

**The Rank Group Plc
Half-year results for the six months ended 31 December 2013**

Financial highlights for the six months ended 31 December 2013*

	H1 2013/14 (unaudited)	H1 2012/13 (unaudited and restated)	Change
Group revenue	£352.4m	£304.4m	16%
Statutory revenue	£337.0m	£290.6m	16%
Group EBITDA before exceptional items	£54.2m	£57.6m	(6)%
Group operating profit before exceptional items	£32.7m	£38.2m	(14)%
Adjusted profit before tax	£27.7m	£36.1m	(23)%
Adjusted earnings per share	5.3p	6.8p	(22)%
Net (debt) / cash	£(135.1)m	£62.6m	
Dividend per share	1.35p	1.25p	8%

* continuing operations

Key highlights

- Performance during the six months to 31 December 2013 was characterised by a 26% like-for-like fall in operating profit at its Grosvenor Casinos venues and a 38% fall in operating profit in Mecca, in line with management's expectations and the Group's Q1 Interim Management Statement ("IMS")
- Adjusted profit before tax was down 23% to £27.7m (H1 2012/13: £36.1m) due to trading performance, higher costs and interest charges arising on the acquisition finance
- As previously stated, cost reduction and revenue enhancement actions are in place to improve results in the second half
- The Group has successfully completed the integration of the 19 casinos acquired from Gala in May 2013 and invested £11.9m in new product and casino refurbishments – the acquired portfolio is trading well
- Interim dividend up 8% to 1.35p reflecting the Board's confidence in the Group's outlook

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

"As previously guided, the first half of the current financial year was challenging with like-for-like brand performances down on the same period last year. Our London Park Tower casino has underperformed against a strong comparative period; this casino's performance has been the principal cause of a 2.9 percentage point fall in London win margin and a 6% fall in London handle in the period. The very challenging bingo market has contributed to a decline in the Mecca brand's performance as customer visits fell by 8% in the period."

"The integration of the 19 acquired casinos has been successfully completed and we are pleased with their performance to date."

"We are continuing to implement actions outlined in our Q1 IMS to drive both revenue and operating profit that will bring benefits in the second half and future years. Management anticipates operating profit in the second half, excluding the impact of the acquired casinos, will be broadly in line with the comparable period last year."

Ends

Notes and definition of terms:

- The pre-acquisition performance of the 19 casinos acquired from Gala has been included where indicated and is based on the Group's best estimate;
- Group revenue is before adjustment for free bets, promotions and customer bonuses;
- Group EBITDA is Group operating profit before exceptional items, depreciation and amortisation;
- Adjusted profit before tax is profit from continuing operations before taxation adjusted to exclude exceptional items, the unwinding of discount in disposal provisions and other financial gains or losses;
- Adjusted earnings per share is calculated by adjusting profit attributable to equity shareholders to exclude the impact of reductions in tax rate, discontinued operations, exceptional items, other financial gains and losses, unwinding of the discount in disposal provisions and the related tax effects;
- Like-for-like excludes the effect of acquired venues, club openings and closures, relocations, the impact of Machine Games Duty ("MGD") and discontinued operations;
- The prior period has been restated as a result of the reallocation of Blue Square Bet to discontinued;
- "HMRC" refers to HM Revenue and Customs; and
- The term 'H1 2012/13' refers to the six-month period ended 31 December 2012, 'H1 2013/14' refers to the six-month period ended 31 December 2013.

Enquiries

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Photographs available from www.rank.com

Analyst meeting and webcast details:

Friday 31 January 2014

There will be an analyst meeting at FTI Consulting, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB starting at 9.30am. There will be a simultaneous webcast of the meeting.

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

Forward-looking statements

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

Chief executive's review

The Group has experienced a challenging and highly competitive trading environment in the first half and we have seen decreases in like-for-like revenues across both the Grosvenor Casinos and Mecca brands. The first half has also been adversely impacted by the hot July weather and a lower casino win margin and handle. Revenue and profit improvement plans are expected to deliver an improved result during the second half of the financial year.

The operating profit bridge below outlines the key movements between H1 2012/13 and H1 2013/14. Specifically it outlines the estimated operating profit impact of the unusual factors highlighted above and other material period-on-period movements.

	Unaudited £m
Restated H1 2012/13 operating profit before exceptional items	38.2
Park Tower win margin and handle impact on operating profit	(4.5)
Acquired casinos contribution	9.4
Impact of July 2013 hot weather on admissions	(3.2)
Mecca venues H1 2013/14 admissions decline	(4.6)
Increased digital shared service costs, includes amounts previously allocated to Blue Square Bet	(2.2)
Increase in information technology costs	(1.0)
Other items	0.6
H1 2013/14 operating profit	32.7

Our immediate priority is to deliver an improved performance in the second half with the following key actions already underway:

- improved value for money for our customers;
- tight control of costs; and
- focussed capital expenditure.

Over the medium term we will focus on:

- the development of our Grosvenor Casinos venues through product development and design;
- continuing to build our digital business, particularly the mobile channel;
- preparing for Remote Gaming Duty which will be levied on a point of consumption tax basis from 1 December 2014;
- stabilising our Mecca venues' performance; and
- strengthening the Group's information technology ("IT") capability.

Grosvenor Casinos venues' development – We will continue the momentum of the brand's venue development which was initiated with the G Casino format. This will include the development of both its gaming product and non-gaming product, through its food, drink and entertainment.

Building our digital business – We will focus on meeting our online customers' needs by redesigning our websites and improving our content management systems, games and mobile offer.

Remote Gaming Duty – We will look to mitigate where possible the impact of this new duty.

Stabilising Mecca venues - We will work on stabilising and rebuilding the venues performance through:

- improving value for existing customers;
- developing the proposition to attract and retain new customers;
- restricting capital expenditure to essential works; and
- continuing with our lobbying efforts to reduce the rate of bingo duty from 20% to 15%.

Strengthening our technology capabilities – Our focus is to create an IT system capable of supporting multiple brands in multiple channels. The recently appointed and strengthened management team will achieve this by:

- investing in venue and digital infrastructure;
- reducing the number of third party applications;
- outsourcing non-core elements; and
- improving our digital games platform.

Strategy

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

We aim to increase customer numbers, visits and revenue by:

- using customer insight to drive product and service improvements;
- delivering operational excellence through our people and systems; and
- gaining wider brand distribution in a multi-channel world through venue development and digital (including mobile) channels.

Group key performance indicators (KPIs)

We measure our performance through the Group's KPIs.

	H1 2013/14	H1 2012/13 (restated)*
Customers** (000s)	2,734	2,309
Customer visits (000s)	13,803	13,516
Spend per visit (£)	25.53	22.52
Offline-online crossover***	4.0%	3.5%
Net promoter score	43%	47%****

*restated to exclude the disposed Blue Square Bet business, **unique customers shown on a moving annual total ('MAT') basis, ***excludes impact of acquired casinos, **** includes Blue Square Bet

Financial performance

The Group achieved 16% growth in continuing business revenue; with 18% growth in venues and 2% in digital (online and mobile).

£m	Revenue*		Operating profit**	
	H1 2013/14	H1 2012/13	H1 2013/14	H1 2012/13
Grosvenor Casinos	194.2	144.5	28.2	25.4
Mecca	143.5	146.1	13.9	22.5
Enracha	14.7	13.8	0.3	0.4
Central costs			(9.7)	(10.1)
Continuing group	352.4	304.4	32.7	38.2

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

The addition of the 19 acquired casinos led to a 34% increase in Grosvenor Casinos revenue to £194.2m and an 11% increase in operating profit to £28.2m.

Mecca's revenue decreased by 2% to £143.5m as customer visits decreased during the period. Operating profit fell 38% to £13.9m due to lower revenues and higher operating costs.

Enracha's euro revenue was flat in the period. A favourable exchange rate resulted in Sterling revenue increasing by 7% to £14.7m. A small operating profit was made in the period.

During the six-month period the Group invested £29.7m of capital. More than 80% of this was deployed in Grosvenor Casinos as the majority of the investment in new product, rebranding, refurbishments and conversions of the acquired casinos was completed. In addition we opened the new Poker Room casino in London and refurbished our Victoria casino.

The Group's adjusted net financing charge of £5.0m was higher than the prior period, primarily due to the financing costs associated with the acquisition of the 19 casinos.

Adjusted earnings per share was down 22% to 5.3p.

Fiscal and regulatory update

On 1 February 2013, Machine Games Duty ("MGD", a duty charged on the playing of dutiable machine games) was introduced, replacing the previous system of VAT and Amusement Machine Licence Duty ("AML", a fixed fee charged on each gaming machine offered to consumers) on amusement machine income. The impact on the Group's revenue has been an increase of £10.2m in the period with a corresponding increase in operating costs.

From 1 December 2014, Remote Gaming Duty at an anticipated rate of 15% is expected to apply to online gambling revenue generated by customers in the UK.

Net debt

The Group generated net operating cash inflow from continuing operations of £49.7m. Net debt increased by £31.3m during the period to £135.1m principally due to the settlement of certain legacy tax issues.

VAT

On 30 October 2013, Rank received notice that the Court of Appeal found in favour of HMRC regarding claims for overpaid VAT on certain types of amusement machines between 2002 and 2005. The £30.8m that Rank received from HMRC in May 2010 is expected to be repaid, along with associated interest, in the second half of the financial year.

Rank has applied for leave to appeal to the Supreme Court in connection with these claims.

Listing Rules

As previously announced, under Listing Rule 6.1.19R, shares held by persons who have an interest in 5% or more of a listed company's share capital are not regarded as being held in public hands (the 'free float'). Under this rule, the shares held by Hong Leong Company (Malaysia) Berhad ('Hong Leong') and Prudential plc and subsidiary companies ('Prudential') may not be regarded as being in public hands, with the result that the number of Rank's shares distributed to the public is below the 25% threshold set out in Listing Rule 6.1.19R.

On 9 September 2013, Rank received notification that following a special interim dividend declared by Guoco Group Limited, Hong Leong's interest in Rank had reduced from 74.5% to 68.9%.

However, due to the fact that Prudential's shareholding (6.8% holding) is not regarded as being in public hands, the free float remains below the 25% threshold. The Group remains in discussions with the UK Listing Authority regarding this.

Board changes

On 17 October 2013, John Warren stepped down from the board after serving more than seven and half years. Colin Child took over as chair of the audit committee following John's departure.

Dividend

The Groups' strong balance sheet and cash flow, along with the Board's confidence in the second half, means the Board is pleased to declare an interim dividend for 2013/14 of 1.35 pence per share to be paid on 21 March 2014 to shareholders on the register at 21 February 2014, an increase of 8% on the previous period.

Current trading and outlook

Trading in the four weeks since the start of the second half has been in line with our internal expectations and shows a positive trend over the first half.

Despite the challenging start to the year against tough H1 comparators, we anticipate operating profit in the second half of the financial year, excluding the impact of the acquired casinos, will be broadly in line with the comparable period.

Business review

Grosvenor Casinos

Grosvenor Casinos has had a tough first half principally due to the underperformance of the London venues against an exceptionally strong comparable period.

	H1 2013/14	H1 2012/13	Change
Total revenue* (£m)	194.2	144.5	34%
- Venues – excl. acquired casinos	134.9	140.1	(4)%
- Venues – acquired casinos	53.5	-	-
- Total venues	188.4	140.1	34%
- Digital	5.8	4.4	32%
Total EBITDA** (£m)	39.8	34.7	15%
- Venues – excl. acquired casinos	28.8	35.6	(19)%
- Venues – acquired casinos	10.9	-	-
- Total venues	39.7	35.6	12%
- Digital	0.1	(0.9)	111%
Total operating profit** (£m)	28.2	25.4	11%
- Venues – excl. acquired casinos	19.7	27.2	(28)%
- Venues – acquired casinos	9.4	-	-
- Total venues	29.1	27.2	7%
- Digital	(0.9)	(1.8)	50%
Like-for-like revenue*			
- Venues – excl. acquired casinos	(9)%		
- Venues – acquired casinos	(6)%		
- Digital	32%		

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

Venues revenue increased by 34% to £188.4m due to the contribution of the acquired casinos. A weak London performance, compared to an exceptionally strong H1 performance in the prior year, and the hot July weather contributed to a like-for-like fall in revenue of 9%. Operating profit increased by 7% to £29.1m but fell 26% on a like-for-like basis.

A lower London win margin (down 2.9 percentage points) and reduced major player activity (handle down 6%) adversely impacted the London venues' performance particularly at the Park Tower (revenue down 48%) and Barracuda venues. This consequently led to a 35% decrease in London like-for-like operating profit.

Digital revenue improved during the period by 32% to £5.8m. During the period we launched our new Live Casino offer, which has now become our largest revenue stream. The operating loss decreased by 50% to £(0.9)m.

Key performance indicators

	H1 2013/14	H1 2012/13	Change
Total customers (000s)*	1,737	1,303	33%
- Venues – excl. acquired casinos	1,280	1,282	-%
- Venues – acquired casinos	474	-	-
- Total venues	1,713	1,282	34%
- Digital	42	33	27%
Total customer visits (000s)	4,282	3,218	33%
- Venues – excl. acquired casinos	2,991	3,052	(2)%
- Venues – acquired casinos	1,091	-	-
- Total venues	4,082	3,052	34%
- Digital	200	166	20%
Total spend per visit (£)	45.35	44.90	1%
- Venues – excl. acquired casinos	45.10	45.90	(2)%
- Venues – acquired casinos	49.04	-	-
- Total venues	46.15	45.90	1%
- Digital	29.00	26.51	9%
Total net promoter score			
- Venues	40%	44%	
- Digital	2%	2%	

* customers are shown on a moving annual total ('MAT') basis and cross-channel customers are included only once in the brand total

On 8 November 2013, we completed a refurbishment of our flagship London Victoria casino and opened the new London Poker Room casino which incorporates a 350 capacity poker room. The capital cost of the Poker Room casino licence and associated fit out costs will be £10.4m.

The integration of the acquired casinos is almost complete with £11.9m of capital invested in the period including the conversion of three venues to the G Casino format which included a major refurbishment of the Leicester casino. The Group also carried out a major refurbishment at the London St Giles (formerly the Tottenham Court Road) venue. Upcoming investments include IT upgrades, scheduled for the second half of the financial year, and the opening of a new casino in Southend in autumn 2014.

At 31 December 2013, the brand operated 56 casinos in Great Britain (incorporating 63 trading licences) and two in Belgium.

Venues regional analysis

	Customer visits (000s)		Spend per visit (£)		Revenue (£m)		Operating profit (£m)	
	H1 2013/14	H1 2012/13	H1 2013/14	H1 2012/13	H1 2013/14	H1 2012/13	H1 2013/14	H1 2012/13
London	729	534	89.85	107.12	65.5	57.2	13.9	16.5
Provinces	3,202	2,357	36.04	31.99	115.4	75.4	15.2	10.8
Belgium	151	161	49.67	46.58	7.5	7.5	-	(0.1)
Total	4,082	3,052	46.15	45.90	188.4	140.1	29.1	27.2

The provincial estate revenue increased by 53% to £115.4m due to the contribution of the acquired casinos, however, on a like-for-like basis it was down 1% due to a fall in customer visits. Like-for-like operating profit fell by 13% due to increases in employee and irrecoverable VAT costs and the absence of certain prior year credits.

Trading at our two Belgian casinos has been broadly flat.

Venues revenue analysis – Great Britain only

£m	H1 2013/14		H1 2012/13		Change	
	Existing	Acquired	Existing	Acquired	Existing	Acquired
Casino games	85.8	38.4	95.8	41.4	(10)%	(7)%
Gaming machines	25.0	10.4	20.0	8.8	25%	18%
Card room games	5.8	1.3	5.7	1.5	2%	(13)%
Food & drink/other	10.8	3.4	11.1	3.5	(3)%	(3)%
Total	127.4	53.5	132.6	55.2	(4)%	(3)%

Gaming machine revenue grew in the period (up 4% on a like-for-like basis, removing the impact of MGD, for the existing casinos but down 1% for the acquired casinos).

Mecca

In the six-month period both of Mecca's channels have been impacted by challenging conditions.

	H1 2013/14	H1 2012/13	Change
Total revenue* (£m)	143.5	146.1	(2)%
- Venues	113.7	115.7	(2)%
- Digital	29.8	30.4	(2)%
Total EBITDA** (£m)	22.2	30.9	(28)%
- Venues	14.3	18.6	(23)%
- Digital	7.9	12.3	(36)%
Total operating profit** (£m)	13.9	22.5	(38)%
- Venues	7.1	11.1	(36)%
- Digital	6.8	11.4	(40)%
Like-for-like revenue*			
- Venues	(7)%		
- Digital	(2)%		

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

Venues revenue of £113.7m was down by 2% (down 7% on a like-for-like basis). Customer visits fell by 10% due to the general pressure on our customers' discretionary expenditures and the impact of the hot July weather.

Spend per visit increased on lower visit frequencies. Higher irrecoverable VAT, up £1.9m in the period, and higher marketing costs led to a 36% fall in operating profit to £7.1m. Cost efficiency improvements focussed on reducing employee costs have recently been implemented and will continue into the remainder of the financial year.

Digital revenue of £29.8m was down by 2% in a very competitive market. Operating profit fell by 40% to £6.8m due to lower revenue and higher IT and promotional costs. Digital customer numbers have grown driven by increased marketing and customer acquisition activity. However the frequency of visits has declined.

Mecca mobile revenues continue to grow strongly, up 24% in the period. During the period updated mobile (phone and tablet) apps have been developed and released with a focus on side game improvements. Mobile currently represents 22% of Mecca's digital revenues, up from 17% in the comparable period.

Key performance indicators

	H1 2013/14	H1 2012/13	Change
Total customers (000s)*	1,107	1,122	(1)%
- Venues	940	958	(2)%
- Digital	234	227	3%
Total customer visits (000s)	8,532	9,300	(8)%
- Venue	6,209	6,864	(10)%
- Digital	2,323	2,436	(5)%
Total spend per visit (£)	16.82	15.71	7%
- Venues	18.31	16.86	9%
- Digital	12.83	12.48	3%
Total net promoter score			
- Venues	46%	55%	
- Digital	20%	23%	

* customers are shown on a moving annual total ('MAT') basis and cross-channel customers are included only once in the brand total

At 31 December 2013, the brand operated 97 licensed bingo venues in Great Britain.

Venues revenue analysis

£m	H1 2013/14	H1 2012/13	Change
Main stage bingo	17.7	20.0	(12)%
Interval games	46.5	50.7	(8)%
Amusement machines	36.7	32.0	15%
Food & drink/other	12.8	13.0	(2)%
Total	113.7	115.7	(2)%

Amusement machine revenue was up 15% in the period. However, on a like-for like basis, removing the impact of MGD, it was down 4%.

Enracha

	H1 2013/14	H1 2012/13	Change
Revenue (€m)	17.3	17.3	-%
Revenue (£m)	14.7	13.8	7%
EBITDA (£m)	1.3	1.5	(13)%
Operating profit (£m)	0.3	0.4	(25)%

Euro revenue was flat in the period, however due to the favourable exchange rate Sterling revenue was up 7%.

Key performance indicators

	H1 2013/14	H1 2012/13	Change
Customers (000s)*	278	291	(4)%
Customer visits (000s)	989	998	(1)%
Spend per visit (€)	17.49	17.33	1%
Spend per visit (£)	14.86	13.83	7%

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

Venues revenue analysis

€m	H1 2013/14	H1 2012/13	Change
Bingo	10.7	10.0	7%
Amusement machines	5.1	5.8	(12)%
Food & drink/other	1.5	1.5	-%
Total	17.3	17.3	-%

Amusement machine income decreased by 12%, driven by a decline in the popularity of Category B3 machines.

During the period we refurbished our Barcelona flagship venue and converted it to the Enracha format.

At 31 December 2013, the brand operated 11 bingo venues across Catalunya, Madrid, Galicia and Andalucía.

Financial review

Pre-exceptional income statement from continuing operations

Group revenue for the six months to 31 December 2013 from continuing operations rose by 16% to £352.4m whilst Group operating profit before exceptionals of £32.7m was £5.5m lower than the comparable period.

The growth in Group revenues reflects the income from the 19 acquired casinos and the positive impact from the introduction of MGD offset by the challenging and highly competitive trading conditions in all our existing businesses. Additionally, as highlighted earlier, the London casino market performed exceptionally strongly in the comparable period and the Group has not seen the same level of customer spend or win margin in the current period.

The acquired casinos delivered operating profit of £9.4m in the period but this was offset by increased costs across the existing businesses, particularly in the digital channels where marketing spend was increased and shared costs were re-allocated following the disposal of Blue Square Bet in April 2013.

Adjusted net interest payable for the six months increased to £5.0m as a result of the new £140m term loan facilities for the casino acquisition in May 2013 and utilisation of the revolving credit facility to settle historic tax issues.

Adjusted earnings per share of 5.3p (H1 2012/13: 6.8p) reflect the decrease in pre-tax profits. The weighted average number of ordinary shares was materially unchanged from the comparable period.

Exceptional items

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

During the period the Group recognised the following exceptional items:

- The expected repayment to HMRC of £34.3m (including interest) for VAT on amusement machines following the adverse judgement at the Court of Appeal in October 2013;
- On-going integration costs for the acquired casinos; and
- Release of surplus interest accruals following the final settlement of various indirect and direct taxation issues.

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

Discontinued operations

The Blue Square Bet business was disposed of in April 2013 and the revenue and operating loss for the comparable period have therefore been reclassified and disclosed as a discontinued activity.

Following the settlement of tax issues relating to previously disposed businesses, £2.8m of tax refunds are due to the Group, of which £2.2m has been received to date. These refunds have been disclosed as discontinued activities.

Taxation

The Group's effective corporation tax rate was 25.3% (H1 2012/13: 26.9%) based on a tax charge of £7.0m on adjusted profit before tax of £27.7m. This is broadly in line with the Group's anticipated effective tax rate of 25% to 26%.

The Group had a H1 effective cash tax rate of 13.4% on adjusted profit. The Group is expected to have a cash tax rate of 15% to 18% in 2013/14, excluding any tax payable on the resolution of a number of legacy issues. This is lower than the Group's effective corporation tax rate as a result of tax deductible exceptional costs.

The Group has lodged a number of VAT claims that are the subject of on-going litigation. These include, but are not limited to, claims submitted pursuant to the House of Lords decision in the Condé Nast/Fleming cases on the applicability of the three-year cap that HMRC introduced to limit VAT reclaims. The Condé Nast/Fleming claims, which had to be submitted by March 2009, are based on management's best estimates from the information available and the Group expects HMRC to review closely both its right to the amounts claimed and the value of each claim before settlement. In the majority of cases, the Fleming claims are subject to the successful outcome of other litigation for the repayment of VAT. The outcome of these cases is not certain and the latest step of the litigation was heard in May 2013 at the Court of Appeal. The Court of Appeal found in favour of HMRC and the Group has applied for leave to appeal to the Supreme Court. The Group awaits confirmation of whether the appeal will be allowed and expects to hear from the Supreme Court in H2 2013/14.

The combined value of these claims, including simple interest, is currently estimated to be worth more than £305m.

The Group has not disclosed or recognised any gain in its financial information at 31 December 2013 in respect of the above claims.

The Group has also provided for the expected repayment of the amusement machine VAT claim following the Court of Appeal decision outlined above. Further details are provided in note 3 to the Group financial information.

Cash flow and balance sheet

	H1 2013/14 £m	H1 2012/13 £m
Continuing operations		
Cash inflow from operations	49.7	60.7
Capital expenditure	(29.7)	(17.1)
Fixed asset disposals	0.2	2.0
Operating cash inflow	20.2	45.6
Net cash payments in respect of provisions and exceptional items	(2.9)	(5.3)
Discontinued operations	(0.4)	(4.7)
Acquisition purchase price adjustment	0.9	-
	17.8	35.6
Net interest and tax payments	(5.5)	(4.7)
Settlement of legacy tax issues	(31.1)	-
Dividends paid	(11.1)	(9.8)
New finance leases	(2.3)	(0.8)
Other (including foreign exchange translation)	0.9	0.5
Cash (outflow) / inflow	(31.3)	20.8
Opening net (debt) / cash	(103.8)	41.8
Closing net (debt) / cash	(135.1)	62.6

At the end of December 2013, net debt was £135.1m compared with net cash of £62.6m at the end of December 2012. The net debt comprised £140.0m in bank term loans in respect of the acquisition of the former Gala casinos, £8.7m in fixed rate Yankee bonds, £28.0m drawings on the bank revolving credit facilities, £16.5m in finance leases and £4.4m in overdrafts offset by cash at bank and in hand of £62.5m.

The Group's banking facilities comprise two £70.0m bilateral term loans and four £20.0m bilateral revolving credit facilities with its relationship banks totalling £220.0m. These facilities require the maintenance of a minimum ratio of earnings before interest, tax, depreciation and amortisation ('EBITDA') to net interest payable; a minimum ratio of EBITDA plus operating lease charges to net interest payable plus operating lease charges and a maximum ratio of net debt to EBITDA, tested quarterly and biannually depending on the facility. The Group has complied with its banking covenants.

Capital expenditure

During the six-month period, the Group's capital investment programme totalled £29.7m. Of this, more than 80% was invested in extending the reach and broadening the appeal of Grosvenor Casinos, particularly the 19 acquired casinos.

	H1 2013/14 £m	H1 2012/13 £m
Cash:		
Grosvenor Casinos – existing	13.0	10.4
Grosvenor Casinos – acquired	11.9	-
Mecca	3.7	3.8
Enracha	0.5	0.5
Central	0.6	2.4
Total	29.7	17.1
Finance leases:		
Grosvenor Casinos	-	0.5
Mecca	2.3	0.3
Total	2.3	0.8
Total capital expenditure	32.0	17.9

Grosvenor Casinos spent £5.5m acquiring a licence from a related party (further details are provided in note 13) and a further £3.3m developing the new London Poker Room casino in London which opened in November 2013. The balance of the expenditure for the existing estate was on refurbishments, new IT equipment, enhancements to the brands' transactional websites and other minor works.

In the acquired casinos £6.7m was spent on new electronic and table gaming product, £0.7m on a G Casino conversion in Leicester; £0.8m on a major refurbishment at the London St Giles casino (formerly Tottenham Court Road), £1.8m on replacement of out of date IT systems, £1.1m on re-branding and minor refurbishments plus a further £0.8m on other minor works.

Capital expenditure for Mecca comprised £1.0m on digital enhancements including improvements to the website, £1.1m on replacement of IT equipment in the venues and £1.6m on other minor capital works. In light of the difficult trading conditions all venue refurbishments have been placed on hold, although profit enhancing strategic initiatives and IT investment will continue.

Capital commitments at 31 December 2013 include a further £0.6m on the new Poker Room in London, £0.6m for the G Casino conversion in Leicester, £0.3m for the completion of the St Giles casino refurbishment; £1.5m on product and gaming enhancements for the acquired casinos, £0.3m for new IT equipment and £0.3m on other minor works. Mecca had no material commitments for future expenditure.

In light of difficult trading conditions, the Group continues to maintain strict control over committing expenditure to capital projects. We currently anticipate that 2013/14 capital investment will be towards the upper end of a range of £48m-£52m. The commitment to the new G Casino in Southend (due to open in autumn 2014) is not affected by this policy.

Principal risks

The Group's risk management strategy focuses on the minimisation of risks for the Group. Key risks are reviewed by the executive committee and board on a regular basis and where appropriate, actions are taken to mitigate the key risks that are identified. The principal risks and uncertainties which could impact the Group for the remainder of the financial year remain unchanged from those detailed in the Group's annual report and financial statements for the year ended 30 June 2013. A summary of these risks, and what we are doing to address them, is as follows:

Taxation and regulation

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

IT security

The Group is highly dependent upon technology and our systems may fail or be vulnerable to hacker intrusion, malicious viruses or other cyber-crime attacks. Policies and procedures are in place to safeguard our customer data and respond swiftly to attempted attacks on the Group's IT systems.

External events

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

Loss of licences

Rank's gaming licences are fundamental to its operation and therefore the loss of them would be catastrophic for Rank. Rank has a dedicated compliance function that is independent of operations and a separate independent internal audit function.

Economic environment

An uncertain economic environment, low wage growth, higher taxation, inflation and weak recovery in the economy can adversely affect our customers' expenditure. The Group is constantly looking to identify ways to improve our offer so that we become our customers' leisure destination of choice.

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying liquidity requirements are produced monthly and sensitivity tested. A three-year forecast is produced annually to facilitate planning for future financing needs. Management actively manages the Group's financing requirements and the range of maturities on its debt. As noted earlier the Group also has unutilised revolving credit facilities that help to mitigate liquidity risk.

Greater detail on these risks and uncertainties can be found in our annual report and financial statements for the year ended 30 June 2013.

Responsibility Statement

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

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

The directors of The Rank Group Plc are:

Ian Burke
Clive Jennings
Colin Child
The Rt. Hon. the Earl of Kilmorey, PC
Owen O'Donnell
Tim Scoble
Shaa Wasmund

Signed on behalf of the board on 30 January 2014

Ian Burke
Chairman and chief executive

Independent Review Report to The Rank Group Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2013 which comprises the Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Group Balance Sheet, Group Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2013 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 Conduct Authority.

Ernst & Young LLP
London
30 January 2014

Group Income Statement
for the six months to 31 December 2013

	Six months to 31 December 2013 (unaudited)			Six months to 31 December 2012 (unaudited)		
	Before exceptional items	Exceptional items (note 3)	Total	Before exceptional items (restated*)	Exceptional items (note 3) (restated*)	Total (restated*)
	£m	£m	£m	£m	£m	£m
Continuing operations						
Revenue before adjustment for free bets, promotions and customer bonuses	352.4	-	352.4	304.4	-	304.4
Free bets, promotions and customer bonuses	(15.4)	-	(15.4)	(13.8)	-	(13.8)
Revenue	337.0	-	337.0	290.6	-	290.6
Cost of sales	(190.8)	-	(190.8)	(159.5)	-	(159.5)
Gross profit	146.2	-	146.2	131.1	-	131.1
Other operating costs	(113.5)	(27.3)	(140.8)	(92.9)	(6.0)	(98.9)
Group operating profit (loss)	32.7	(27.3)	5.4	38.2	(6.0)	32.2
Financing:						
– finance costs	(5.1)	(8.2)	(13.3)	(2.3)	(2.1)	(4.4)
– finance income	-	1.0	1.0	0.1	-	0.1
– other financial gains	0.7	-	0.7	0.3	-	0.3
Total net financing charge	(4.4)	(7.2)	(11.6)	(1.9)	(2.1)	(4.0)
Profit (loss) before taxation	28.3	(34.5)	(6.2)	36.3	(8.1)	28.2
Taxation	(4.1)	8.8	4.7	(10.0)	0.6	(9.4)
Profit (loss) for the period from continuing operations	24.2	(25.7)	(1.5)	26.3	(7.5)	18.8
Discontinued operations	-	2.8	2.8	(3.5)	2.8	(0.7)
Profit (loss) for the period	24.2	(22.9)	1.3	22.8	(4.7)	18.1
Attributable to:						
Equity holders of the parent	24.2	(22.9)	1.3	22.8	(4.7)	18.1
Earnings (loss) per share attributable to equity shareholders						
– basic	6.2	(5.9)	0.3	5.8	(1.2)	4.6
– diluted	6.2	(5.9)	0.3	5.8	(1.2)	4.6
Earnings (loss) per share – continuing operations						
– basic	6.2	(6.6)	(0.4)	6.7	(1.9)	4.8
– diluted	6.2	(6.6)	(0.4)	6.7	(1.9)	4.8
Earnings (loss) per share – discontinued operations						
– basic	-	0.7	0.7	(0.9)	0.7	(0.2)
– diluted	-	0.7	0.7	(0.9)	0.7	(0.2)

* The prior period has been restated to reclassify the results of the Blue Square Bet business to discontinued operations (see note 4).

Group Statement of Comprehensive Income
for the six months to 31 December 2013

	Six months to 31 December 2013 (unaudited) £m	Six months to 31 December 2012 (unaudited) £m
Comprehensive income:		
Profit for the period	1.3	18.1
Other comprehensive income:		
Exchange adjustments net of tax	(1.1)	0.6
Actuarial gain on retirement benefits net of tax	0.1	0.1
Total comprehensive income for the period	0.3	18.8
Attributable to:		
Equity holders of the parent	0.3	18.8

Group Statement of Changes in Equity
for the six months to 31 December 2013

For the six months to 31 December 2013 (unaudited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings £m	Total £m
At 1 July 2013	54.2	98.4	33.4	16.1	39.8	241.9
Comprehensive income:						
Profit for the period	-	-	-	-	1.3	1.3
Other comprehensive income:						
Exchange adjustments including tax	-	-	-	(1.1)	-	(1.1)
Actuarial gain on retirement benefits net of tax	-	-	-	-	0.1	0.1
Total comprehensive income (expense) for the period	-	-	-	(1.1)	1.4	0.3
Transactions with owners:						
Dividends paid to equity holders (see note 7)	-	-	-	-	(11.1)	(11.1)
Debit in respect of employee share schemes including tax	-	-	-	-	(0.4)	(0.4)
At 31 December 2013	54.2	98.4	33.4	15.0	29.7	230.7

For the six months to 31 December 2012 (unaudited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings £m	Total £m
At 1 July 2012	54.2	98.3	33.4	13.4	28.7	228.0
Comprehensive income:						
Profit for the period	-	-	-	-	18.1	18.1
Other comprehensive income:						
Exchange adjustments including tax	-	-	-	0.6	-	0.6
Actuarial gain on retirement benefits net of tax	-	-	-	-	0.1	0.1
Total comprehensive income for the period	-	-	-	0.6	18.2	18.8
Transactions with owners:						
Dividends paid to equity holders (see note 7)	-	-	-	-	(9.8)	(9.8)
Refund of unclaimed dividends (see note 7)	-	-	-	-	0.1	0.1
At 31 December 2012	54.2	98.3	33.4	14.0	37.2	237.1

Group Balance Sheet
at 31 December 2013 and 30 June 2013

	31 December 2013 (unaudited) £m	30 June 2013 £m
Assets		
Non-current assets		
Intangible assets	398.0	392.5
Property, plant and equipment	232.7	232.0
Deferred tax assets	2.3	2.6
Other receivables	2.1	2.9
	635.1	630.0
Current assets		
Inventories	3.5	3.3
Other receivables	25.5	31.0
Income tax receivable	6.7	9.0
Cash and short-term deposits	62.5	65.3
	98.2	108.6
Assets held for sale	-	0.3
Total assets	733.3	738.9
Liabilities		
Current liabilities		
Trade and other payables	(113.3)	(124.8)
Income tax payable	(19.0)	(42.2)
Financial liabilities - loans and borrowings	(8.0)	(7.4)
Provisions	(32.6)	(19.5)
	(172.9)	(193.9)
Net current liabilities	(74.7)	(85.3)
Non-current liabilities		
Trade and other payables	(43.1)	(43.8)
Income tax payable	(21.7)	(21.7)
Financial liabilities - loans and borrowings	(188.9)	(161.1)
Deferred tax liabilities	(25.2)	(24.6)
Provisions	(47.8)	(48.8)
Retirement benefit obligations	(3.0)	(3.1)
	(329.7)	(303.1)
Total liabilities	(502.6)	(497.0)
Net assets	230.7	241.9
Capital and reserves attributable to the Company's equity shareholders		
Share capital	54.2	54.2
Share premium	98.4	98.4
Capital redemption reserve	33.4	33.4
Exchange translation reserve	15.0	16.1
Retained earnings	29.7	39.8
Total shareholders' equity	230.7	241.9

Group Cash Flow Statement
for the six months to 31 December 2013

	Six months to 31 December 2013 (unaudited)	Six months to 31 December 2012 (unaudited and restated*)
	£m	£m
Cash flows from operating activities		
Cash generated from continuing operations	33.1	55.4
Interest received	-	0.1
Interest paid	(4.6)	(1.4)
Tax paid	(12.3)	(3.4)
Discontinued operations	(6.4)	(3.9)
Net cash from operating activities	9.8	46.8
Cash flows from investing activities		
Acquisition of subsidiary including deferred consideration	0.9	-
Purchase of intangible assets	(10.0)	(2.3)
Purchase of property, plant and equipment	(19.7)	(14.8)
Proceeds from sale of held for sale asset	-	1.9
Proceeds from sale of property, plant and equipment	0.2	0.1
Discontinued operations	-	(0.8)
Net cash used in investing activities	(28.6)	(15.9)
Cash flows from financing activities		
Dividends paid to equity holders	(11.1)	(9.8)
Refund of unclaimed dividends	-	0.1
Drawdown on syndicated facilities	28.0	-
Finance lease principal payments	(1.6)	(1.6)
Net cash from (used in) financing activities	15.3	(11.3)
Net (decrease) increase in cash, cash equivalents and bank overdrafts	(3.5)	19.6
Effect of exchange rate changes	(0.3)	0.1
Cash and cash equivalents at start of period	61.9	69.6
Cash and cash equivalents at end of period	58.1	89.3

* The prior period has been restated to reclassify the results of the Blue Square Bet business to discontinued operations (see note 4).

1 General information, basis of preparation and accounting policies

The Company is a public limited company which is listed on the London stock exchange and incorporated and domiciled in England and Wales under registration number 03140769. The address of its registered office is Statesman House, Stafferton Way, Maidenhead SL6 1AY.

This condensed consolidated interim financial information was approved for issue on 30 January 2014.

This condensed consolidated financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the 12-month period ended 30 June 2013 were approved by the board of directors on 14 August 2013 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement made under Section 498 of the Companies Act 2006.

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

Basis of preparation

This condensed consolidated interim financial information for the six months ended 31 December 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the financial statements for the 12-month period ended 30 June 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern

In adopting the going concern basis for preparing the financial information the directors have considered the issues impacting the Group during the period as detailed in the business review above and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from current levels, the directors believe that the Group will generate sufficient cash to meet its requirements for at least the next 12 months and comply with its banking covenants. Accordingly the adoption of the going concern basis remains appropriate.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the financial statements for the 12-month period ended 30 June 2013, as described in those financial statements. The changes did not have any impact on the financial position or performance of the Group.

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

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 July 2013.

IFRS7 Financial Instruments: Disclosures (Amendment)
IFRS13 Fair Value Measurement
IAS19 Employee Benefits (Revised)
IAS28 Investments in Associates and Joint Ventures

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

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

2 Segment information - continuing operations

	Six months to 31 December 2013 (unaudited)							
	Grosvenor Casinos		Mecca		Enracha		Central costs	Total
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	£m	
Continuing operations								
Group revenue reported in internal information	188.4	5.8	113.7	29.8	14.7	-	-	352.4
Free bets, promotions and customer bonuses	(2.2)	(1.3)	(6.9)	(5.0)	-	-	-	(15.4)
Segment revenue	186.2	4.5	106.8	24.8	14.7	-	-	337.0
Operating profit (loss) before exceptional items	29.1	(0.9)	7.1	6.8	0.5	(0.2)	(9.7)	32.7
Exceptional operating loss	(4.9)	-	(22.4)	-	-	-	-	(27.3)
Segment result	24.2	(0.9)	(15.3)	6.8	0.5	(0.2)	(9.7)	5.4
Finance costs								(13.3)
Finance income								1.0
Other financial gains								0.7
Loss before taxation								(6.2)
Taxation								4.7
Loss for the period from continuing operations								(1.5)

	Six months to 31 December 2012 (unaudited and restated*)							
	Grosvenor Casinos		Mecca		Enracha		Central costs	Total
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	£m	
Continuing operations								
Group revenue reported in internal information	140.1	4.4	115.7	30.4	13.8	-	-	304.4
Free bets, promotions and customer bonuses	(1.9)	(1.1)	(6.9)	(3.9)	-	-	-	(13.8)
Segment revenue	138.2	3.3	108.8	26.5	13.8	-	-	290.6
Operating profit (loss) before exceptional items	27.2	(1.8)	11.1	11.4	0.8	(0.4)	(10.1)	38.2
Exceptional operating loss	(2.1)	-	-	-	-	-	(3.9)	(6.0)
Segment result	25.1	(1.8)	11.1	11.4	0.8	(0.4)	(14.0)	32.2
Finance costs								(4.4)
Finance income								0.1
Other financial gains								0.3
Profit before taxation								28.2
Taxation								(9.4)
Profit for the period from continuing operations								18.8

* The prior period has been restated to reclassify the results of the Blue Square Bet business to discontinued operations (see note 4).

2 Segment information - continuing operations (continued)

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

Six months to 31 December 2013 (unaudited)								
	Grosvenor Casinos		Mecca		Enracha		Central costs	Total
	Venues	Digital	Venues	Digital	Venues	Digital		
	£m	£m	£m	£m	£m	£m		
Employment and related costs	68.9	0.8	28.5	3.5	6.8	0.1	6.7	115.3
Taxes and duties	39.6	0.1	24.2	0.3	1.1	-	0.9	66.2
Direct costs	7.2	1.4	10.8	7.5	1.3	-	-	28.2
Property costs	14.8	0.1	13.7	0.4	1.3	-	0.5	30.8
Marketing	6.4	2.0	5.4	4.1	0.5	-	-	18.4
Depreciation and amortisation	10.6	1.0	7.2	1.1	1.0	-	0.6	21.5
Other	9.6	-	9.9	1.1	2.2	0.1	1.0	23.9
Total costs before exceptional items	157.1	5.4	99.7	18.0	14.2	0.2	9.7	304.3
Cost of sales								190.8
Operating costs								113.5
Total costs before exceptional items								304.3

Six months to 31 December 2012 (unaudited and restated)								
	Grosvenor Casinos		Mecca		Enracha		Central costs	Total
	Venues	Digital	Venues	Digital	Venues	Digital		
	£m	£m	£m	£m	£m	£m		
Employment and related costs	48.9	1.1	30.1	1.8	6.4	0.1	7.4	95.8
Taxes and duties	30.7	0.1	19.2	0.5	0.9	-	0.8	52.2
Direct costs	4.9	1.4	11.4	6.9	1.2	0.2	-	26.0
Property costs	9.0	0.1	14.5	0.3	1.0	-	0.4	25.3
Marketing	3.9	1.2	5.0	4.3	0.3	-	0.3	15.0
Depreciation and amortisation	8.4	0.9	7.5	0.9	1.1	-	0.6	19.4
Other	5.2	0.3	10.0	0.4	2.1	0.1	0.6	18.7
Total costs before exceptional items	111.0	5.1	97.7	15.1	13.0	0.4	10.1	252.4
Cost of sales								159.5
Operating costs								92.9
Total costs before exceptional items								252.4

3 Exceptional items

	Six months to 31 December 2013 (unaudited) £m	Six months to 31 December 2012 (unaudited and restated) £m
Exceptional items relating to continuing operations		
Net charge to provision for indirect taxation	(26.1)	(2.1)
Transaction costs	-	(3.9)
Integration costs	(1.2)	-
Exceptional operating costs	(27.3)	(6.0)
Finance costs (see note 5)	(8.2)	(2.1)
Finance income (see note 5)	1.0	-
Taxation (see note 6)	8.8	0.6
Exceptional items relating to continuing operations	(25.7)	(7.5)
Exceptional items relating to discontinued operations		
Charge to provision for indirect taxation	-	(7.5)
Finance costs (see note 5)	(0.3)	(0.6)
Finance income (see note 5)	0.3	1.1
Taxation (see note 6)	2.8	9.8
Exceptional items relating to discontinued operations	2.8	2.8
Total exceptional items	(22.9)	(4.7)

Continuing operations

Net charge to provision for indirect taxation

In previous periods the Group disclosed a contingent liability in respect of a claim for repayment of VAT on amusement machines. In May 2010, the Group received £30.8m (VAT of £26.4m plus interest of £4.4m) in respect of the claim, which has been the subject of on-going litigation. During the period, the Court of Appeal found in favour of HMRC and consequently an amount of £26.4m has been provided to cover the expected outflow, together with an accrual for interest of £7.9m (representing the original interest receipt of £4.4m plus interest since receipt of £3.5m). The Group has applied for leave to appeal to the Supreme Court, and it therefore remains possible that the Group will not ultimately be liable for these amounts.

The Group also released £0.3m following the settlement in the period of the indirect tax balances provided for in the prior period.

Integration costs

On 12 May 2013, the Group acquired 19 casinos and 3 non-operating licences from Gala Coral Group. The Group has expensed the resulting integration costs incurred in the period of £1.2m.

4 Discontinued operations

In accordance with IFRS5 'Non-Current Assets Held for Sale and Discontinued Operations', the results of the Blue Square Bet business have been classified as discontinued in the prior period. No results were attributable to Blue Square Bet in the current period, although the Group continued to discharge legacy liabilities relating to the business.

Discontinued operations, other than those disclosed within exceptional items (see note 3), relate to the disposal in prior year of the loss-making Blue Square Bet business. A breakdown of results of this operation is shown below.

	Six months to 31 December 2013 (unaudited) £m	Six months to 31 December 2012 (unaudited) £m
Revenue	-	6.1
Operating loss	-	(4.8)
Taxation	-	1.3
Loss after taxation	-	(3.5)
Other information:		
Depreciation and amortisation	-	(0.9)
Capital expenditure	-	(0.8)

Cash flows relating to discontinued operations are as follows:

	Six months to 31 December 2013 (unaudited) £m	Six months to 31 December 2012 (unaudited) £m
Operating loss	-	(4.8)
Depreciation and amortisation	-	0.9
Cash utilisation of provisions	(6.2)	-
Interest paid	(0.2)	-
Cash flows from operating activities	(6.4)	(3.9)
Cash flows from investing activities	-	(0.8)
Cash flows from financing activities	-	-
	(6.4)	(4.7)

5 Financing

	Six months to 31 December 2013 (unaudited) £m	Six months to 31 December 2012 (unaudited and restated) £m
Continuing operations		
Finance costs:		
Interest on debt and borrowings	(3.2)	(0.6)
Amortisation of issue costs on borrowings	(0.7)	(0.6)
Interest payable on finance leases	(0.5)	(0.5)
Unwinding of the discount in onerous lease provisions	(0.6)	(0.5)
Unwinding of the discount in disposal provisions	(0.1)	(0.1)
Total finance costs	(5.1)	(2.3)
Finance income:		
Interest income on short term bank deposits	-	0.1
Total finance income	-	0.1
Other financial gains - including foreign exchange	0.7	0.3
Total net financing cost for continuing operations before exceptional items	(4.4)	(1.9)
Exceptional finance costs	(8.2)	(2.1)
Exceptional finance income	1.0	-
Total net financing cost for continuing operations	(11.6)	(4.0)
Finance costs relating to discontinued operations		
Discontinued finance costs	(0.3)	(0.6)
Discontinued finance income	0.3	1.1
Total net financing income for discontinued operations	-	0.5
Total net financing costs	(11.6)	(3.5)

Exceptional finance costs recognised in continuing operations in the period of £8.2m are in respect of direct and indirect taxation balances provided for. This includes the £7.9m of interest in respect of the expected repayment of the Group's VAT claim on amusement machines (see note 3).

Exceptional finance income recognised in continuing operations in the period of £1.0m relates to a reduction in interest accrued on indirect tax provisions now settled.

Exceptional finance income recognised in discontinued operations in the period of £0.3m relates to a reduction in interest accrued on indirect tax provisions now settled. Exceptional finance costs recognised in discontinued operations in the period of £0.3m relates to a decrease in interest receivable in respect of direct tax receivables that are attributable to disposed entities.

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

	Six months to 31 December 2013 (unaudited) £m	Six months to 31 December 2012 (unaudited) £m
Total net financing cost for continuing operations	(4.4)	(1.9)
Adjust for:		
Unwinding of the discount in disposal provisions	0.1	0.1
Other financial gains - including foreign exchange	(0.7)	(0.3)
Adjusted net interest payable	(5.0)	(2.1)

6 Taxation

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

	Six months to 31 December 2013 (unaudited)		
	Continuing operations £m	Discontinued operations £m	Total £m
Current income tax			
Current income tax – UK	(3.9)	-	(3.9)
Current income tax – overseas	(0.3)	-	(0.3)
Current income tax charge	(4.2)	-	(4.2)
Current income tax on exceptional items	7.3	-	7.3
Amounts over provided in previous years	1.0	-	1.0
Amounts over provided in previous years on exceptional items	1.5	2.8	4.3
Total current income tax credit	5.6	2.8	8.4
Deferred tax			
Deferred tax – UK	(4.0)	-	(4.0)
Deferred tax - overseas	(0.1)	-	(0.1)
Reduction in deferred tax rate	2.2	-	2.2
Amounts over provided in respect of previous years	1.0	-	1.0
Total deferred tax charge	(0.9)	-	(0.9)
Tax credit in the income statement	4.7	2.8	7.5

	Six months to 31 December 2012 (unaudited)		
	Continuing operations (restated) £m	Discontinued operations (restated) £m	Total £m
Current income tax			
Current income tax – UK	(7.5)	1.3	(6.2)
Current income tax – overseas	(0.3)	-	(0.3)
Current income tax (charge) credit	(7.8)	1.3	(6.5)
Current income tax on exceptional items	1.0	1.8	2.8
Amounts under provided in previous years	(0.6)	-	(0.6)
Amounts (under) over provided in previous years on exceptional items	(0.4)	8.0	7.6
Total current income tax (charge) credit	(7.8)	11.1	3.3
Deferred tax			
Deferred tax – UK	(1.6)	-	(1.6)
Deferred tax - overseas	(0.1)	-	(0.1)
Reduction in deferred tax rate	(0.2)	-	(0.2)
Amounts over provided in previous years	0.3	-	0.3
Total deferred tax charge	(1.6)	-	(1.6)
Tax (charge) credit in the income statement	(9.4)	11.1	1.7

6 Taxation (continued)

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

	Six months to 31 December 2013 (unaudited) £m	Six months to 31 December 2012 (unaudited) £m
Current tax charge on exchange movements offset in reserves	(0.1)	-
Total tax charge on items within other comprehensive income	(0.1)	-

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

Tax on discontinued operations

The £2.8m exceptional tax credit in discontinued operations relates to tax refunds received or receivable in connection with the adjustment to tax returns agreed for discontinued entities.

Factors affecting future taxation

On 20 March 2013, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 21.0% for the year starting 1 April 2014 and a further 1.0% reduction to 20.0% from 1 April 2015. These changes were substantively enacted in July 2013. The rate reductions will reduce the amount of cash tax payments to be made by the Group.

A reconciliation of taxation on continuing operations to taxation included in adjusted profit is described below:

	Six months to 31 December 2013 (unaudited) £m	Six months to 31 December 2012 (unaudited) £m
Total net taxation credit (charge) for continuing operations	4.7	(9.4)
Adjust for:		
Net taxation credit on exceptional items	(8.8)	(0.6)
Taxation on adjusted items and impact of reduction in tax rate	(2.9)	0.3
Taxation charge included in adjusted profit	(7.0)	(9.7)

7 Dividends

	Six months to 31 December 2013 (unaudited) £m	Six months to 31 December 2012 (unaudited) £m
Dividends paid to equity holders		
Final for 2012/13 paid on 23 October 2013 - 2.85p per share	11.1	-
Final for 2011/12 paid on 31 October 2012 - 2.50p per share	-	9.8
Refund of unclaimed dividends	-	(0.1)
Total	11.1	9.7

The Board has resolved to pay an interim dividend of 1.35p per ordinary share. The dividend will be paid on 21 March 2014 to shareholders on the register at 21 February 2014. The financial information does not reflect this dividend.

8 Adjusted earnings per share

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

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

	Six months to 31 December 2013 (unaudited)	Six months to 31 December 2012 (unaudited and restated)
	£m	£m
Profit attributable to equity shareholders	1.3	18.1
Adjust for:		
Discontinued operations (net of taxation)	(2.8)	0.7
Exceptional items after tax on continuing operations	25.7	7.5
Other financial gains	(0.7)	(0.3)
Unwinding of the discount in disposal provisions	0.1	0.1
Taxation on adjusted items and impact of reduction in tax rate	(2.9)	0.3
Adjusted net earnings attributable to equity shareholders	20.7	26.4
Weighted average number of ordinary shares in issue	390.7m	390.6m
Adjusted earnings per share (p) - basic	5.3p	6.8p
Adjusted earnings per share (p) - diluted	5.3p	6.8p

9 Provisions

	Onerous leases £m	Disposal provisions £m	Restructuring provisions £m	Indirect tax provisions £m	Dilapidation provisions £m	Total £m
At 1 July 2013	47.0	5.9	0.7	12.2	2.5	68.3
Exchange adjustments	-	(0.2)	-	-	-	(0.2)
Unwinding of discount	0.6	0.1	-	-	-	0.7
Charge to the income statement - exceptional	-	-	-	26.4	-	26.4
Release to the income statement - exceptional	-	-	-	(0.3)	-	(0.3)
Utilised in period	(1.5)	(0.7)	(0.4)	(11.9)	-	(14.5)
At 31 December 2013 (unaudited)	46.1	5.1	0.3	26.4	2.5	80.4
Current	4.0	1.4	0.3	26.4	0.5	32.6
Non-current	42.1	3.7	-	-	2.0	47.8
At 31 December 2013 (unaudited)	46.1	5.1	0.3	26.4	2.5	80.4

Further details of the exceptional charge and release to the income statement are disclosed in note 3.

10 Borrowings to net (debt) cash reconciliation

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

	At 31 December 2013 (unaudited) £m	At 31 December 2012 (unaudited) £m
Total loans and borrowings	(196.9)	(29.8)
Less: accrued interest	0.9	0.6
Less: unamortised facility fees	(1.6)	(0.2)
	(197.6)	(29.4)
Add: cash and short term deposits	62.5	92.0
Net (debt) cash	(135.1)	62.6

11 Cash flow analysis

Cash generated from continuing operations

	Six months to 31 December 2013 (unaudited) £m	Six months to 31 December 2012 (unaudited and restated) £m
Continuing operations		
Operating profit	5.4	32.2
Exceptional items	27.3	6.0
Operating profit before exceptional items	32.7	38.2
Depreciation and amortisation	21.5	19.4
Increase in inventories	(0.2)	(0.2)
Decrease in other receivables	5.7	8.0
Decrease in trade and other payables	(9.6)	(5.1)
Share-based payments and other	(0.4)	0.4
	49.7	60.7
Cash utilisation of provisions	(8.3)	(2.6)
Cash payments in respect of exceptional items	(8.3)	(2.7)
Cash generated from continuing operations	33.1	55.4

Cash flows from investing activities

During the period, the Group received a £0.9m refund in respect of the prior period acquisition of Gala Casino 1 Limited (now Grosvenor Casinos (GC) Limited) following the finalisation of the completion account process outlined by the sale and purchase agreement.

12 Contingent liabilities

Group liabilities relating to fiscal neutrality case

In previous periods the Group disclosed a contingent liability in respect of a claim for repayment of VAT on amusement machines. In May 2010, the Group received £30.8m (VAT of £26.4m plus interest of £4.4m) in respect of the claim, which has been the subject of on-going litigation. During the period, the Court of Appeal found in favour of HMRC and consequently an amount of £26.4m has been provided to cover the expected outflow, together with an accrual for interest of £7.9m (representing the original interest receipt of £4.4m plus interest since receipt of £3.5m). The Group has applied for leave to appeal to the Supreme Court, and it therefore remains possible that the Group will not ultimately be liable for these amounts.

13 Related party transactions and ultimate parent undertaking

On 7 June 2011, Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange acquired a controlling interest in The Rank Group Plc. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad (Hong Leong) which is incorporated in Malaysia. At 30 January 2014, entities controlled by Hong Leong owned 68.9% of the Company's shares, including 51.8% through Guoco and its wholly owned subsidiary Rank Assets Limited, the Company's immediate parent undertaking.

During the period, The Gaming Group Limited, a wholly owned subsidiary within the Group, purchased a non-operating casino licence from Clermont Leisure (UK) Limited for consideration of £5.5m. The Group has subsequently begun to operate this licence. Subsequent to the period end, The Gaming Group Limited acquired a further two non-operating casino licences from Clermont Leisure (UK) Limited for consideration of £0.3m. An agreement is in place, subject to the satisfaction of certain legal conditions, to purchase a further non-operating casino licence for a maximum total consideration of £0.2m. Clermont Leisure (UK) Limited is an entity subject to common control. The valuation of the casino licences was carried out by a third party on an arm's length basis.