News Release

5 September 2003

The Rank Group Plc

Interim Results for the six months ended 30 June 2003

- *Earnings per share* of 7.3p (2002 – 7.6p); 3.8p after exceptionals (2002 – 6.6p)*
- *Profit before tax and exceptionals of £77.4m (2002 - £85.1m); £53.8m after exceptionals (2002 - £79.4m)*
- *Gaming operating profit* up 14% to £55.7m (2002 – £49.0m), benefiting from acquisitions and growth in provincial casinos*
- *Hard Rock operating profit of £13.3m (2002 - £14.8m) with further progress on brand development into hotels and casinos*
- *Deluxe operating profit* of £26.4m (2002 - £31.4m) with a good performance in Film and further progress in repositioning the Media business*
- *Net debt increased to £529.6m (2002 - £416.8m) following acquisitions and contract advances in Deluxe*
- *Convertible preference shares expected to be redeemed as soon as practicable*
- *Interim dividend increased by 5% to 4.6p*

* *before exceptional items*

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

"This has been a satisfactory first half for Rank. Whilst trading conditions have shown some weakness and volatility, particularly for Hard Rock, we have managed to deliver an acceptable result whilst continuing to position ourselves for longer term growth.

Overall, the pattern of current trading is similar to that experienced in the first half and the Group remains well placed to make good progress in the balance of 2003 and beyond. The deregulation of the UK gaming industry continues to gather momentum and we look forward to the publication of the draft legislation in the autumn. We continue to believe that the proposed changes to the structure of UK gaming, combined with our strong market position, will be a major source of value creation for our shareholders."

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RG/08/03

Analyst Meeting, webcast and conference call details:

Friday 5 September 2003
There will be an analyst meeting to be held at King Edward Hall, Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ, starting at 9.30am. There will be a simultaneous webcast and conference call of the meeting.

To register for the live webcast, please pre-register for access by visiting the Group website, (www.rank.com). Details for the conference call are given below.

A copy of the webcast and slide presentation given at the meeting will be available on the Group's web-site later today. The webcast will be available for a period of six months.

Conference call details:

Friday 5 September 2003

9.20am	Please call 0845 245 3471 (UK) or +44 (0) 1452 542 300 (international) quoting The Rank Group
9.30 am	Meeting starts

CHIEF EXECUTIVE'S REVIEW

This has been a satisfactory first half for Rank. Whilst trading conditions have shown some weakness and volatility, particularly for Hard Rock, we have managed to deliver an acceptable result whilst continuing to position ourselves for longer term growth.

Gaming

Once again the Gaming Division delivered a strong performance. Bingo remains robust and we balanced promotional costs and attendance against growing spend per head to give an outstanding net margin performance. The results in casinos also showed further improvement despite the partial closure of the Park Tower for refurbishment since the beginning of the year and the expected losses in the two new Hard Rock casinos.

Blue Square was successfully integrated with Rank's existing on-line activities and the promised annual cost savings of £5m have been achieved.

Hard Rock

Whilst Hard Rock is still suffering from a lack of tourism in major cities, which continues to undermine merchandise sales, there has been a steady improvement in food and beverage results, which continue to show positive year on year growth. This reflects a variety of sales and promotion initiatives, partly aimed at encouraging local customers and repeat business. Just as important, we are now seeing positive results from franchised and licensing activities, with earnings from hotels particularly good in this half year.

Deluxe

Deluxe had mixed results. The results for Film were again strong, being virtually the same as last year, despite absorbing the loss of the Universal contract announced in 2002. The mitigating factor was the positive impact of the recent investments in Image, ETS and Capital FX. The results for Media were weaker than in the first half of 2002, partly reflecting the move from VHS to lower margin DVD. Growth in distribution and digital services was a very positive development.

Cashflow and financing

Operating cash flow was positive after absorbing payments for Deluxe contract advances and capital expenditure across the Group. Acquisitions, principally Blue Square, contributed to an increase in net debt of £130m.

The Group completed a £336m private placement in the US during May 2003, securing long-term funding at attractive rates, and we intend to redeem all of the outstanding convertible preference shares as soon as practicable, following due consultation with the Group's major lenders.

Development

Development continues apace across the Group.

Within Gaming we continue to reap the benefits of both our investment in new facilities and the deregulation measures already granted. This particularly applies to casinos. The enlargement and refurbishment of the Park Tower casino was completed at the beginning of July and three more casino relocations are planned over the next six months. In UK Bingo, the club in York relocated in April and a further four clubs will also be relocated over the next 18 months.

We anticipate further improvement in the results of our international gaming operations. In Spain, we plan to add another site to the existing portfolio of nine bingo clubs by the year end. Regulatory changes in Belgium now mean that slot machines are permitted in casinos and we aim to have 100 machines operating in our two casinos by the end of 2003.

Whilst the initial integration of Blue Square and Rank.com was completed in the first half, the more important developments take place from October. By then, the systems will allow genuine cross-marketing between the two customer bases from a single customer account. This development will coincide with strong promotional activity which will include marketing to our existing 1.8 million casino and bingo customers.

There is still clear intent on behalf of the UK Government to introduce much needed reform of the Gaming laws and regulations. Whilst timing, and indeed the details of the deregulation, are still uncertain, we remain convinced that the essence of the changes represent a substantial opportunity for the Group. The investments already made, or planned, to improve our casino facilities, combined with the opportunities to use bingo premises for mixed gaming and the introduction of sports betting within the estate, all mean that we are uniquely placed to capitalise on deregulation as it occurs.

Within Hard Rock, three restaurants have opened as we complete this year the programme of building smaller units, principally in non-tourist locations. The model is based on smaller footprints with more flexible customer facilities and lower capital cost. These developments are also encouraging franchisees to seek similar opportunities within their territories.

The stated objective of moving the Hard Rock brand into activities other than restaurants is also bearing fruit. As already noted, results in the first half were helped by a contribution from existing hotel operations. In the first half of next year we will begin to gain contributions from the two Seminole Indian Nation hotel/casino developments. The recently announced joint venture with Sol Meliá will accelerate further hotel development and a Hard Rock hotel will open in Chicago in the New Year as part of the joint venture. We have granted a licence for the development of a Hard Rock hotel/casino in Biloxi, Mississippi which, subject to local licensing and financing, will open in mid-2005.

In Deluxe Film, the objective of improving geographic reach was completed last year. In addition to the processing laboratory in Rome, during 2002 we acquired Image in Barcelona. This gives us a strong position from which not only to service our mainstream studio customers in Europe, but also to gain share in the independent distribution market – an objective we have now achieved. The joint venture with Atlab, where we are relocating

and re-equipping the laboratory in Sydney, will enable us to be proactive in Asia/Australasia.

Investment in EFILM, ETS and Capital FX has extended our services beyond film processing and into related services.

We have completed our contract renewal programme in Film with all available contracts now secure until at least 2005, and the vast majority until 2006 or beyond. We announced the loss of the Universal film contract last year. We are also assuming the loss of an additional, albeit much smaller, international contract from the end of this year. This loss will not have a material impact on Deluxe Film's future performance. Continued volume growth from our existing contracts plus the benefits of independent volume, combined with other services, means that Deluxe Film is better placed for the future than ever before.

In Deluxe Media, we have continued to invest in DVD as market growth accelerates, particularly in North America. The venture with Ritek announced last year, which gave us a strong North American presence, has now been reinforced by the acquisition of Disctronics to give us strength in Europe. We have also continued to invest in distribution and added services including compression and authoring. Existing VHS contracts are secure and we now have three DVD contracts. A priority is to gain additional DVD contracted volume over the coming months.

Current trading and outlook

Overall, current trading is satisfactory and the pattern is similar to that seen in the first half. While bingo remains robust, there is some softness in the London casino market, but the Park Tower is achieving higher levels of both handle and admissions since the refurbishment was completed in July. Hard Rock food and beverage sales continue to improve but sales of merchandise remain below last year. Deluxe Film has been strong. In Media, we anticipate the normal seasonal increase in both DVD and VHS volumes in the second half.

We continue to believe that the development efforts made across the Group over the past two years give cause for optimism when assessing Group prospects for the medium and longer term.

Dividend

We are pleased to announce a 5% increase in the interim dividend, reflecting our confidence that the Group's long-term prospects remain strong.

SUMMARY OF RESULTS

	Turnover		Profit before exceptional items*	
	2003 £m	**2002 £m**	**2003 £m**	**2002 £m**
Gaming**	**422.6**	239.7	**55.7**	49.0
Hard Rock	**115.1**	121.5	**13.3**	14.8
Deluxe	**324.3**	306.5	**26.4**	31.4
US Holidays	**17.9**	21.9	**3.4**	4.8
Central costs and other	**-**	-	**(7.2)**	(4.6)
Continuing operations including acquisitions	**879.9**	689.6	**91.6**	95.4
Net income from associates and joint ventures			**0.1**	1.7
Managed businesses' interest			**(14.3)**	(12.0)
Profit before tax and exceptional items			**77.4**	85.1
Exceptional items			**(23.6)**	(5.7)
Profit before tax			**53.8**	79.4
Basic earnings per share before exceptional items			**7.3p**	7.6 p
Basic earnings per share			**3.8p**	6.6p
Dividend per share			**4.6p**	4.4p

** after goodwill amortisation of £2.8m (Gaming - £1.4m, Deluxe £1.4m)*
***2002 turnover has been restated following the acquisition of Blue Square (see Note 1)*

Group turnover was up 28%, including the impact of Blue Square, which added £149.4m. Turnover from continuing operations was up 6%, reflecting first time contributions from acquisitions made in 2002 and further progress in Gaming. These positive developments were diluted by adverse currency movements, lower VHS volumes in Deluxe Media, and the loss of the Universal contract in Deluxe Film.

Group operating profit was 4% below last year. The first time contributions from acquisitions made in 2002 and continued growth in Gaming were off-set by adverse currency movements and the anticipated decline in profits at Deluxe.

The managed businesses' interest charge was £2.3m higher than 2002 due to an increase in average net debt reflecting acquisitions and contract advances in Deluxe.

Group profit before tax and exceptional items was £77.4m, 9% below last year. Earnings per share, before exceptional items, was 7.3p, 4% below last year.

The Group has recorded a net exceptional charge in the first half of £23.6m comprising integration costs at Blue Square (£6.0m), restructuring costs in Deluxe Media (£12.2m), a provision of £9.4m in respect of certain long-standing legal matters in the US (previously disclosed as contingent liabilities), and a credit of £4.0m from the release of certain disposal provisions which are no longer required.

The following table sets out the divisional results and profit before tax after exceptional items.

	Profit before tax	
	2003	**2002**
	£m	**£m**
Gaming	**49.7**	49.0
Hard Rock	**13.3**	14.8
Deluxe	**14.2**	25.2
US Holidays	**3.4**	4.8
Central costs and other	**(16.6)**	(4.6)
Continuing operations including acquisitions	**64.0**	89.2
Net income from associates and joint ventures	**0.1**	1.7
Non-operating items	**4.0**	0.5
Managed businesses' interest	**(14.3)**	(12.0)
Profit before tax	**53.8**	79.4

GAMING

	Turnover		Operating profit*	
	2003 £m	**2002 £m**	**2003 £m**	**2002 £m**
Mecca Bingo				
UK	**119.2**	118.5	**36.7**	35.3
Spain	**11.7**	7.8	**3.1**	1.8
	130.9	126.3	**39.8**	37.1
Grosvenor Casinos				
UK	**84.3**	75.5	**15.4**	14.3
Belgium	**4.2**	3.9	**(0.1)**	(0.1)
	88.5	79.4	**15.3**	14.2
Rank Leisure Machine Services	**24.0**	24.6	**1.1**	1.0
Blue Square**	**179.2**	9.4	**(0.5)**	(3.3)
	422.6	239.7	**55.7**	49.0

** before exceptional items*
***2002 turnover has been restated following the acquisition of Blue Square (see Note 1)*

Gaming had another good half year with operating profit up 14%. The revenue growth trends experienced in recent years have continued, with further steady growth at Mecca Bingo and strong growth at Grosvenor Casinos. Blue Square has been integrated effectively and has continued to develop since its acquisition in January 2003.

Mecca Bingo

	2003	**2002**	**Change %**
UK Bingo statistics			
Admissions ('000s)	**10,901**	11,937	(8.7)
Spend per head (£)	**10.93**	9.93	10.1

Mecca UK continued to experience the well-established trend of steady revenue growth and increased profit margin. While attendance fell, Mecca's focus on higher yielding customers led to an increase in spend per head of 10% to £10.93. A key factor behind this increase was the continued growth in popularity of higher margin interval games, together with the benefit from the introduction of over 300 jackpot machines across the estate.

The split of revenue by activity is shown below.

Analysis of UK bingo turnover	**2003 £m**	**2002 £m**	**Change %**
Main stage bingo	**19.8**	19.3	2.6
Interval games	**54.1**	52.4	3.2
Gaming machines	**28.8**	28.8	-
Food, beverage & other	**16.5**	18.0	(8.3)
Total	**119.2**	118.5	0.6

The continued change in the revenue mix towards higher margin interval games, together with management's focus on controlling costs, resulted in a further improvement in operating margin to 30.8% (2002 – 29.8%). The club at York was relocated in April and is performing well and there are plans for a further four relocations over the next 18 months at Burton, Glasgow, Ellesmere Port and West Bromwich.

In Spain, the Group's nine bingo clubs performed well with operating profit benefiting from a £1.0m contribution from the three clubs acquired during 2002. Operating margins increased to 26.5% (2002 – 23.1%) and the Group continues to look for further opportunities in this market.

Grosvenor Casinos

	Turnover		**Operating profit**	
	2003	**2002**	**2003**	**2002**
	£m	**£m**	**£m**	**£m**
UK				
London – upper	**8.1**	9.2	**1.8**	2.3
London – other	**26.2**	25.9	**4.6**	4.8
Provincial	**45.6**	40.4	**13.7**	11.4
Hard Rock	**4.4**	-	**(0.8)**	-
Overheads	**-**	-	**(3.9)**	(4.2)
	84.3	75.5	**15.4**	14.3

Grosvenor Casinos in the UK had a solid half year with overall revenues up 12% and operating profit up 8%. The provincial casinos were very strong, but the London market was somewhat weaker than last year and, as expected, the two Hard Rock casinos recorded a loss of £0.8m.

	Admissions ('000s)		**Handle per head (£)**		**Win %**	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
UK						
London – upper	21	24	2,017	2,088	19.2	18.0
London – other	300	321	487	447	16.9	16.8
Provincial	1,374	1,287	182	163	15.9	16.8

At London-upper, a good performance at the Clermont was undermined by the partial closure of the Park Tower where extensive building work to expand the gaming space by 40% was carried out. In the few weeks since relaunch at the beginning of July, the Park Tower has seen substantial increases in both attendance and handle. The three London-other casinos, the Victoria, the Gloucester and the Connoisseur, experienced lower levels of attendance in the first half, although an increase in handle per head resulted in revenue and operating profit being broadly in line with last year.

The provincial casinos enjoyed another excellent half, with continued strong growth in both attendance and handle per head. Turnover increased by 13%, despite a near one percentage point reduction in win margin, and operating profit was up by 20%. Growth has been driven by strong performances at each of the relocated casinos as well as from the new games introduced during 2002. Following the relocation of the Huddersfield

casino in February 2003, a further three casinos, in Plymouth, Portsmouth and Cardiff, will be relocated over the next six months.

The two Hard Rock Casinos, which opened during the second half of 2002, are performing in line with our expectations and incurred a small loss in the first half. The London casino is enjoying weekly attendance levels in excess of 4,000 and is now profitable on a monthly basis. Despite being impacted by building work opposite its location, the Manchester casino is averaging more than 2,500 admissions per week, although a lower spend per head means that, like most "cold" licences, it will take longer to move into profit.

Rank Leisure Machine Services

Rank Leisure Machine Services' operating profit increased to £1.1m (2002 - £1.0m).

Blue Square

Blue Square was acquired at the end of January 2003. Since completion, the business has now been integrated with Rank Interactive Gaming to form one business. The £5m of annual operating synergies identified at the time of acquisition have been realised, resulting in an associated cost of £6m which has been treated as an exceptional item in these results.

The business has performed in line with our expectations and generated operating profit of £0.9m before goodwill amortisation of £1.4m, compared with a reported loss of £3.3m in 2002.

The on-line games offering will be relaunched in October 2003 as Meccagames.com, allowing existing customers to bet and play games using a single account. Meanwhile, HardRockCasino.com has been successfully relocated from the Isle of Man to Alderney in the Channel Islands.

HARD ROCK

	Turnover		**Operating profit**	
	2003	**2002**	**2003**	**2002**
	£m	**£m**	**£m**	**£m**
Owned cafes	**109.1**	115.2	**12.5**	15.8
Cafe franchise and other income	**3.0**	3.3	**2.8**	3.3
Hotel franchise and other income	**2.0**	1.9	**4.5**	1.4
Territory sales	**1.0**	1.1	**1.0**	1.1
Advertising and promotion	**-**	-	**(0.4)**	(0.5)
Overheads	**-**	**-**	**(7.1)**	(6.3)
	115.1	121.5	**13.3**	14.8

Further uncertainty in the international travel market during the first half resulted in a continuation of the difficult trading conditions experienced by Hard Rock over the last two years. This, together with adverse currency movements of £1.1m, meant that operating profit fell to £13.3m, down 10%. Despite a tough operating environment, the Group continues to make solid progress in extending the brand into non-restaurant activities, principally hotels and casinos.

Hard Rock like for like cafe sales %	Food and Beverage	Merchandise	Total
To 30 June 2003			
North America	2.6%	-10.3%	-2.7%
Europe	0.1%	-13.2%	-5.3%
Total	**2.1%**	**-10.9%**	**-3.2%**
Nine weeks to 31 August 2003	**3.5%**	**-10.6%**	**-2.5%**

Like for like sales in the owned cafes during the first half of 2003 were down 3.2%, representing a modest improvement from the position at the time of the trading statement in May 2003. There was continued success in increasing local customer traffic, with like for like food and beverage sales up 2.1% in the period. Reduced numbers of tourists however, meant that merchandise sales were down 10.9%. During the nine weeks to 31 August these trends have improved with food and beverage sales up by 3.5% and merchandise down by 10.6%.

Hotel franchise and other income benefited from further dividends from the Universal Rank Hotel Partnership which continues to perform well. Territory fees included contributions from the forthcoming Hard Rock casino development in Biloxi, Mississippi and the cafe planned for the new Foxwoods casino in Connecticut. Central overheads increased due to one-off redundancy costs of £1.1m associated with the restructuring announced at the beginning of 2003.

New cafes were opened during the first six months in Cologne, Lisbon and Choctaw, Mississippi taking the total number of owned cafes to 64, with Detroit and Cardiff expected to open in the second half. New franchised cafes are also expected to open in Sicily and Moscow over the coming months.

Extension of the Hard Rock brand into casino gaming and hotels has continued apace. Both of the developments on Seminole Indian Nation reservation land in Florida are well advanced, with Tampa already partly open, and both are on schedule to be fully open in early summer 2004. Following the deals with the Seminoles and Choctaws, the Group continues to seek further Indian Nation gaming opportunities. The new cafe planned for the Foxwoods Resort Casino in Connecticut, the largest resort casino in the world, is expected to open in 2004. Elsewhere, Hard Rock has reached agreement to license the brand for a new casino and hotel development in Biloxi, Mississippi, where the developers of the complex are currently seeking the necessary planning approvals and finalising the financing arrangements for the project.

The hotel joint venture with Sol Meliá, announced earlier this year, has already identified a number of potential properties in the US and Europe to add to the 381 room Hard Rock Hotel in Chicago, which is due to open in early 2004.

DELUXE

	Turnover		Operating profit*	
	2003 £m	**2002 £m**	**2003 £m**	**2002 £m**
Film Services	**180.1**	179.3	**29.7**	29.5
Media Services	**144.2**	127.2	**(3.3)**	1.9
	324.3	306.5	**26.4**	31.4
Associate investments / joint ventures			**0.1**	0.8
Total Deluxe contribution			**26.5**	32.2

**before exceptional items*

As expected at the time of the preliminary results, while acquisitions and cost savings in Film were able to off-set the impact of the loss of the Universal contract, the continued decline in VHS and the on-going transition towards DVD in Media resulted in an overall decline in operating profit at Deluxe. After a £2.2m negative impact from currency movements, operating profit in the half was £26.4m, down 16%.

Film Services

	Turnover		Operating profit*	
	2003 £m	**2002 £m**	**2003 £m**	**2002 £m**
Film Laboratories	**168.9**	179.3	**25.9**	29.5
Other Services	**11.2**	-	**3.8**	-
	180.1	179.3	**29.7**	29.5

**before exceptional items*

Turnover from Film Laboratories (comprising laboratories in Hollywood, Toronto, London, Rome and Barcelona) was down 6% and operating profit was down 12%, reflecting the loss of the Universal contract and adverse currency movements, mitigated to some extent by a first time contribution from the Image laboratory in Barcelona. Total footage at 2.2bn feet was only slightly below last year (2.3bn ft), with major titles such as X2: X-Men United, Anger Management and Charlie's Angels 2. Since the half year, volumes have been very strong and the outlook for the year remains positive with a number of major titles for the second half including S.W.A.T., Peter Pan and Lord of the Rings – The Return of the King.

Of the two film contracts due to expire in 2003, the larger one has been renewed but the other, which represented 6% of total footage in 2002, is not expected to be renewed and is due to expire before the end of 2003. The loss of this contract is not expected to have a material impact on Deluxe Film's future performance. All other major studio customers are now contracted until at least 2005, with all but one contracted until 2006 or beyond.

Other Services comprise the results of both ETS and Capital FX. Both businesses have performed in line with expectations.

Media Services

The Group has made good progress in repositioning the Media Services business for the future, by transforming it into a major player in the fast growing DVD market. This process has accelerated since the half year with the announcement of the acquisition of Disctronics, one of the largest independent DVD and CD manufacturers in Europe, and the gain of a contract with Universal for 20% of its worldwide DVD production. Whilst the reorientation of the business is now largely complete, the transition from VHS to DVD has, as expected, resulted in lower profits in the first half.

	Turnover		**Operating profit***	
	2003	**2002**	**2003**	**2002**
	£m	**£m**	**£m**	**£m**
Video duplication	**55.1**	80.2	**(3.2)**	3.5
DVD replication	**33.9**	8.8	**(5.2)**	(1.2)
Distribution services	**44.7**	36.2	**2.5**	-
Digital services	**10.5**	2.0	**2.6**	(0.4)
	144.2	127.2	**(3.3)**	1.9

** before exceptional items*

VHS volumes declined by over 23% to 77m units, resulting in a loss of £3.2m. DVD volumes have benefited from the Ritek acquisition in August 2002, with a total of 48m units produced in the half (2002 – 4m). The highly seasonal nature of the replication business and its relatively high fixed cost base (in particular prior to the closure of the Carson facility in California), coupled with the additional costs associated with commissioning new DVD equipment in Arkansas, resulted in a loss of £5.2m in the half.

Distribution has continued to make good progress with Deluxe's state-of-the-art logistics management and systems ensuring on-time delivery to the customer. Total volumes increased by 8% and operating profit increased to £2.5m. Digital Services benefited from the contracts secured in 2002 and from a particularly strong performance from the compression and authoring business.

DVD replication volumes are expected to grow strongly in the second half and into next year, reflecting continued market growth and the recent acquisition of Disctronics. However, as stated at the time of the preliminary announcement of results in February 2003, the decline in VHS duplication is expected to continue and the relative margins are such that overall profit for Media Services is expected to decline in 2003.

US Holidays

US Holidays' operating profit was £3.4m (2002 - £4.8m). The business generated net cash of £6.9m (2002 - £8.0m).

Central costs and other

	2003 £m	2002 £m
Central costs*	**(7.3)**	(6.3)
Other income	**0.1**	1.7
	(7.2)	(4.6)

**before exceptional items*

Central costs and other increased during the first half due largely to higher insurance costs and the reduction in other income.

Associates and joint ventures

	2003 £m	2002 £m
British Land	**-**	0.9
Deluxe associate investments and joint venture	**0.1**	0.8
	0.1	1.7

Associate investments principally include the 20% interest in EFILM and the 50% joint venture with Atlab in Australia. The contribution in 2002 included the 50% interest in ETS which became a wholly-owned subsidiary at the year end.

Managed businesses' interest

	2003 £m	2002 £m
Interest payable and other charges	**19.2**	16.6
Interest receivable	**(4.9)**	(4.6)
	14.3	12.0
Average interest rate	**5.1%**	5.6%

Managed businesses' interest and other charges was £14.3m, an increase of £2.3m from the prior year. This reflects higher debt levels following the acquisition of Blue Square, the payment of deferred consideration for prior year acquisitions, and contract advances in Deluxe.

Taxation

The effective tax rate, before exceptional items, is 30.3% (2002 – 34.1%) and the current tax rate is 16.3% (2002 15.5%).

Dividend

An interim dividend of 4.6p per Ordinary share will be paid on 17 October 2003 to those shareholders on the register on 19 September 2003.

Exchange rates

The net translation effect of changes in average exchange rates between 2002 and 2003 was to decrease turnover by £26.5m, profit before tax and exceptional items by £3.4m, and profit after tax (but before exceptional items) by £2.8m. The average rates and the impact on divisional results are shown below.

	Average exchange rate		Impact on H1 2003	
	2003	2002	Turnover	Operating profit
			£m	£m
US dollar	1.61	1.45	(30.3)	(4.2)
Canadian dollar	2.39	2.28	(2.5)	(0.1)
Euro	1.46	1.58	6.3	0.8
			(26.5)	(3.5)
Gaming			1.2	0.2
Hard Rock			(8.3)	(1.1)
Deluxe			(17.4)	(2.2)
US Holidays			(2.0)	(0.4)
			(26.5)	(3.5)
Interest				0.1
Net impact on profit before tax				(3.4)

Exceptional items

	£m
Exceptional items within operating profit	
Deluxe Media Services restructuring	(12.2)
Blue Square restructuring	(6.0)
Legal provisions	(9.4)
	(27.6)
Non-operating exceptional items	
Release of disposal provisions	4.0
	(23.6)

Deluxe Media Services has made significant progress in repositioning its business for the future, in particular managing the transition from VHS to DVD. In North America, the key element of this transition involves the gradual relocation of DVD replication capacity from California to replace existing VHS capacity in Arkansas. This relocation programme is well underway and as a consequence, the DVD plant in Carson, California has been closed. This gave rise to an exceptional charge of £12.2m comprising redundancy costs of £2.3m, asset write-offs of £6.0m and property related costs of £3.9m.

Blue Square was acquired for £65m in January 2003. The business was integrated with Rank Interactive Gaming, generating £5m of annualised operating cost savings. The cost of achieving these savings was £6m and this has been included as an exceptional charge in these results. The charge includes redundancy costs of £3.4m and asset write-offs of £2.6m.

As previously described in the contingent liabilities note to the Group accounts, the Group has been subject to a number of legal actions in the US, including class action suits. Since 30 June 2003, one of these actions has been settled and progress has been made on other actions, such that the Directors are now in a position to make a reasonable estimate of the possible liabilities associated with these actions. Accordingly, a provision of £9.4m has been included as an exceptional item in the results. Additional information required to be disclosed by FRS 12 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to prejudice the outcome of the outstanding actions concerned.

During the course of 1999 and 2000, the Group made disposals totalling approximately £1.4 billion. Various provisions which were made at the time of the disposals are now no longer deemed to be necessary, resulting in a write-back of £4.0m.

Cash flow

	2003 £m	**2002 £m**
Cash flow from operating activities		
Before Deluxe contract advances	**132.7**	122.3
Deluxe contract advances, net of repayments	**(54.2)**	(146.8)
	78.5	(24.5)
Capital expenditure	**(48.2)**	(51.4)
Fixed asset disposals	**1.3**	18.3
Operating cash flow	**31.6**	(57.6)
Acquisitions and investments*	**(89.7)**	(19.3)
Disposals	**-**	(11.9)
	(58.1)	(88.8)
Interest, tax and dividend payments	**(85.8)**	(90.7)
	(143.9)	(179.5)
Issue of Blue Square convertible loan stock	**65.0**	**-**
Cash outflow	**(78.9)**	(179.5)

** including £65m of Blue Square debt*

Cash inflow from operating activities, before taking account of Deluxe contract advances, net of repayments, was £10.4m higher than 2002. This is largely due to improvements in working capital.

The net outflow of £54.2m in respect of contract advances reflects the renewal of a major studio film contract until 2008 and amounts associated with the new DVD and VHS contract with Universal.

Capital expenditure was £48.2m and is analysed below:

	2003 £m	2002 £m
Gaming	**24.1**	19.9
Hard Rock	**6.2**	15.6
Deluxe	**17.3**	15.3
US Holidays	**0.6**	0.6
	48.2	51.4

Acquisitions and investments comprise:

	£m
Deluxe	
Ritek – deferred consideration	9.2
ETS	7.0
Other	3.3
Gaming	
Spanish bingo – deferred consideration	1.6
Blue Square	64.3
Hard Rock	
Hard Rock Hotel, Chicago	1.9
Investment in Rank Group shares	2.4
	89.7

The investment in The Rank Group Plc Ordinary shares was made in connection with the Group's long term incentive plan.

Net debt

Net debt at 30 June 2003 was £529.6m compared to £416.8m last year and £399.1m as at 31 December 2002. Exchange movements reduced net debt by £12.4m reflecting the Group's relatively high proportion of US dollar debt. Net debt as a percentage of shareholders' funds was 71% (30 June 2002 – 57%, 31 December 2002 – 53%).

Convertible Preference Shares

Since 30 June 2003, the Company has had the right to redeem at £1 per share, subject to 14 days' notice being given, any or all of the outstanding 227.5m convertible preference shares in the capital of the Company. The Company intends to redeem all of the convertible preference shares as soon as practicable following due consultation with the Group's major lenders and expects that the proposed redemption will be completed before the year end. Notice of the redemption will be given to convertible preference shareholders in accordance with the Company's articles of association.

GROUP PROFIT AND LOSS ACCOUNT (unaudited)

	2003			2002 (as restated)		
	Before Exceptional Items £m	Exceptional Items £m	Total £m	Before Exceptional Items £m	Exceptional Items £m	Total £m
Turnover (Note 1,2)						
Continuing operations	**730.1**	**-**	**730.1**	689.6	-	689.6
Acquisitions	**149.8**	**-**	**149.8**	-	-	-
	879.9	**-**	**879.9**	689.6	-	689.6
Operating profit (loss) (Note 2)						
Continuing operations	**91.7**	**(27.6)**	**64.1**	95.4	(6.2)	89.2
Acquisitions	**(0.1)**	**-**	**(0.1)**	-	-	-
	91.6	**(27.6)**	**64.0**	95.4	(6.2)	89.2
Share of operating profit in associates and joint ventures	**0.3**	**-**	**0.3**	2.9	-	2.9
	91.9	**(27.6)**	**64.3**	98.3	(6.2)	92.1
Non-operating items (Note 3)	**-**	**4.0**	**4.0**	-	0.5	0.5
Profit (loss) before interest	**91.9**	**(23.6)**	**68.3**	98.3	(5.7)	92.6
Interest:						
Managed businesses	**(14.3)**	**-**	**(14.3)**	(12.0)	-	(12.0)
Associates and joint ventures	**(0.2)**	**-**	**(0.2)**	(1.2)	-	(1.2)
	(14.5)	**-**	**(14.5)**	(13.2)	-	(13.2)
Profit (loss) before tax	**77.4**	**(23.6)**	**53.8**	85.1	(5.7)	79.4
Tax (Note 4)	**(23.4)**	**0.7**	**(22.7)**	(29.0)	-	(29.0)
Profit (loss) after tax	**54.0**	**(22.9)**	**31.1**	56.1	(5.7)	50.4
Equity minority interests	**(0.1)**	**1.8**	**1.7**	(1.0)	-	(1.0)
Preference dividends	**(10.5)**	**-**	**(10.5)**	(10.5)	-	(10.5)
Earnings (loss)	**43.4**	**(21.1)**	**22.3**	44.6	(5.7)	38.9
Basic earnings (loss) per Ordinary share (Note 5)	**7.3p**	**(3.5)p**	**3.8p**	7.6p	(1.0p)	6.6p
Diluted earnings (loss) per Ordinary share (Note 5)	**7.3p**	**(3.6)p**	**3.7p**	7.5p	(1.0)p	6.5p
Net dividend per Ordinary share			**4.6p**			4.4p

GROUP PROFIT AND LOSS ACCOUNT (unaudited)

	6 months to 30.6.03 £m	(restated) 6 months to 30.6.02 £m	(restated) Year to 31.12.02 £m
Turnover (Note 1,2)			
Continuing operations	**730.1**	**689.6**	1,508.5
Acquisitions	**149.8**	**-**	-
	879.9	**689.6**	1,508.5
Operating profit (loss) (Note 2)			
Continuing operations	**91.7**	**95.4**	219.6
Acquisitions	**(0.1)**	**-**	-
	91.6	**95.4**	219.6
Exceptional items within operating profit	**(27.6)**	**(6.2)**	(6.2)
Non-operating items (Note 3)	**4.0**	**0.5**	5.9
Share of operating profit in associates and joint ventures	**0.3**	**2.9**	4.8
Profit before interest	**68.3**	**92.6**	224.1
Interest:			
Managed businesses	**(14.3)**	**(12.0)**	(22.6)
Associates and joint ventures	**(0.2)**	**(1.2)**	(3.5)
Profit before tax	**53.8**	**79.4**	198.0
Profit before tax and exceptional items	**77.4**	**85.1**	200.3
Tax (Note 4)	**(22.7)**	**(29.0)**	(59.2)
Profit after tax	**31.1**	**50.4**	138.8
Equity minority interests	**1.7**	**(1.0)**	(2.1)
Preference dividends	**(10.5)**	**(10.5)**	(21.0)
Earnings	**22.3**	**38.9**	115.7
Earnings before exceptional items	**43.4**	**44.6**	117.4
Basic earnings per Ordinary share	**3.8p**	**6.6p**	19.6p
- before exceptional items (Note 5)	**7.3p**	**7.6p**	19.9p
Diluted earnings per Ordinary share	**3.7p**	**6.5p**	19.5p
- before exceptional items (Note 5)	**7.3p**	**7.5p**	19.8p
Net dividend per Ordinary share	**4.6p**	**4.4p**	13.2p

GROUP BALANCE SHEET (unaudited)

	As at 30.6.03	As at 30.6.02	As at 31.12.02
	£m	£m	£m
Fixed assets			
Intangible assets	**116.0**	**5.4**	52.3
Tangible assets	**789.0**	**739.2**	780.7
Investments	**64.4**	**71.6**	67.4
	969.4	**816.2**	900.4
Current assets			
Stocks	**83.6**	**73.3**	74.4
Debtors (including amounts falling due after one year)	**683.0**	**698.2**	731.5
Investments	**28.2**	**24.8**	24.0
Cash and deposits	**162.8**	**97.1**	83.2
	957.6	**893.4**	913.1
Creditors (amounts falling due within one year)			
Loan capital and borrowings	**(70.8)**	**(13.8)**	(38.8)
Other	**(351.3)**	**(330.9)**	(403.5)
	(422.1)	**(344.7)**	(442.3)
Net current assets	**535.5**	**548.7**	470.8
Total assets, less current liabilities	**1,504.9**	**1,364.9**	1,371.2
Creditors (amounts falling due after more than one year)			
Loan capital and borrowings	**(649.8)**	**(524.9)**	(467.5)
Other creditors and provisions	**(92.3)**	**(89.6)**	(135.0)
	762.8	**750.4**	768.7
Capital and reserves			
Called up share capital	**104.7**	**104.7**	104.8
Share premium account	**15.2**	**12.0**	13.6
Other reserves	**626.2**	**619.6**	630.2
Shareholders' funds	**746.1**	**736.3**	748.6
Equity interests	**518.6**	**510.8**	522.0
Non-equity interests	**227.5**	**225.5**	226.6
Equity minority interests	**16.7**	**14.1**	20.1
	762.8	**750.4**	768.7

GROUP CASH FLOW (unaudited)

	6 months to 30.6.03 £m	6 months to 30.6.02 £m	Year to 31.12.02 £m
Net cash inflow/(outflow) from operating activities (Note 6)	**78.5**	**(24.5)**	107.3
Returns on investment and servicing of finance			
Interest (net)	**(7.0)**	**(15.7)**	(23.1)
Dividends paid to Preference shareholders and minorities	**(10.5)**	**(10.8)**	(20.9)
	(17.5)	**(26.5)**	(44.0)
Tax paid (net)	**(16.2)**	**(14.6)**	(27.1)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	**(48.2)**	**(51.4)**	(117.9)
Purchase of investments	**(2.4)**	**(7.5)**	(13.7)
Sale of fixed assets and assets held for disposal	**1.3**	**18.3**	34.8
	(49.3)	**(40.6)**	(96.8)
Acquisitions and disposals			
Purchase of businesses	**(23.7)**	**(13.0)**	(38.7)
Net cash acquired	**1.4**	**1.2**	3.4
Sale of businesses and investments	**-**	**(11.9)**	5.1
Investments in associates and joint ventures	**-**	**-**	(8.5)
	(22.3)	**(23.7)**	(38.7)
Ordinary dividends paid	**(52.1)**	**(49.6)**	(75.8)
Cash outflow before use of liquid resources and financing	**(78.9)**	**(179.5)**	(175.1)
Movements in net debt			
Cash outflow before use of liquid resources and financing	**(78.9)**	**(179.5)**	(175.1)
Borrowing and lease obligations acquired with subsidiaries	**-**	**-**	(10.9)
Issue of Ordinary share capital	**1.6**	**3.6**	5.2
Increase in finance leases	**(0.5)**	**(0.4)**	(0.5)
Blue Square convertible loan stock	**(65.0)**	**-**	-
Net increase in loans and borrowings	**-**	**-**	0.5
Gain on bond purchase	**-**	**-**	1.0
Foreign exchange differences	**12.3**	**7.6**	28.8
Increase in net debt	**(130.5)**	**(168.7)**	(151.0)
Net debt at beginning of period	**(399.1)**	**(248.1)**	(248.1)
Net debt at end of period	**(529.6)**	**(416.8)**	(399.1)

GROUP RECOGNISED GAINS AND LOSSES

	6 months to 30.6.03 £m	6 months to 30.6.02 £m	Year to 31.12.02 £m
Profit for the financial period	**32.8**	**49.4**	136.7
Currency translation differences on foreign currency net investments	**(0.3)**	**(9.3)**	(26.5)
Tax on exchange adjustments offset in reserves	**-**	**-**	(0.5)
Total recognised gains and losses for period	**32.5**	**40.1**	109.7
Prior year adjustment			
Deferred tax asset – FRS 19	**-**	**144.5**	144.5
Total recognised gains and losses since last report	**32.5**	**184.6**	254.2

MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	6 months to 30.6.03 £m	6 months to 30.6.02 £m	Year to 31.12.02 £m
Profit for the financial period	**32.8**	**49.4**	136.7
Dividends payable	**(36.6)**	**(35.4)**	(97.0)
Other recognised gains and losses (net)	**(0.3)**	**(9.3)**	(27.0)
New share capital subscribed	**1.6**	**3.6**	5.3
Goodwill realised on disposal of subsidiaries	**-**	**-**	2.6
Amounts deducted in respect of shares issued to the QUEST	**-**	**(0.7)**	(0.7)
Net movement in shareholders' funds	**(2.5)**	**7.6**	19.9
Opening shareholders' funds as previously stated	**748.6**	**584.2**	584.2
Prior year adjustment			
Deferred tax asset – FRS 19	**-**	**144.5**	144.5
Opening shareholders' funds as restated	**748.6**	**728.7**	728.7
Closing shareholders' funds	**746.1**	**736.3**	748.6

NOTES TO THE INTERIM FINANCIAL STATEMENTS (unaudited)

1. Accounting policies

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's statutory financial statements for the year ended 31 December 2002, with the exception of the change detailed below.

The Group has amended its interactive gaming revenue recognition policy to show gross turnover (stakes) rather than gross win, reflecting current industry standards. The change increases turnover for the 6 months ended 30 June 2002 by £8.7m and by £43.9m for the year ended 31 December 2002. There is no impact on operating profit.

2. Segmental analysis by geographical area of origin

	6 months to 30.6.03 £m	6 months to 30.6.02 £m	Year to 31.12.02 £m
Turnover			
United Kingdom	**462.4**	**282.6**	630.3
North America	**329.5**	**334.6**	707.6
Rest of the world	**88.0**	**72.4**	170.6
	879.9	**689.6**	1,508.5
Operating profit before exceptional items			
United Kingdom	**41.4**	**43.0**	100.5
North America	**38.7**	**45.2**	98.2
Rest of the world	**11.5**	**7.2**	20.9
	91.6	**95.4**	219.6

3. Non-operating items

Non-operating items comprise:

	6 months to 30.6.03 £m	6 months to 30.6.02 £m	Year to 31.12.02 £m
Non-operating items:			
Profit on disposal of discontinued operations	**4.0**	**-**	-
Profit (loss) (including provision for loss) on disposal of continuing operations	**-**	**1.5**	(0.8)
Net loss on disposal of fixed assets in joint ventures – discontinued	**-**	**(1.0)**	(1.0)
Profit on disposal of interest in discontinued joint venture	**-**	**-**	7.7
Non-operating items before interest and tax	**4.0**	**0.5**	5.9

4. Tax charge

The tax charge may be analysed as follows:

	6 months to 30.6.03 £m	6 months to 30.6.02 £m	Year to 31.12.02 £m
Rank subsidiaries	**23.3**	**28.3**	58.4
Associates and joint ventures	**0.1**	**0.7**	1.4
	23.4	**29.0**	59.8
Exceptional tax credit	**(0.7)**	**-**	(0.6)

Taxation has been provided at an estimated effective rate of 30.3% (2002 34.1%), before exceptional items.

5. Weighted average number of shares

The weighted average number of shares used in the calculation of basic earnings per share is 592.4m (2002 first half: 590.3m, full year: 589.2m). For diluted earnings per share the weighted average number of shares used in the calculation is 595.3m (2002 first half: 593.9m, full year: 592.4m)

6. Reconciliation of operating profit to cash flow

	6 months to 30.6.03 £m	6 months to 30.6.02 £m	Year to 31.12.02 £m
Operating profit	**64.0**	89.2	213.4
Exceptional operating costs charged	**27.6**	6.2	6.2
Cash payments in respect of exceptional costs and provisions	**(12.7)**	(9.3)	(15.8)
Depreciation and amortisation	**45.0**	38.3	80.6
Contract advance payments, net of repayments	**(54.2)**	(146.8)	(135.0)
Decrease/(increase) in working capital	**4.8**	(1.5)	(38.1)
Other items	**4.0**	(0.6)	(4.0)
Net cash inflow/(outflow) from operating activities	**78.5**	(24.5)	107.3

7. Exchange rates

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

	6 months to 30.6.03	6 months to 30.6.02	Year to 31.12.02
US$/£			
Average	**1.61**	**1.45**	1.51
Period-end	**1.66**	**1.52**	1.61

Independent review report to The Rank Group Plc

Introduction

We have been instructed by the Company to review the financial information which comprises the profit and loss account, the balance sheet, the cash flow statement, the statement of recognised gains and losses, the statement of movements in shareholders' funds and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

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

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

PricewaterhouseCoopers LLP
Chartered Accountants
London
5 September 2003