |
| Rank Interactive | 27.0 | - | - | 27.0 |
| **Group** | **257.0** | **6.8** | **-** | **263.8** |
| | | | | |
| **Operating profit** | | | | |
| Mecca Bingo | 21.6 | 2.9 | (1.8) | 22.7 |
| Top Rank Espana | 4.1 | - | - | 4.1 |
| Grosvenor Casinos | 14.5 | - | (2.0) | 12.5 |
| Rank Interactive | 5.3 | - | (1.8) | 3.5 |
| Shared services | (11.2) | - | 11.2 | - |
| Central costs | (5.4) | - | (5.6) | (11.0) |
| **Group** | **28.9** | **2.9** | **-** | **31.8** |

**Like-for-like revenue** – the structural nature of the changes to bingo and poker taxation contained within the Budget causes some distortion in comparing revenue between the 2008 and 2009 financial years. As a consequence, we have redefined the Group's definition of like-for-like revenue, which is now based upon:

- **Comparable clubs** – those bingo clubs and casinos operational for at least one full year prior to 1 January 2009.

- **Comparable sales tax treatment** – in the Budget, player-to-player card games (principally poker) and all games of bingo were made exempt from VAT. The effect of this change is excluded in calculating like-for-like revenue.

**SUMMARY OF RESULTS**
**For the period ended 30 June 2009**
**(from continuing operations)**

| | Revenue | | Operating profit | | | |
|---|---|---|---|---|---|---|
| | | | Before exceptionals | | After exceptionals | |
| | **2009** | 2008 | **2009** | 2008* | **2009** | 2008* |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| **Mecca Bingo** | **116.3** | 110.1 | **19.0** | 19.8 | **20.4** | 23.8 |
| **Top Rank Espana** | **18.1** | 17.7 | **2.7** | 4.1 | **2.7** | 4.1 |
| **Grosvenor Casinos** | **106.7** | 102.2 | **14.7** | 12.5 | **14.7** | 12.5 |
| **Rank Interactive** | **24.9** | 27.0 | **3.0** | 3.5 | **3.0** | 3.5 |
| **Central costs** | | | **(9.2)** | (11.0) | **(9.2)** | (110.2) |
| **Continuing operations** | **266.0** | 257.0 | **30.2** | 28.9 | **31.6** | (66.3) |
| **Net interest payable** | | | **(5.5)** | (11.3) | **(5.5)** | (11.3) |
| **Adjusted profit (loss) before taxation** | | | **24.7** | 17.6 | **26.1** | (77.6) |
| **Amortisation of equity component of convertible bond** | | | **(0.3)** | (1.8) | **(0.3)** | (1.8) |
| **Unwinding of discount in disposal provisions** | | | **(0.1)** | (0.6) | **(0.1)** | (0.6) |
| **Net return on defined benefit pension asset** | | | **-** | 3.6 | **-** | 3.6 |
| **Other financial gains (losses)** | | | **1.3** | (0.2) | **1.3** | (0.2) |
| **Profit (loss) before taxation** | | | **25.6** | 18.6 | **27.0** | (76.6) |
| **Basic earnings (loss) per share - continuing operations** | | | **4.6p** | 3.0p | **5.0p** | (14.3)p |
| **Adjusted earnings per share (note 6)** | | | **4.5p** | 3.0p | | |

* As detailed in note 1 and note 2 to the Group financial information, the analysis of 2008 operating profit by segment has been reallocated following the implementation of IFRS 8, 'Operating segments'.

Group revenue rose by £9.0m, driven by the increases at Mecca Bingo and Grosvenor Casinos. As noted earlier, revenue benefited from the exemption of bingo and poker in casinos from VAT. This was offset by a decline in revenue from Rank Interactive.

Group operating profit before exceptional items was £1.3m higher than 2008. This reflects the benefit from the VAT tribunal ruling on interval bingo, benefits from cost saving actions taken in 2008 and operational improvements in a number of areas. This was partly offset by the unexpected increases in taxation introduced in the Budget. In addition, 2008 included a number of one-off items:

- Grosvenor Casinos incurred £1.3m in legal costs following the unsuccessful case against the National Bank of Abu Dhabi in relation to unpaid cheques.
- Mecca Bingo benefited from £2.1m of reclaimed VAT on participation fees relating to prior years.
- Central costs included redundancy costs for three former members of the senior management team and professional fees for the VAT claims on interval bingo and gaming machines.

The net interest charge was £5.8m lower than in 2008. Net interest payable reduced due to lower interest rates as well as reduced debt levels.

Adjusted Group profit before tax and exceptionals rose by £7.1m versus last year.

The effective tax rate on adjusted profit is 28.9% (2008: 34.3%). The tax charge is in line with the continuing Group's anticipated effective tax rate, which is now expected to be in the region of 28% to 33%.

Adjusted earnings per share of 4.5p (2008: 3.0p) reflects the higher adjusted pre-tax profit on an unchanged weighted average number of ordinary shares.

As explained above, the board of directors has decided not to pay a dividend in respect of the first six months to 30 June 2009 (2008: Nil).

**Exceptional items**
During the first half of 2009, the Group sold one non-trading freehold site for £1.5m and the profit on disposal, net of disposal costs, totalled £1.4m.

Exceptional items in the first half of 2008 included the transfer of the Group's defined benefit pension plan to Rothesay Life Limited. The transfer resulted in a pre-tax loss on transfer of £99.2m after transaction costs. As a result of the transfer the Group has no further liabilities in respect of the plan. Additionally, £5.0m was released from disposal provisions for discontinued businesses following expiration of warranties provided in the Hard Rock sale agreement.

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

**Disposal provisions**
At 30 June 2009, the Group held £18.5m in provisions for disposed businesses, a reduction of £3.7m since the year-end. The provisions predominantly relate to outstanding insurance claims, warranty provisions for potential claims, property related costs and costs of winding up the tax and legal affairs where Rank remains responsible. The exact timing and amounts of the expenditure are uncertain.

The major expenditures in the period comprised £1.2m on property related costs, £1.7m on legal and professional costs (predominantly relating to the Paramount legal claim set out in note 12 to the Group financial information) and £0.3m on insurance claims.

Further details are provided in note 7 to the Group financial information.

**Cash flow and net debt**

| | **2009** **£m** | 2008 £m |
|---|---|---|
| Cash inflow from operations | **41.3** | 39.8 |
| Capital expenditure | **(14.3)** | (11.3) |
| Fixed asset disposals | **1.6** | 5.6 |
| **Operating cash inflow** | **28.6** | 34.1 |
| Acquisitions and disposals | **(0.3)** | 25.2 |
| Net (payment) receipt in respect of provisions and exceptional items | **(12.5)** | 2.0 |
| | **15.8** | 61.3 |
| Net interest, hedge and tax payments | **(7.9)** | (15.5) |
| Other (including foreign exchange translation) | **10.5** | (2.3) |
| **Decrease in net debt** | **18.4** | 43.5 |
| **Opening net debt** | **(226.5)** | (316.9) |
| **Closing net debt** | **(208.1)** | (273.4) |

At the end of June 2009, net debt was £208.1m compared with £273.4m at the end of June 2008. The net debt comprised bank debt of £230.7m, £8.7m in fixed rate Yankee bonds, £13.1m in finance leases and £9.6m in overdrafts, partially offset by cash at bank and in hand of £42.5m and short term bank deposits of £11.5m.

**Financial structure and liquidity**

The Group banking facilities comprise a syndicated multi-currency £250.0m revolving credit facility and £150.0m term loan, which were arranged in April 2007 and mature in April 2012. 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.

In addition, the Group has uncommitted borrowing facilities of £28m, repayable on demand but which are available for general use.

In January 2009, the Group repaid its remaining £158.2m convertible bonds from cash and existing bank facilities, without recourse to the capital markets.

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

**Capital expenditure**

| | **2009** **£m** | 2008 £m |
|---|---|---|
| Mecca Bingo | **8.1** | 4.4 |
| Top Rank Espana | **0.5** | 0.8 |
| Grosvenor Casinos | **3.9** | 3.3 |
| Rank Interactive | **1.6** | 2.5 |
| Central | **0.2** | 0.3 |
| **Total** | **14.3** | 11.3 |

Capital expenditure for Mecca Bingo included £4.3m spent completing the development of our latest bingo club in Beeston (opened in May 2009), £0.4m on energy saving equipment, £0.5m on various works connected with amusement machines and electronic gaming, £0.8m on club refurbishment and the balance on minor capital works.

In Grosvenor Casinos, £0.9m was spent on the re-branding of Bolton to a G Casino, £0.6m on the new G Casino in Dundee (opening late 2009) and £0.3m on electronic gaming. The balance of the expenditure was on minor capital works. In the second half of 2009, Grosvenor Casinos plans to relocate and rebrand the Sheffield casino as a G Casino, complete the re-branding of Coventry as a G Casino and open the G Casino in Dundee.

Total capital expenditure for 2009 is expected to be in the order of £35.0m-£40.0m, although expenditure continues to be carefully phased to allow quick reductions in the overall level of capital expenditure, should business conditions deteriorate. The commitment to develop the G Casino in Dundee is not impacted by this policy.

The only significant capital commitment at 30 June 2009 was £2.0m relating to the new G Casino in Dundee. The major expenditure planned for the remainder of the year is £2.0m to complete the G Casino in Dundee, £5.0m for the relocation at Sheffield and £1.0m for the re-branding at Coventry.

**Principal risks**

The principal risks and uncertainties faced by the Group have not changed from those set out on page 13 of The Rank Group Plc Annual Report and Financial Statements for the year ended 31 December 2008, available from the Group website www.rank.com. These risks are:

- Further increases in taxation, in particular gaming machine taxation as described in the Business Review
- Regressive changes to the regulatory environment for gambling
- Increasing competition
- Further deterioration in consumer spending
- Absence or withdrawal of financing facilities

In addition, the risks and uncertainties are further discussed within the Business Review section of the 2008 Annual Report and Financial Statements on pages 14 to 23 inclusive.

**Going concern**

In adopting the going concern basis for preparing the Group financial information the directors have considered the issues impacting the Group during 2009 and have reviewed the Group's projected compliance with its banking covenants detailed above. Based on the Group's cash flow forecasts and operating budgets, which take into account management's actions on capital expenditure, cost control, dividend suspension and assuming that trading does not deteriorate considerably from current levels, the directors believe that the Group will generate sufficient cash to meet its borrowing requirements for at least the next 12 months and comply with its banking covenants. Accordingly the adoption of the going concern basis remains appropriate.

## Group Balance Sheet
## At 30 June 2009
## (unaudited)

| | At 30.06.09 £m | At 31.12.08 £m |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Intangible assets | **178.1** | 183.2 |
| Property, plant and equipment | **176.0** | 179.6 |
| Deferred tax assets | **28.6** | 43.3 |
| Trade and other receivables | **1.8** | 1.9 |
| | **384.5** | 408.0 |
| **Current assets** | | |
| Financial assets | | |
| - derivative financial instruments | **-** | 11.2 |
| - cash and cash equivalents | **54.0** | 111.7 |
| Inventories | **3.1** | 3.8 |
| Current tax receivable | **-** | 3.9 |
| Trade and other receivables | **39.9** | 34.3 |
| | **97.0** | 164.9 |
| **Total assets** | **481.5** | 572.9 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Financial liabilities | | |
| - loan capital and borrowings | **(10.3)** | (168.9) |
| - derivative financial instruments | **-** | (14.5) |
| Trade and other payables | **(106.7)** | (114.4) |
| Current tax liabilities | **(8.6)** | (6.6) |
| Provisions for other liabilities and charges (note 7) | **(16.2)** | (13.0) |
| | **(141.8)** | (317.4) |
| **Net current liabilities** | **(44.8)** | (152.5) |
| **Non-current liabilities** | | |
| Financial liabilities | | |
| - loan capital and borrowings | **(250.4)** | (170.9) |
| Deferred tax liabilities | **(6.1)** | (6.9) |
| Other non-current liabilities | **(38.4)** | (38.8) |
| Provisions for other liabilities and charges (note 7) | **(35.4)** | (43.3) |
| | **(330.3)** | (259.9) |
| **Total liabilities** | **(472.1)** | (577.3) |
| **Net assets (liabilities)** | **9.4** | (4.4) |
| **Capital and reserves attributable to the Company's equity shareholders** | | |
| Ordinary shares | **54.2** | 54.2 |
| Share premium | **98.2** | 98.2 |
| Capital redemption reserve | **33.4** | 33.4 |
| Exchange translation reserve | **12.2** | 18.4 |
| Equity component of convertible bond | **-** | 0.3 |
| Retained losses | **(188.6)** | (208.9) |
| **Total shareholders' equity (deficit)** | **9.4** | (4.4) |

## Group Income Statement
## For the period ended 30 June 2009
## (unaudited)

| | **2009** | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **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 | **266.0** | **-** | **266.0** | 257.0 | - | 257.0 |
| Cost of sales | **(141.7)** | **-** | **(141.7)** | (134.8) | - | (134.8) |
| **Gross profit** | **124.3** | **-** | **124.3** | 122.2 | - | 122.2 |
| Other operating (costs) income | **(94.1)** | **1.4** | **(92.7)** | (93.3) | (95.2) | (188.5) |
| **Group operating profit (loss)** | **30.2** | **1.4** | **31.6** | 28.9 | (95.2) | (66.3) |
| Financing: | | | | | | |
| - finance costs | **(6.2)** | **-** | **(6.2)** | (13.0) | - | (13.0) |
| - finance income | **0.7** | **-** | **0.7** | 1.7 | - | 1.7 |
| - amortisation of equity component of convertible bond | **(0.3)** | **-** | **(0.3)** | (1.8) | - | (1.8) |
| - unwinding of discount in disposal provisions | **(0.1)** | **-** | **(0.1)** | (0.6) | - | (0.6) |
| - net return on defined benefit pension asset | **-** | **-** | **-** | 3.6 | - | 3.6 |
| - other financial gains (losses) | **1.3** | **-** | **1.3** | (0.2) | - | (0.2) |
| **Total net financing charge** | **(4.6)** | **-** | **(4.6)** | (10.3) | - | (10.3) |
| **Profit (loss) before taxation** | **25.6** | **1.4** | **27.0** | 18.6 | (95.2) | (76.6) |
| Taxation (note 4) | **(7.5)** | **-** | **(7.5)** | (7.0) | 27.8 | 20.8 |
| **Profit (loss) for the period from continuing operations** | **18.1** | **1.4** | **19.5** | 11.6 | (67.4) | (55.8) |
| **Discontinued operations** | **-** | **-** | **-** | - | 5.0 | 5.0 |
| **Profit (loss) for the period** | **18.1** | **1.4** | **19.5** | 11.6 | (62.4) | (50.8) |
| | | | | | | |
| **Earnings (loss) per share attributable to equity shareholders (note 6)** | | | | | | |
| - basic | **4.6p** | **0.4p** | **5.0p** | 3.0p | (16.0)p | (13.0)p |
| - diluted | **4.6p** | **0.4p** | **5.0p** | 3.0p | (16.0)p | (13.0)p |
| | | | | | | |
| **Earnings (loss) per share - continuing operations (note 6)** | | | | | | |
| - basic | **4.6p** | **0.4p** | **5.0p** | 3.0p | (17.3)p | (14.3)p |
| - diluted | **4.6p** | **0.4p** | **5.0p** | 3.0p | (17.3)p | (14.3)p |
| | | | | | | |
| **Earnings (loss) per share - discontinued operations (note 6)** | | | | | | |
| - basic | **-** | **-** | **-** | - | 1.3p | 1.3p |
| - diluted | **-** | **-** | **-** | - | 1.3p | 1.3p |

## Group Statement of Comprehensive Income
## For the period ended 30 June 2009
## (unaudited)

| | **6 months to 30.06.09 £m** | 6 months to 30.06.08 £m |
|---|---|---|
| Profit (loss) for the period | **19.5** | (50.8) |
| Exchange adjustments net of tax and hedging | **(6.2)** | 3.2 |
| Actuarial loss on defined benefit pension scheme net of tax | **-** | (5.5) |
| **Total comprehensive income (expense) for the period** | **13.3** | (53.1) |

## Group Statement of Changes in Equity
## For the period ended 30 June 2009
## (unaudited)

| | **6 months to 30 June 2009** | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital £m** | **Share premium £m** | **Capital redemption £m** | **Exchange translation £m** | **Other* £m** | **Total £m** |
| **At 1 January 2009** | **54.2** | **98.2** | **33.4** | **18.4** | **(208.6)** | **(4.4)** |
| Total comprehensive income (expense) for the period | **-** | **-** | **-** | **(6.2)** | **19.5** | **13.3** |
| **Transactions with owners:** | | | | | | |
| Credit in respect of employee share schemes | **-** | **-** | **-** | **-** | **0.5** | **0.5** |
| **At 30 June 2009** | **54.2** | **98.2** | **33.4** | **12.2** | **(188.6)** | **9.4** |

| | 6 months to 30 June 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Share capital £m | Share premium £m | Capital redemption £m | Exchange translation £m | Other* £m | Total £m |
| **At 1 January 2008** | 54.2 | 98.2 | 33.4 | (0.3) | (198.8) | (13.3) |
| Total comprehensive (expense) income for the period | - | - | - | 3.2 | (56.3) | (53.1) |
| **Transactions with owners:** | | | | | | |
| Credit in respect of employee share schemes | - | - | - | - | 0.3 | 0.3 |
| **At 30 June 2008** | 54.2 | 98.2 | 33.4 | 2.9 | (254.8) | (66.1) |

*Other reserves at 30 June 2009 comprise retained losses of £188.6m. At 30 June 2008 other reserves comprised retained losses of £253.3m, the equity component of the convertible bond of £2.1m and a £(0.6)m fair value loss reserve.

## Group Statement of Cash Flows
## For the period ended 30 June 2009
## (unaudited)

| | **6 months to 30.06.09 £m** | 6 months to 30.06.08 £m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations (note 9) | **28.8** | 41.8 |
| Interest received | **1.0** | 1.5 |
| Interest paid | **(8.8)** | (14.3) |
| Net payments in respect of hedges | **(5.2)** | (1.6) |
| Tax received (paid) | **5.1** | (1.1) |
| **Net cash from operating activities** | **20.9** | 26.3 |
| | | |
| **Cash flows from investing activities** | | |
| Acquisition of businesses including deferred consideration (note 10) | **(0.3)** | (3.2) |
| Net proceeds from transfer of defined benefit pension asset | **-** | 28.4 |
| Purchase of intangible assets | **(1.4)** | (2.1) |
| Purchase of property, plant and equipment | **(12.9)** | (9.2) |
| Proceeds from sale of property, plant and equipment | **1.6** | 5.6 |
| **Net cash (used in) from investing activities** | **(13.0)** | 19.5 |
| | | |
| **Cash flows from financing activities** | | |
| Drawdown on syndicated facilities | **91.2** | 25.0 |
| Repayment of US Dollar borrowings | **-** | (50.8) |
| Repayment of Sterling borrowings | **(158.2)** | - |
| Finance lease principal repayments | **(0.4)** | (0.5) |
| **Net cash used in financing activities** | **(67.4)** | (26.3) |
| | | |
| **Effect of exchange rate changes** | **(0.9)** | 0.6 |
| | | |
| **Net (decrease) increase in cash, cash equivalents and bank overdrafts** | **(60.4)** | 20.1 |
| Cash, cash equivalents and bank overdrafts at beginning of period | **104.8** | 68.6 |
| **Cash, cash equivalents and bank overdrafts at end of period** | **44.4** | 88.7 |
| Bank overdrafts | **9.6** | 7.4 |
| **Cash and cash equivalents** | **54.0** | 96.1 |

**Notes to the Group Financial Information**
**For the period ended 30 June 2009**
**(unaudited)**

## 1. General information, basis of preparation and accounting policies

### General information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Statesman House, Stafferton Way, Maidenhead SL6 1AY. The Company is listed on the London Stock Exchange.

This condensed consolidated interim financial information was approved for issue on 30 July 2009.

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2008 were approved by the board of directors on 25 February 2009 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 237 of the Companies Act 1985.

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

### Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

### Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

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 year beginning 1 January 2009.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of components of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The condensed consolidated interim financial information has been prepared under the revised disclosure requirements.

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

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Although there is no overall impact on operating profit this has resulted in a reduction in the number of reportable segments presented, as the previously reported gaming shared services segment has been combined and allocated into the central costs reported segment. Further details are provided in note 2 to the Group financial information.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker has been identified as the executive committee that makes strategic decisions. The composition of the executive committee is set out on page 33 of the annual financial statements for the year ended 31 December 2008, except for the replacement of Simon Wykes by Mark V. Jones.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are either not currently relevant or material for the Group.

- IFRS 2 (amendment), 'Share based payments'
- IFRIC 13, 'Customer loyalty programmes'
- IFRIC 14, 'The limit on a defined benefit pension asset, minimum funding requirements and their interaction'
- IFRIC 15, 'Agreements for the construction of real estate'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IAS23, 'Borrowing costs (revised)'
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures'. The standard and amendments are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group will apply IFRS 3 (revised) to all business combinations from 1 January 2010, subject to endorsement by the EU.

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

## 2. Segment information – continuing operations

| | Six months to 30 June 2009 | | | | | |
|---|---|---|---|---|---|---|
| | **Mecca Bingo £m** | **Top Rank Espana £m** | **Grosvenor Casinos £m** | **Rank Interactive £m** | **Central costs £m** | **Total £m** |
| **Segment revenue** | **116.3** | **18.1** | **106.7** | **24.9** | **-** | **266.0** |
| Operating profit (loss) before exceptional items | **19.0** | **2.7** | **14.7** | **3.0** | **(9.2)** | **30.2** |
| Exceptional operating profit | **1.4** | **-** | **-** | **-** | **-** | **1.4** |
| **Segment result** | **20.4** | **2.7** | **14.7** | **3.0** | **(9.2)** | **31.6** |
| Finance costs | | | | | | **(6.2)** |
| Finance income | | | | | | **0.7** |
| Amortisation of equity component of convertible bond | | | | | | **(0.3)** |
| Unwinding of discount in disposal provisions | | | | | | **(0.1)** |
| Net return on defined benefit pension asset | | | | | | **-** |
| Other financial gains | | | | | | **1.3** |
| **Profit before taxation** | | | | | | **27.0** |
| Taxation | | | | | | **(7.5)** |
| **Profit for the period from continuing operations** | | | | | | **19.5** |

| | Six months to 30 June 2008 (reallocated) | | | | | |
|---|---|---|---|---|---|---|
| | Mecca Bingo £m | Top Rank Espana £m | Grosvenor Casinos £m | Rank Interactive £m | Central costs £m | Total £m |
| **Segment revenue** | 110.1 | 17.7 | 102.2 | 27.0 | - | 257.0 |
| Operating profit (loss) before exceptional items | 19.8 | 4.1 | 12.5 | 3.5 | (11.0) | 28.9 |
| Exceptional operating profit (loss) | 4.0 | - | - | - | (99.2) | (95.2) |
| **Segment result** | 23.8 | 4.1 | 12.5 | 3.5 | (110.2) | (66.3) |
| Finance costs | | | | | | (13.0) |
| Finance income | | | | | | 1.7 |
| Amortisation of equity component of convertible bond | | | | | | (1.8) |
| Unwinding of discount in disposal provisions | | | | | | (0.6) |
| Net return on defined benefit pension asset | | | | | | 3.6 |
| Other financial losses | | | | | | (0.2) |
| **Loss before taxation** | | | | | | (76.6) |
| Taxation | | | | | | 20.8 |
| **Loss for the period from continuing operations** | | | | | | (55.8) |

## 2. Segment information – continuing operations (continued)

As detailed in note 1, the analysis of 2008 operating profit by segment has been reallocated following the implementation of IFRS 8, 'Operating segments'. Although there is no overall impact on operating profit, the 2008 comparatives have been reallocated with costs from the previously reported gaming shared service segment being allocated to operating divisions wherever possible. Costs that cannot be directly allocated are combined within Central costs. The allocated costs relate to those functions that directly support the segment, but not those whose activities are shared.

A reconciliation from the segment profit before exceptional items reported in 2008 to the reallocated 2008 comparatives included above is set out below.

| | Six months to 30 June 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Mecca Bingo £m | Top Rank Espana £m | Grosvenor Casinos £m | Rank Interactive £m | Gaming shared services £m | Central costs £m | Total £m |
| Segment profit* (reported) | 21.6 | 4.1 | 14.5 | 5.3 | (11.2) | (5.4) | 28.9 |
| Reallocate gaming shared services | (1.8) | - | (2.0) | (1.8) | 11.2 | (5.6) | - |
| **Segment profit* (reallocated)** | **19.8** | **4.1** | **12.5** | **3.5** | **-** | **(11.0)** | **28.9** |

* Before exceptional items

The chief operating decision-maker has been identified as the executive committee. This committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The committee considers the business from an organisational perspective. The reported segments are Mecca Bingo, Top Rank Espana, Grosvenor Casinos and Rank Interactive. Central costs not allocated to the segments have been presented as a separate column within the segment information.

The executive committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of exceptional items from the operating segments, such as gains or losses on the disposal of assets, impairments of the carrying value of assets and associated onerous lease provisions, costs of club closures, onerous lease provisions on vacant properties, disposal of businesses and VAT refunds (net of gross profits tax and associated costs) relating to previous periods.

## 2. Segment information – continuing operations (continued)

To increase transparency, the Group has decided to include an additional voluntary disclosure analysing total costs by type and segment. A reconciliation of total costs by type and segment was as follows:

| | Six months to 30 June 2009 | | | | | |
|---|---|---|---|---|---|---|
| | **Mecca Bingo £m** | **Top Rank Espana £m** | **Grosvenor Casinos £m** | **Rank Interactive £m** | **Central costs £m** | **Total £m** |
| Employment costs | **28.2** | **7.5** | **42.0** | **3.8** | **5.6** | **87.1** |
| Taxes and duties | **16.3** | **0.3** | **21.6** | **0.2** | **0.3** | **38.7** |
| Direct costs | **11.4** | **1.5** | **5.0** | **7.3** | **-** | **25.2** |
| Property costs | **12.0** | **1.5** | **8.2** | **0.4** | **0.5** | **22.6** |
| Marketing | **11.4** | **0.4** | **3.1** | **7.8** | **-** | **22.7** |
| Depreciation and amortisation | **4.9** | **1.4** | **4.0** | **1.8** | **0.4** | **12.5** |
| Other | **13.1** | **2.8** | **8.1** | **0.6** | **2.4** | **27.0** |
| **Total costs** | **97.3** | **15.4** | **92.0** | **21.9** | **9.2** | **235.8** |

| | Six months to 30 June 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Mecca Bingo £m | Top Rank Espana £m | Grosvenor Casinos £m | Rank Interactive £m | Central costs £m | Total £m |
| Employment costs | 26.1 | 6.6 | 38.6 | 3.9 | 7.4 | 82.6 |
| Taxes and duties | 10.2 | 0.3 | 21.7 | 0.4 | 0.2 | 32.8 |
| Direct costs | 10.7 | 1.3 | 3.7 | 8.2 | - | 23.9 |
| Property costs | 14.0 | 1.3 | 7.6 | 0.4 | 0.5 | 23.8 |
| Marketing | 12.2 | 0.4 | 2.5 | 8.1 | - | 23.2 |
| Depreciation and amortisation | 5.2 | 1.2 | 4.4 | 1.8 | 0.5 | 13.1 |
| Other | 11.9 | 2.5 | 11.2 | 0.7 | 2.4 | 28.7 |
| **Total costs** | 90.3 | 13.6 | 89.7 | 23.5 | 11.0 | 228.1 |

A reconciliation of total assets by segment was as follows:

| | At 30 June 2009 | | | | | |
|---|---|---|---|---|---|---|
| | **Mecca Bingo £m** | **Top Rank Espana £m** | **Grosvenor Casinos £m** | **Rank Interactive £m** | **Central costs £m** | **Total £m** |
| Total segment assets | **105.7** | **51.9** | **172.0** | **64.8** | **4.5** | **398.9** |
| Unallocated assets | | | | | | **82.6** |
| **Total assets** | | | | | | **481.5** |

| | At 31 December 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Mecca Bingo £m | Top Rank Espana £m | Grosvenor Casinos £m | Rank Interactive £m | Central costs £m | Total £m |
| Total segment assets | 101.4 | 59.8 | 170.7 | 64.8 | 6.1 | 402.8 |
| Unallocated assets | | | | | | 170.1 |
| **Total assets** | | | | | | 572.9 |

Unallocated assets comprise deferred tax, current tax, derivative financial instruments and cash and cash equivalents.

## 3. Exceptional items

| | **6 months to 30.06.09 £m** | 6 months to 30.06.08 £m |
|---|---|---|
| **Exceptional items relating to continuing operations** | | |
| Loss on transfer of defined benefit pension asset (see below) | **-** | (99.2) |
| Net profit on disposal of property less associated closure costs | **1.4** | 4.0 |
| Exceptional items before taxation relating to continuing operations | **1.4** | (95.2) |
| Taxation | **-** | 27.8 |
| Exceptional items relating to continuing operations | **1.4** | (67.4) |
| | | |
| **Exceptional items relating to discontinued operations** | | |
| Hard Rock | **-** | 5.0 |
| Exceptional items relating to discontinued operations | **-** | 5.0 |
| | | |
| **Total exceptional items** | **1.4** | (62.4) |

**Continuing operations**

During the period, the Group disposed of one previously closed Mecca Bingo property at Welling. The resulting profit on disposal of the property, net of costs, was £1.4m (2008 - £4.0m).

On 30 June 2008, the Group completed the transfer of the assets and liabilities of the Rank Pension Plan, a defined benefit scheme, to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs).

Details of the exceptional loss which arose on the transfer are disclosed in the table below:

| | 6 months to 30.06.08 £m |
|---|---|
| Proceeds | 29.0 |
| Costs associated with transfer | (1.0) |
| Curtailment gain on closure of scheme to future contributions | 10.5 |
| Carrying value of defined benefit pension asset at transfer | (137.7) |
| Exceptional loss before taxation | (99.2) |
| Exceptional taxation arising on transfer | 27.8 |
| **Total exceptional loss arising on transfer after taxation** | (71.4) |

**Discontinued operations**

In the first half of 2008, the Group released £5.0m from the disposal provision following the expiration of warranties provided in the Hard Rock sale agreement.

## 4. Taxation

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

| | **6 months to 30.06.09 £m** | 6 months to 30.06.08 £m |
|---|---|---|
| **Current income tax on continuing operations** | | |
| Current tax – overseas | **(1.2)** | (2.5) |
| Current tax on exceptional items | **-** | (7.8) |
| Amounts over provided in previous year | **1.2** | - |
| **Total current tax** | **-** | (10.3) |
| **Deferred tax on continuing operations** | | |
| Deferred tax – UK | **(7.5)** | (4.5) |
| Deferred tax on exceptional items | **-** | 35.6 |
| **Total deferred tax** | **(7.5)** | 31.1 |
| **Tax (charge) credit in the income statement on continuing operations** | **(7.5)** | 20.8 |

In 2008, tax on exceptional items within continuing operations includes a tax credit of £27.8m relating to the transfer of the defined benefit pension asset.

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

| | **6 months to 30.06.09 £m** | 6 months to 30.06.08 £m |
|---|---|---|
| Deferred tax (charge) credit on exchange movements offset in reserves | **(7.4)** | 2.3 |
| Deferred tax credit on actuarial movement on defined benefit pension scheme | **-** | 2.2 |
| **Total tax (charge) credit in reserves** | **(7.4)** | 4.5 |

## 5. Dividends

The directors have not proposed an interim dividend in respect of the six months ended 30 June 2009 (2008 - Nil).

## 6. Earnings (loss) per share

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

| | **6 months to 30.06.09** | | |
|---|---|---|---|
| | **Before exceptional items** | **Exceptional items** | **Total** |
| **Profit attributable to equity shareholders** | | | |
| Continuing operations | **£18.1m** | **£1.4m** | **£19.5m** |
| Discontinued operations | **-** | **-** | **-** |
| **Total** | **£18.1m** | **£1.4m** | **£19.5m** |
| **Weighted average number of ordinary shares in issue** | **389.5m** | **389.5m** | **389.5m** |
| **Basic earnings per share** | | | |
| Continuing operations | **4.6p** | **0.4p** | **5.0p** |
| Discontinued operations | **-** | **-** | **-** |
| **Total** | **4.6p** | **0.4p** | **5.0p** |

| | 6 months to 30.06.08 | | |
|---|---|---|---|
| | Before exceptional items | Exceptional items | Total |
| **Profit (loss) attributable to equity shareholders** | | | |
| Continuing operations | £11.6m | £(67.4)m | £(55.8)m |
| Discontinued operations | - | £5.0m | £5.0m |
| **Total** | £11.6m | £(62.4)m | £(50.8)m |
| **Weighted average number of ordinary shares in issue** | 389.5m | 389.5m | 389.5m |
| **Basic earnings (loss) per share** | | | |
| Continuing operations | 3.0p | (17.3)p | (14.3)p |
| Discontinued operations | - | 1.3p | 1.3p |
| **Total** | 3.0p | (16.0)p | (13.0)p |

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. Following the redemption of the convertible debt in 2009, share options are the only category of dilutive potential ordinary shares. For share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming exercise of the share options. The convertible debt was not dilutive in 2008.

## 6. Earnings (loss) per share (continued)

There is no difference in the profit (loss) or the weighted average number of shares used to determine diluted earnings per share from that used to determine basic earnings per share above. Accordingly there is no difference between diluted earnings per share and basic earnings per share disclosed above in either period.

### (c) 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, the net return on the defined benefit pension asset, unwinding of the discount in disposal provisions, amortisation of the equity component of the convertible bond 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 adjusted earnings assists in providing a view of the underlying performance of the business.

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

| | **6 months to 30.06.09 £m** | 6 months to 30.06.08 £m |
|---|---|---|
| Profit (loss) attributable to equity shareholders | **19.5** | (50.8) |
| Discontinued operations | **-** | (5.0) |
| Exceptional items after tax on continuing operations | **(1.4)** | 67.4 |
| Amortisation of equity component of convertible bond | **0.3** | 1.8 |
| Unwinding of discount in disposal provisions | **0.1** | 0.6 |
| Net return on defined benefit pension asset | **-** | (3.6) |
| Other financial (gains) losses | **(1.3)** | 0.2 |
| Taxation on adjusted items | **0.3** | 1.0 |
| **Adjusted net earnings attributable to equity shareholders** | **17.5** | 11.6 |
| **Weighted average number of ordinary shares in issue** | **389.5m** | 389.5m |
| **Adjusted earnings per share** | **4.5p** | 3.0p |

## 7. Provisions

| | Onerous leases £m | Disposal provisions £m | **Total £m** |
|---|---|---|---|
| **At 1 January 2009** | 34.1 | 22.2 | **56.3** |
| Currency translation adjustment | - | (0.6) | **(0.6)** |
| Utilised in year | (1.6) | (3.2) | **(4.8)** |
| Unwinding of discount | 0.6 | 0.1 | **0.7** |
| **At 30 June 2009** | **33.1** | **18.5** | **51.6** |
| Current | 3.3 | 12.9 | **16.2** |
| Non-current | 29.8 | 5.6 | **35.4** |
| **Total** | **33.1** | **18.5** | **51.6** |

## 8. Loan capital and borrowings to net debt reconciliation

Under IFRS, accrued interest and unamortised facility fees are classified as loan capital and borrowings. A reconciliation of loan capital and borrowings disclosed in the balance sheet to the Group's net debt position is provided below:

| | **At 30.06.09 £m** | At 31.12.08 £m |
|---|---|---|
| Total loan capital and borrowings | **(260.7)** | (339.8) |
| Less: accrued interest | **0.6** | 4.0 |
| Less: unamortised facility fees | **(2.0)** | (2.4) |
| | **(262.1)** | (338.2) |
| Add: Cash and cash equivalents | **54.0** | 111.7 |
| **Net debt** | **(208.1)** | (226.5) |

In January 2009, the Group repaid £158.2m of convertible bonds at par from cash and existing bank facilities, without recourse to the capital markets.

## 9. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

| | **6 months to 30.06.09 £m** | 6 months to 30.06.08 £m |
|---|---|---|
| **Continuing operations** | | |
| Operating profit (loss) | **31.6** | (66.3) |
| Exceptional items | **(1.4)** | 95.2 |
| Operating profit before exceptional items | **30.2** | 28.9 |
| | | |
| Depreciation and amortisation | **12.5** | 13.1 |
| Increase in working capital | **(1.6)** | (1.6) |
| Other | **0.2** | (0.6) |
| | **41.3** | 39.8 |
| | | |
| Net cash (payment) receipt in respect of provisions and exceptional items | **(12.5)** | 2.0 |
| | | |
| **Cash generated from operations** | **28.8** | 41.8 |

## 10. Acquisitions

| | **6 months to 30.06.09 £m** | 6 months to 30.06.08 £m |
|---|---|---|
| Purchase consideration | **(0.7)** | **-** |
| Less: deferred consideration | **0.4** | **-** |
| Less: cash and cash equivalents acquired | **0.1** | **-** |
| Acquisition of casino | **(0.2)** | **-** |
| Deferred consideration paid in respect of acquisitions in prior years | **(0.1)** | (3.2) |
| **Acquisition of businesses including deferred consideration** | **(0.3)** | (3.2) |

On 23 April 2009, the Group completed the acquisition of the casino at the Ricoh Arena in Coventry from Isle of Capri for a purchase consideration of £0.7m. No goodwill arose on the acquisition.

## 11. Contingent assets

The Group has lodged a claim for the repayment of VAT alleging that the tax treatment of gaming machines was inconsistently applied and therefore breached the European Union's principle of fiscal neutrality. In August 2008, the VAT & Duties Tribunal ruled that from November 2003 at least, the VAT treatment of certain types of gaming machine was inconsistent with the European Union's principle of fiscal neutrality. This is an interim decision and a second stage is due to be heard at the VAT & Duties Tribunal in October 2009. This interim ruling was appealed by HM Revenue and Customs ('HMRC') but the High Court ruled in June 2009 in favour of Rank. HMRC have appealed the High Court decision and final resolution may take a number of years. The claim may be worth as much as £26m plus interest, depending on certain factors still to be determined.

The Group has lodged a number of claims following the House of Lords decision in the Conde Nast/Fleming cases on the applicability of the three year cap that HMRC introduced to limit VAT reclaims and whether the transitional provisions were acceptable. These claims, which had to be submitted by March 2009, are based on management's best estimates from the information available and the Group expects the valuation of each claim to be reviewed by HMRC before settlement. In a number of cases, the Conde Nast claims are subject to successful outcomes of other claims for the repayment of VAT (including the claim in the preceding paragraph), whose outcome is not certain.

The Group has not recognised any gain in its financial information at 30 June 2009 in respect of the above items.

### 12. Contingent liabilities

On 10 November 2008, the Group received £59.1m in overpaid VAT from HMRC, following the VAT and Duties Tribunal's ruling in May 2008 that the application of VAT to some games of interval bingo contravened the European Union's principle of fiscal neutrality. HMRC appealed the ruling of the Tribunal at a High Court hearing in March 2009 but the judgement found in favour of Rank. The benefit from the ruling on interval bingo continued to be recognised in the accounts for the first 17 weeks of 2009, covering the period to 26 April 2009 when bingo became exempt from VAT. HMRC lodged an appeal to the Court of Appeal on 6 July 2009 but no date has been set for the hearing. In the event of an adverse ruling, Rank would be required to repay the £59.1m plus amounts not paid over for the period from July 2008 to 26 April 2009 plus interest.

The Group is facing legal proceedings in the US brought by Paramount Home Entertainment. The case alleges that Deluxe Media (a discontinued business) breached a "most favoured nation" pricing obligation contained in a duplication agreement guaranteed by Rank. The claim is being vigorously defended as Rank does not accept any breach of obligation and the case is now expected to go to court in September 2009. Provision has been made for the legal costs associated with the claim but no provision has been made for the damages claimed, which are a maximum of US$30.2m including pre-trial interest.

**Responsibility statement**

The interim management report complies with the Disclosure 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. The directors confirm that to the best of their 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 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 unchanged from those listed on pages 32 to 33 of The Rank Group Plc Annual Report and Financial Statements for the year ended 31 December 2008.

## Independent review report to The Rank Group plc

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009, which comprises the income statement, balance sheet, statement of changes in equity, statement of comprehensive income, cash flow statement and related 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.

### 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. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 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.

PricewaterhouseCoopers LLP
Chartered Accountants
30 July 2009
1 Embankment Place, London, WC2N 6RH