Rank Group

# News Release

**31 July 2008**

**The Rank Group Plc**
**Interim Results for the six months ended 30 June 2008**

## Financial highlights

- Group revenue of £257.0m (2007: £284.6m)
- Group operating profit (loss) before exceptional items of £28.9m (2007: £47.9m); £(66.3)m (2007: £57.0m) after exceptional items
- Adjusted profit before tax* of £17.6m (2007: £37.3m)
- Adjusted earnings per share** of 3.0p (2007: 5.2p)
- Basic (loss) earnings per share of (13.0)p (2007: 72.4p)
- Net debt of £273.4m (£316.9m at 31 December 2007)

## Review of key events

- Stabilisation of Group revenues following business disruption in H2 2007
- Cost reduction programme on track to deliver £15m of savings
- Transfer of final salary pension plan assets and liabilities completed; net cash proceeds of at least £20m
- Group welcomes proposals from HM Government for increase in B3 gaming machines in Britain's licensed bingo clubs
- Senior management team strengthened, including appointments of Paddy Gallagher as Group finance director and Phil Urban as managing director, Grosvenor Casinos

Ian Burke, chief executive of the Rank Group said: "During the first half of 2008, we succeeded in stabilising the Group's financial performance, following a very difficult end to last year.

"Although Group revenue and operating profit were substantially lower than in the first six months of last year, our performance reflects a significant improvement compared with the second half of 2007.

"The trading environment for all of our businesses remains challenging, with rising operating costs and increased financial pressures on our customers. Over the course of recent months we have experienced a slight weakening in the Group's performance.

"We remain positive on the longer term outlook for the UK gaming market. Our aim is to attract more customers to our businesses as we build on service improvement, games development, capital investment and regulatory reform to create more entertaining gaming experiences."

* adjusted profit is calculated by adjusting profit before tax from continuing operations to exclude exceptional items, unwinding of discount in disposal provisions, other financial gains or losses, amortisation of equity component of the convertible bond and net return on defined benefit pension asset.
** a reconciliation of adjusted earnings per share is included in note 6 to the Group financial information.

**Enquiries**

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Photographs available from www.rank.com

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

**Thursday 31 July 2008**
There will be an analyst meeting at Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ, starting at 10.30am. There will be a simultaneous webcast and dial-in for the meeting.

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

**Dial-in details**

Thursday 31 July 2008

| | | |
|---|---|---|
| 10.20am | UK toll free: | 0800 358 4591 |
| | USA toll free: | 1 866 793 4279 |
| | International: | +44 (0)20 3140 9090 |
| | Pin code: | 942550# |
| 10.30am | Meeting starts | |

A replay will be made available for seven days on UK toll free: 0800 358 2189 and International: +44 (0)20 8609 0289 (conference reference 222479#)

**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

### Summary of results

As previously announced, revenue and operating profit from Mecca Bingo and Grosvenor Casinos during the second half of 2007 were adversely affected by a number of legislative, regulatory and fiscal changes. To aid understanding of how Rank has adapted to these changes, we have in a number of instances compared revenue and operating profit for the first six months of 2008 to the second half of 2007 as well as the first half of 2007.

| | **Revenue £m** | | **Operating profit £m** | |
|---|---|---|---|---|
| | **H1 2008** | H1 2007 | **H1 2008** | H1 2007 |
| Mecca Bingo | **110.1** | 132.5 | **21.6** | 31.5 |
| Top Rank Espana | **17.7** | 15.8 | **4.1** | 4.6 |
| Grosvenor Casinos | **102.2** | 110.1 | **14.5** | 21.0 |
| Blue Square | **27.0** | 26.2 | **5.3** | 5.5 |
| Shared services | | | **(11.2)** | (10.2) |
| Central costs | | | **(5.4)** | (4.5) |
| **Group** | **257.0** | 284.6 | **28.9** | 47.9 |

Group revenue of £257.0m was 9.7% lower than in the first half of 2007, while Group operating profit declined by 39.7% to £28.9m. Like-for-like revenue (which excludes new openings, closures and relocations of bingo clubs and casinos) was 10.3% lower.

This performance represented an improvement when compared with the second half of 2007, with Group revenue 2.9% higher and Group operating profit up by 41.7%.

Revenue of £110.1m in Mecca Bingo was 16.9% lower than in the first half of 2007 and operating profit was down 31.4% to £21.6m. Grosvenor Casinos revenue of £102.2m was 7.2% lower and operating profit was down 31.0% to £14.5m.

These figures reflect the effects of the smoking bans in England and Wales, the loss of Section 21 gaming terminals and higher rates of gaming duty.

Compared with the second half of 2007 both businesses delivered higher revenue on lower operating costs to achieve strong growth in operating profit.

Blue Square achieved revenue growth of 3.1% versus the first six months of 2007 but operating profit of £5.3m was marginally below the comparative period. This result reflects a difficult second quarter in 2008 (following a good start to the year) with lower average stake levels across all products and the absorption of start-up costs relating to non-UK operations.

Revenue from Top Rank Espana grew by 12.0% as a consequence of the strength of the Euro versus Sterling (in Euros revenue declined by 2.7%). Operating profit of £4.1m was 10.9% lower than in the first half of 2007, reflecting the current weakness in the Spanish economy.

Shared services and central costs were £1.9m higher in aggregate. This was due largely to £1.4m of one-off payments and provisions relating to the departure of three former members of Rank's senior management team.

### Strategic priorities

Our long-term ambition is to generate sustained growth in earnings per share by becoming the UK's leading gaming-based leisure business. We believe that the UK gaming market will experience sustained long-term growth in participation, driven by changes in societal

attitudes, investment in modern environments, the application of technology and the modernisation of gaming regulations.

Our focus is on delivering the best customer experience on every visit to our businesses, offering entertaining games under trusted brands, distributed through a variety of physical and virtual channels and with market-leading customer service.

Our current mix of businesses allows us to attract customers from a number of different demographic and geographic segments, with a range of gaming-based leisure experiences offered at different price points.

In order to achieve our ambition we need to deliver significant operational uplift and see an improvement in the economic and regulatory environments. The present consumer weakness and political inconsistency have created testing conditions for UK gaming companies, but we believe that this will improve in the medium term.

Recognising the short-term challenges and long term opportunities facing our businesses, we have set out two strategic priorities for the Group:

- Maintain stabilisation in the immediate term
- Deliver long-term sustainable growth in earnings, led by an increase in customer visits

**Stabilise Group performance**
During 2007, a combination of legislative, regulatory, fiscal and economic factors had a negative effect on Group revenue and profits.

At the time of our trading update in December 2007 we outlined a series of initiatives designed to recover lost revenue, to protect operating margin and to tighten capital expenditure, principally in Mecca Bingo and Grosvenor Casinos. As a result of our actions, we achieved a partial recovery of revenue and strong growth in Group operating profit compared with the second half of 2007.

We recognise that there is more work to be done to adapt our businesses to the changing economic and regulatory environments and we will maintain a highly disciplined approach to operating and capital expenditure.

**Adapt businesses to protect revenue**
During the first half of 2008, we continued to develop outside gaming areas in our Mecca Bingo clubs, which allow customers who wish to smoke to also play interval bingo.

We have now developed these areas at 46 of our clubs, creating more than 1,100 additional interval game positions. During the first six months of the year these areas generated interval game revenue of £1.8m (of which approximately half is believed to be incremental). We are in the process of applying for the necessary consents to extend this initiative to a small number of additional clubs and are also reviewing options to enlarge and improve existing areas.

In addition, we carried out a review of our Mecca Bingo property portfolio to identify opportunities to maximise revenue through the development of adult gaming centres. To date we have opened 29 adult gaming centres across 19 of our properties, (comprising 116 B3 ‘jackpot’ machines) and received licensing approval for a further 15 centres. These have helped the Group to recover an element of the machines revenue lost upon the abolition of the Section 21 terminals in September last year.

Our adult gaming centres have been developed in accordance with Gambling Commission guidance (and with local licensing approval), although the Commission is currently taking

further consultation on the subject of split premises. We will continue to look for opportunities to maximise revenues from our UK properties, including a number of additional adult gaming centres.

On 25 June 2008, the Department for Culture, Media and Sport announced a proposal to increase from four to eight the number of B3 'jackpot' gaming machines permitted in licensed bingo clubs. The proposal is subject to consultation but if adopted, we would expect to add approximately 300 B3 gaming machines to our Mecca Bingo clubs by the start of 2009.

**Tighten cost controls**
We are on schedule to deliver the £15m of year-on-year cost savings outlined at the time of our annual results in February 2008, comprising a reduction in marketing and promotional expenditure in Mecca Bingo and Grosvenor Casinos, improvements in purchasing and operating efficiencies and a small number of redundancies.

We anticipate higher than average growth in operating costs in 2009, through cost rises for utilities, food, rents and employment expense. In particular, we expect our 2009 utility costs to be approximately £5m higher than in 2008. Cost base inflation is a major challenge for the industry and we have been developing plans to mitigate the effects of these increases, including better energy management.

**Selective capital investment**
During the first half of the year, Group capital expenditure totalled £11.3m, which included development costs for a new G Casino and Mecca Bingo club in Thanet, Kent, both of which opened in February 2008.

Having achieved a level of stabilisation in the first half of 2008, we have decided to commit to an additional £10m of capital expenditure, relating to future growth opportunities. This includes a programme of improvements in Mecca Bingo and development work for a new G Casino in Dundee (opening 2009). We now anticipate capital expenditure in 2008 to be approximately £30m.

**Sustainable growth in customer visits**
Our long-term growth strategy is based on the continual improvement of our products and services to deliver fun gaming experiences to a greater number of people. While we recognise that it will be difficult to grow our customer base and increase visits in the current difficult economic conditions, we have continued to invest in product and service development to pursue a longer term growth opportunity.

**Understanding, rewarding and engaging with our customers**
Across the Group, we work continually to deepen our customer insight and to forge stronger relationships with our most loyal customers. In particular, we have been developing player tracking and loyalty schemes to allow us to reward our most valued customers and to provide us with richer data about patterns of play and customer preferences.

In June 2008, we launched our PlayPoints loyalty scheme (using the Bally Technologies system) into our Grosvenor Casino in Birmingham. Following a period of testing and evaluation we expect to extend this trial to other casinos in our portfolio.

We remain on schedule to launch player rewards schemes in Mecca Bingo and Blue Square during the second half of 2008.

**Improve products and services**

**Games -** We are exploring ways to provide better gaming experiences to our customers, developing new games and modernising traditional games to bring them to new audiences.

In Mecca Bingo we continued to increase the penetration of electronic bingo products. At 30 June 2008, we had deployed more than 6,100 hand-held and desktop electronic bingo units across our clubs. The principal benefit to date has been to allow customers to play a higher number of tickets per game. However, we believe that the greater potential of electronic bingo lies in our ability to offer a richer gaming experience to customers as game content develops.

In addition we have introduced video bingo on a trial basis in nine of our Mecca Bingo clubs. The video bingo units allow customers to play 'on demand' games of bingo against other customers without the need for a caller, accessing high potential prizes for low stakes. After a slow start we have seen growing levels of customer participation and we plan to extend video bingo gradually as part of a suite of automated bingo products.

Following a trial in the second half of 2007 we have now installed 270 server-based gaming machines across 44 of our Mecca Bingo clubs. This has allowed us to offer a wider variety of games, adjust payout ratios and market the products to customers in a more targeted fashion.

In Grosvenor Casinos we established direct supply rental contracts with our major gaming machine manufacturers. As a consequence we were able to upgrade 60% of our gaming machines in the first half, which led directly to uplift in machines revenue. The new arrangements will enable us to be more effective in changing our electronic gaming products to meet evolving customer preferences.

During the second half of the year we will carry out a major upgrade of our gaming machines management system to improve the quality of information on the performance of individual machines in Mecca Bingo and Grosvenor Casinos.

We are making a number of improvements to the quality of interactive gaming and betting products available to our customers. In July 2008 we launched Blue Square Blackjack and we expect to launch our first live online casino later in the year.

Also during the second half, we will complete an upgrade of bluesq.com, our principal sports betting website, offering greater customisation, improved content and a broader range of in-play betting opportunities.

**Food & drink -** Following a review of our catering operations in the second half of 2007, we targeted a major improvement in the quality of our bar and dining offer in both Mecca Bingo and Grosvenor Casinos.

In Mecca Bingo we have rolled-out a new menu across our clubs and we are recruiting dedicated food and beverage managers for more than 50 of our larger clubs. Early customer feedback on the new menu has been positive. However, further enhancements are required to generate sustained revenue improvements.

In Grosvenor Casinos we developed and tested a new menu in the first half of the year and will be rolling this out to the majority of our casinos in the second half.

In addition, we are in the process of installing electronic point of sale systems in the bars and restaurants of our larger bingo clubs and casinos, with the aim of improving management information and reducing wastage.

**Broaden distribution**

**Mecca Bingo -** In Mecca Bingo we are focusing our resources on stabilising admissions and improving the profitability and the quality of our product offer in existing clubs. Whilst we have identified a number of locations where we see opportunities for new clubs, it is unlikely that we will grow our clubs portfolio significantly in the short term.

**Top Rank Espana -** Top Rank Espana is a good business with a track record of growth and a strong reputation in Spain, a market where we see growth potential in the medium term. However, given the current economic weakness in Spain, we have no immediate intention to grow Top Rank Espana beyond its 11 bingo clubs.

**Grosvenor Casinos -** In G Casino we have developed a successful format for a modern leisure casino. In February 2008 we opened our fifth G Casino at Thanet in Kent and in the second half of the year we will open a G Casino at Aberdeen (our first casino in Scotland).

We plan to open a further four new G Casinos by 2012 (including Dundee in 2009) but the development potential of our portfolio is even greater with a further eight non-operating licences and the ability to relocate under-utilised licences to modern facilities in better locations.

We remain interested in a small number of the 16 new casino licences being offered by local authorities under the Gambling Act 2005. Our track record as a responsible operator of casinos in Great Britain makes Grosvenor Casinos a strong candidate but we do not intend to overpay for any licences. It is expected that the licences will be awarded during 2009 with the first of the new casinos operational in 2010 or 2011.

**Blue Square -** Blue Square is focused on strengthening its position in the highly competitive UK market and targeting growth opportunities for interactive sportsbook and bingo in a number of overseas territories.

In March 2008, we launched bingouniversal.com, an online bingo and gaming website for the Spanish market. The new site is based on a proprietary bingo platform (developed in-house) and offers a range of popular ‘white label’ games.

Also in March 2008, we launched a white label sportsbook product for 888 Holdings plc under 888sports.com. At 30 June 2008 we offered sports betting services to customers of 888.com in the UK, Spain, Germany, Denmark and Sweden. We are currently in negotiations with a number of parties to offer our sportsbook and bingo products in the UK and Continental Europe under white label agreements.

**People**

During the period we have made a number of changes to our senior management team. On 2 June 2008, Paddy Gallagher joined the Rank main board as Group finance director.

Also in June, we appointed Phil Urban as managing director of Grosvenor Casinos. Phil has previously worked across the leisure industry including pubs and bars, pub restaurants and budget hotels. His appointment is part of a broader recruitment strategy to complement our expertise in gaming management with experienced people from mainstream retail and leisure sectors.

In May, we appointed Frances Bingham as company secretary.

## Taxation

**VAT claims -** In April 2008, the VAT & Duties Tribunal upheld Rank's £36.3m claim for value added tax (VAT) paid on games of interval bingo between 2003 and 2005. Her Majesty's Revenue & Customs (HMRC) has since appealed this decision and a further hearing is expected to take place in the High Court during 2009.

In May 2008 we received from HMRC a VAT rebate of £2.1m, relating to the use of additional prize money in games of bingo between 2002 and 2005. This payment is recognised within Mecca Bingo's first half operating profit.

**Double Taxation -** We were disappointed with the Government's decision not to abolish the system of 'Double Taxation' (whereby bingo revenues, unlike any other form of gaming, are subject to both VAT and gross profits tax) in its Budget 2008.

We will continue to support the Bingo Association as it presses for an end to the Government's discrimination against Britain's licensed bingo clubs industry and are encouraged that the Liberal Democrats recently called for a review of Double Taxation.

## Financing

The Group's main facilities consist of a £250m revolving credit facility and a £150m term loan, both of which mature in April 2012.

Rank's £167.7m 3.875% convertible unsecured loan stock matures in January 2009 and is unlikely to be converted to equity. It is our intention to redeem the bond from the available headroom in our existing banking facilities. We estimate that our overall funding cost will increase by around 150 basis points as a result of the bond redemption, based on the Group's average cost of debt and current interest rates.

Given our current capital spending plans and cash flow projections, we do not anticipate any immediate requirement to revise either the terms or size of our borrowing facilities.

## Pension Plan

On 30 June we completed the transaction with Rothesay Life Limited (a subsidiary of Goldman Sachs International) to transfer the assets and liabilities of our final salary pension scheme, the Rank Pension Plan.

After augmentation of members' benefits, we received £29m in cash from the disposal of which we expect to retain at least £20m after tax and expenses.

## Current trading and outlook

Since the one-year anniversary of the introduction of the English smoking ban on 1 July 2007, both Mecca Bingo and Grosvenor Casinos have seen like-for-like growth in spend per head but admissions remain lower than in the comparable period last year. This performance reflects in part the relatively robust performances of these businesses in July and August 2007, in the weeks immediately following the introduction of the smoking ban but before the abolition of Section 21 terminals.

Like-for-like revenue in both Blue Square and Top Rank Espana declined during the second quarter of 2008 and this has continued into the start of the second half of the year.

We remain cautious on the outlook for the rest of the year, given the present uncertainties surrounding consumer confidence, both in the UK and in Spain. We will continue to address our efforts towards managing the short-term pressures on the Group while retaining our focus on the longer term growth opportunities.

**Dividend**

The board of Rank has decided not to pay a dividend in respect of the six months to 30 June 2008. It remains the board's intention to resume dividend payments once trading conditions and the market outlook have improved.

**Mecca Bingo**

| | Revenue £m | | Operating profit £m | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Mecca Bingo | **110.1** | 132.5 | **21.6** | 31.5 |

The performance of Mecca Bingo in the first six months of the year was substantially below that achieved in the first half of 2007. This reflects the negative effects on trading of the smoking ban, the loss of Section 21 terminals and the weaker consumer environment. It also reflects £2.1m of reclaimed VAT (paid to Rank by HMRC in May 2008) and a £2.2m benefit from the impairments and associated onerous lease provisions booked in 2007.

Compared with the second half of 2007, Mecca Bingo stabilised revenue and by reducing operating costs, delivered 78.5% half-on-half growth in operating profit (or an improvement of 43.0% excluding the beneficial effects of the VAT rebate and the 2007 impairments).

**Key performance indicators – like-for-like clubs**
(excludes new club openings, closures and relocations)

| Admissions 000s | | Spend per head £ | | Revenue % change |
|---|---|---|---|---|
| **2008** | 2007 | **2008** | 2007 | |
| **7,796** | 8,981 | **13.74** | 14.17 | (15.8)% |

Revenue in Mecca Bingo was down 16.9% with operating profit 31.4% lower than in the first half of 2007. On a like-for-like basis, revenue declined by 15.8% with admissions down 13.2% and spend per head down 3.0%.

In Scotland, where the smoking ban was introduced in March 2006, revenue was 1.1% lower than in the first half of 2007, with admissions down 11.0% and spend per head up 11.2%.

Active membership of 984,000 (moving annual total) was 1.6% lower than at 31 December 2007.

At the end of the period and following the opening of a new club in Thanet and the closure of a club in Swindon, Mecca Bingo comprised 102 clubs in England, Scotland and Wales compared with 103 clubs at 30 June 2007.

| | **2008 £m** | 2007 £m | change % |
|---|---|---|---|
| Main stage bingo | **19.0** | 23.1 | (17.7) |
| Interval games | **49.2** | 59.0 | (16.6) |
| Gaming machines | **30.5** | 37.8 | (19.3) |
| Food & drink/other | **11.4** | 12.6 | (9.5) |
| **Total** | **110.1** | 132.5 | (16.9) |

**Main stage bingo –** Revenue from main stage bingo declined by 17.7% compared with the first half of 2007. This was due largely to lower admissions and a reduction in participation fee margins to protect prizeboards.

**Interval games –** Revenue from interval games declined by 16.6%, as a result of lower admissions and the smoking ban. We continued to develop external gaming areas to allow customers who wish to smoke to be able to play interval bingo.

**Gaming machines –** Revenue from gaming machines declined by 19.3% as a result of lower admissions, the loss of Section 21 terminals and the smoking ban.

**Food & drink –** Revenue from food and drink declined by 9.5% on lower admissions, although spend per head increased. Following a thorough review during the second half of 2007, we made a number of significant changes to our catering operations, including the trial and subsequent roll-out of a new menu.

**Top Rank Espana**

| | **Revenue £m** | | **Operating profit £m** | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Top Rank Espana | **17.7** | 15.8 | **4.1** | 4.6 |

First half trading at Top Rank Espana, our Spanish bingo clubs business, was affected by the weakening Spanish economy, although the strength of the Euro against Sterling bolstered its contribution to Group revenue and operating profit.

**Key performance indicators (comparable clubs)**

| **Admissions 000s** | | **Spend per head £** | | **Revenue % change** |
|---|---|---|---|---|
| **2008** | 2007 | **2008** | 2007 | |
| **1,203** | 1,223 | **14.71** | 12.92 | 12.0 |

Revenue grew by 12.0% to £17.7m compared with the first half in 2007, with admissions down 1.6% and spend per head up 13.9%. In Euros, revenue declined by 2.7%. Operating profit was down by 10.9% to £4.1m, as a result of higher operating costs, including a substantial rise in employment costs (due to inflation-indexed collective bargaining agreements affecting many businesses in Spain).

We made no changes to our clubs portfolio during the period and at 30 June 2008, we operated 11 bingo clubs.

**Grosvenor Casinos**

Revenue and operating profit from Grosvenor Casinos was much lower than in the first half of 2007, due largely to the effects of the smoking ban, higher taxation, the weaker economy and (in a number of clubs) the loss of Section 21 terminals. However, this performance represented a marked improvement compared with the second half of 2007, with half-on-half operating profit growing by 62.9%.

| | **Revenue £m** | | **Operating profit £m** | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| London | **44.1** | 46.3 | **6.7** | 8.9 |
| Provinces | **50.4** | 57.7 | **6.8** | 11.7 |
| Belgium | **7.7** | 6.1 | **1.0** | 0.4 |
| **Total casinos** | **102.2** | 110.1 | **14.5** | 21.0 |

Revenue of £102.2m from Grosvenor Casinos was down 7.2% with operating profit of £14.5m, 31.0% lower than in the first half of 2007. This result includes an additional £1.5m in casino gaming duty arising from changes to casino taxation announced in the Budget 2007 and introduced from April 2007.

On a like-for-like basis, revenue declined by 7.7% with admissions down 13.1% and spend per head up by 6.2%. Active membership of 806,000 (moving annual total) was 0.3% lower than at 31 December 2007.

During the period we opened a new G Casino at Thanet in Kent (a relocation of the licence from the Grosvenor Casino in Ramsgate, which we closed). At the end of the period, we operated 32 casinos in England and Wales compared with 33 at 30 June 2007. We remain on schedule to open a new G Casino in Aberdeen during the second half of the year. There were no changes to our operations in Belgium, where we operate two casinos.

**Key performance indicators**

| **Like-for-like clubs** (excludes new openings, closures and relocations) | **Admissions 000s** | | **Spend per head £** | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| London | **429** | 491 | **102.74** | 94.42 |
| Provinces | **1,392** | 1,623 | **32.32** | 32.31 |
| **UK casinos** | **1,821** | 2,114 | **48.92** | 46.72 |
| Belgium | **143** | 145 | **54.04** | 42.09 |
| **Total casinos** | **1,964** | 2,259 | **49.29** | 46.43 |

**London –** Revenue from our five London casinos declined by 4.8% with admissions down 12.6% and spend per head up by 8.8%. Operating profit was down by 24.7% to £6.7m. The opening of a major new competitor casino on Leicester Square in May 2007 continued to affect the London casinos market during the period.

**Provinces** – Revenue from our provincial casinos declined by 14.2% on a like-for-like basis, with admissions down 14.2% and spend per head level. Operating profit was down 41.9% to £6.8m.

**Belgium –** Revenue from our two Belgian casinos of £7.7m was 26.2% higher than in the first half of 2007, with a 1.4% decline in admissions offset by a 28.4% increase in spend per head. Operating profit grew by 150.0% to £1.0m, as a consequence of higher revenue from gaming machines and electronic roulette (which was introduced during the second half of 2007) and the strength of the Euro against Sterling.

**Blue Square**

Blue Square, our interactive gambling business made a good start to the year but increasing competition in its core UK sportsbook and bingo markets held back first half revenue and profit.

| | **2008 £m** | 2007 £m |
|---|---|---|
| Gaming | **19.3** | 17.2 |
| Sportsbook | **7.7** | 9.0 |
| **Total revenue** | **27.0** | 26.2 |
| | | |
| **Operating profit** | **5.3** | 5.5 |

Revenue grew by 3.1% to £27.0m, although this performance reflects a marked deterioration in performance in the second quarter as average stakes declined on both sports betting and games.

Operating profit of £5.3m was 3.6% below the level achieved in the first half of 2007, with a £1.1m saving on gaming duty being offset by start-up costs relating to the business's non-UK operations.

Active customers increased by 4.1% to 334,000 compared with the position at 31 December 2007.

Revenue from Blue Square's gaming products grew by 12.2% to £19.3m, with growth from meccabingo.com offsetting disappointing performances in casino and poker.

First-half revenue from sportsbook declined by 14.4% to £7.7m on lower average staking levels and a marginally weaker win margin.

During the period, Blue Square extended its reach into a number of new markets with bingouniversal.com and apuestasuniversal.com, proprietary bingo and sports betting sites in Spanish. In addition we launched 888sports.com under a white label agreement with 888 Holdings plc. By the end of the period, 888sports was available in English, Spanish, German, Danish and Swedish.

## SUMMARY OF RESULTS
## (from continuing operations)

| | Revenue | | Operating profit | | | |
|---|---|---|---|---|---|---|
| | | | Before exceptionals | | After exceptionals | |
| | **2008 £m** | 2007 £m | **2008 £m** | 2007 £m | **2008 £m** | 2007 £m |
| **Mecca Bingo** | **110.1** | 132.5 | **21.6** | 31.5 | **25.6** | 40.6 |
| **Top Rank Espana** | **17.7** | 15.8 | **4.1** | 4.6 | **4.1** | 4.6 |
| **Grosvenor Casinos** | **102.2** | 110.1 | **14.5** | 21.0 | **14.5** | 21.0 |
| **Blue Square** | **27.0** | 26.2 | **5.3** | 5.5 | **5.3** | 5.5 |
| **Gaming shared services** | **-** | - | **(11.2)** | (10.2) | **(11.2)** | (10.2) |
| **Other** | **-** | - | **(5.4)** | (4.5) | **(104.6)** | (4.5) |
| **Continuing operations** | **257.0** | 284.6 | **28.9** | 47.9 | **(66.3)** | 57.0 |
| **Interest (net)** | | | **(11.3)** | (10.6) | **(11.3)** | (10.6) |
| **Adjusted profit before taxation** | | | **17.6** | 37.3 | **(77.6)** | 46.4 |
| **Amortisation of equity component of convertible bond** | | | **(1.8)** | (1.8) | **(1.8)** | (1.8) |
| **Unwinding of discount in disposal provisions** | | | **(0.6)** | - | **(0.6)** | - |
| **Net return on defined benefit pension asset** | | | **3.6** | 5.1 | **3.6** | 5.1 |
| **Other financial losses** | | | **(0.2)** | - | **(0.2)** | - |
| **Profit (loss) before taxation** | | | **18.6** | 40.6 | **(76.6)** | 49.7 |
| **Basic earnings (loss) per share – continuing operations** | | | **3.0p** | 5.2p | **(14.3)p** | 7.2p |
| **Adjusted earnings per share (note 6)** | | | **3.0p** | 5.2p | | |

Group revenue fell by £27.6m, driven by the reductions in Mecca Bingo and Grosvenor Casinos. As noted earlier, revenue was impacted by the effect of the smoking bans in the UK and Spain, the removal of Section 21 gaming machines and the closure of 10 Mecca Bingo clubs in 2007.

Group operating profit before exceptional items was £19.0m lower than 2007. This reflects our high operational gearing and £1.5m in additional casino duty (arising from the taxation changes in the Budget 2007), offset by a number of cost saving actions taken in the second half of 2007 and first half 2008. Grosvenor Casinos also incurred £1.3m in legal costs following the unsuccessful case against the National Bank of Abu Dhabi in relation to unpaid cheques but Mecca Bingo benefited from the £2.1m of reclaimed VAT. Gaming shared service and other costs increased by £1.9m, largely as a result of redundancy costs for three former members of the senior management team and costs for the successful Linnewebber VAT tribunal.

The net interest charge was £0.7m higher than in 2007. Net interest payable reduced due to lower debt levels but this was offset by adverse interest costs and non-cash items accounted for through the interest line.

Adjusted Group profit before tax and exceptionals was £19.7m lower than last year.

The effective tax rate on adjusted profits is 34.3% (2007: 34.3%). The tax charge is in line with the continuing Group's anticipated effective tax rate of 30% to 35%.

Adjusted earnings per share of 3.0p (2007: 5.2p) reflects the lower adjusted pre-tax profit partly offset by the reduction in the weighted average number of Ordinary shares in issue following the 2007 share consolidation (see note 6 for further details).

In 2007 the Group paid a final dividend in respect of 2006 of 4.0p per Ordinary share, an interim dividend of 2.0p per ordinary share in respect of 2007 and a special dividend of 65.0p following the disposal of Hard Rock. The special dividend was accompanied by an 18 for 25 share consolidation.

Given the difficult trading conditions, the level of uncertainty facing the gaming industry and the more general market concerns of a consumer spending slowdown, the Board announced in December 2007 that it would not pay a final dividend for 2007. These conditions have continued during the first half of 2008 and the Board has decided not to pay a dividend in respect of the first six months to 30 June 2008. It remains the Board's intention to resume dividend payments once trading conditions and the market outlook have improved. Our medium term dividend cover target remains 2.0 times earnings.

**Exceptional items**

The Group transferred its defined benefit pension plan to Rothesay Life Limited on 30 June 2008 receiving proceeds of £29.0m before transaction costs and corporation tax. The defined benefit pension asset at the date of transfer, calculated in accordance with IAS19, was £137.7m, which resulted in a pre-tax loss on transfer of £99.2m after transaction costs. As a result of the transfer the Group has no further liabilities in respect of the plan but will incur some cash costs in the second half of 2008 by paying costs on behalf of the trustee (using funds paid across by the trustee) and remaining transaction costs.

The Group sold one freehold club and surrendered two leasehold clubs for an aggregate consideration of £4.4m. The profit on disposal of the clubs, net of closure costs, totalled £4.0m.

Further details are provided in note 3 to the Group Financial Information.

**Discontinued operations**

Discontinued operations in 2007 comprise the results and exceptional profit arising on the Hard Rock sale and are shown in a single line on a post-tax basis in the income statement. During 2008 the Group released £5.0m from the Hard Rock disposal provision in relation to warranties provided in the sale agreement which have now expired.

## Cash flow and net debt

| | 2008 £m | 2007 £m |
|---|---|---|
| **Continuing operations** | | |
| Cash inflow from operations | **39.8** | 60.6 |
| Capital expenditure | **(11.3)** | (15.0) |
| Fixed asset disposals | **5.6** | 19.2 |
| **Operating cash inflow** | **34.1** | 64.8 |
| Acquisitions and disposals | **25.2** | 498.7 |
| Net receipt (payment) in respect of provisions and exceptional items | **2.0** | (2.6) |
| | **61.3** | 560.9 |
| Interest, tax and dividend payments | **(15.5)** | (34.0) |
| Special dividend | **-** | (352.5) |
| Additional contribution to pension fund | **-** | (15.4) |
| Other (including foreign exchange translation) | **(2.3)** | (0.3) |
| Discontinued operations | **-** | (4.0) |
| **Decrease in net debt** | **43.5** | 154.7 |
| **Opening net debt** | **(316.9)** | (447.2) |
| **Closing net debt** | **(273.4)** | (292.5) |

At the end of June 2008, net bank debt was £273.4m compared with £292.5m at the end of June 2007. The net debt comprised bank debt of £175.0m, £165.7m in convertible unsecured loan stock, £7.2m in fixed rate Yankee bonds, £14.2m in finance leases and £7.4m in overdrafts, partially offset by cash at bank and in hand of £39.6m and short term bank deposits of £56.5m. Bank deposits were high due to the pension monies received on 30 June 2008.

### Financial structure and liquidity

The Group's bank borrowings comprise a £250m revolving credit facility and a £150m term loan, both of which mature in 2012. These facilities require the maintenance of minimum ratios of earnings before interest, tax, depreciation and amortisation to both net interest payable and net debt, which are tested bi-annually at June and December.

In January 2008 the Group repaid US$100m 6.375% of Yankee bonds out of existing facilities.

In January 2009 the £167.7m 3.875% convertible unsecured loan stock falls due. The Group currently plans to repay the bond by drawing on existing bank facilities, without recourse to the capital markets.

## Capital expenditure

| | 2008 £m | 2007 £m |
|---|---|---|
| Mecca Bingo | **4.4** | 5.1 |
| Top Rank Espana | **0.8** | 1.8 |
| Grosvenor Casinos | **3.3** | 5.7 |
| Blue Square | **2.5** | 1.8 |
| Other | **0.3** | 0.6 |
| **Total** | **11.3** | 15.0 |

Capital expenditure for Mecca Bingo included £0.6m spent completing the development of our latest bingo club in Thanet (opened in February 2008), £0.8m on various works connected with the smoking ban, £0.4m on improving the catering offer and £0.3m on the construction of adult gaming centres. The balance of the expenditure was on club refurbishment and minor capital works.

In Grosvenor Casinos we spent £1.6m completing the new G Casino in Thanet (opened in February 2008), which is a relocation of our Ramsgate licence, and £0.4m in preparatory works predominantly on our new G Casinos in Aberdeen and Dundee (opening late 2008 and 2009 respectively). The balance of the expenditure was on minor capital works.

The increased expenditure in Blue Square included expansionary capital for the deals with Virgin Media and 888 Holdings and also the development of our new Spanish bingo website.

As noted earlier, we have released an additional £10m of capital for investment in future growth opportunities, including the G Casino Dundee. We now expect 2008 capital expenditure to be in the order of £30m although this will be kept under review.

The only significant capital commitment at 30 June 2008 was for £3.5m relating to our new G Casino in Aberdeen.

**Pension fund**
The Group had been committed to making a series of future contributions to the defined benefit plan totalling £30.8m to be paid over three years, with the last payment due no later than January 2010. Following discussions with the trustee in advance of the transfer of the plan to Rothesay Life, it was agreed that no further contributions would be made.

The Group closed the defined benefit plan for future service accrual in February 2008, although employee's benefits were augmented to 30 June 2008. Employees affected were offered a replacement stakeholder scheme or a salary supplement.

**Principal risks**
The principal risks and uncertainties faced by the Group have not changed from those set out on page 16 of The Rank Group Plc Annual Report for the year ended 31 December 2007, available from the Group website www.rank.com. These risks are:

- Regressive changes to the regulatory environment for gambling
- Further increases in taxation
- Increases in costs that cannot be passed onto the customer
- Increasing competition
- Further deterioration in consumer spending

In addition the risks and uncertainties are further discussed within the Business Review section of the 2007 Annual report on pages 4 to 20 inclusive.

## GROUP INCOME STATEMENT
## For the period ended 30 June 2008
## (unaudited)

| | Note | 2008 Before exceptional items | 2008 Exceptional items (note 3) | 2008 Total | 2007 Before exceptional items | 2007 Exceptional items (note 3) | 2007 Total |
|---|---|---|---|---|---|---|---|
| | | **£m** | **£m** | **£m** | £m | £m | £m |
| **Continuing operations** | | | | | | | |
| Revenue | | **257.0** | **-** | **257.0** | 284.6 | - | 284.6 |
| Cost of sales | | **(134.8)** | **-** | **(134.8)** | (144.9) | - | (144.9) |
| **Gross profit** | | **122.2** | **-** | **122.2** | 139.7 | - | 139.7 |
| Other operating (costs) income | | **(93.3)** | **(95.2)** | **(188.5)** | (91.8) | 9.1 | (82.7) |
| **Group operating profit (loss)** | | **28.9** | **(95.2)** | **(66.3)** | 47.9 | 9.1 | 57.0 |
| Financing: | | | | | | | |
| - finance costs | | **(13.0)** | **-** | **(13.0)** | (13.5) | - | (13.5) |
| - finance income | | **1.7** | **-** | **1.7** | 2.9 | - | 2.9 |
| - amortisation of equity component of convertible bond | | **(1.8)** | **-** | **(1.8)** | (1.8) | - | (1.8) |
| - unwinding of discount in disposal provisions | | **(0.6)** | **-** | **(0.6)** | - | - | - |
| - net return on defined benefit pension asset | | **3.6** | **-** | **3.6** | 5.1 | - | 5.1 |
| - other financial losses | | **(0.2)** | **-** | **(0.2)** | - | - | - |
| **Total net financing charge** | | **(10.3)** | **-** | **(10.3)** | (7.3) | - | (7.3) |
| **Profit (loss) before taxation** | | **18.6** | **(95.2)** | **(76.6)** | 40.6 | 9.1 | 49.7 |
| Taxation | 4 | **(7.0)** | **27.8** | **20.8** | (16.1) | 0.5 | (15.6) |
| **Profit (loss) for the period from continuing operations** | | **11.6** | **(67.4)** | **(55.8)** | 24.5 | 9.6 | 34.1 |
| **Discontinued operations** | | **-** | **5.0** | **5.0** | (0.3) | 308.0 | 307.7 |
| **Profit (loss) for the period** | | **11.6** | **(62.4)** | **(50.8)** | 24.2 | 317.6 | 341.8 |
| **Earnings (loss) per share attributable to equity shareholders** | | | | | | | |
| - basic | 6 | **3.0p** | **(16.0)p** | **(13.0)p** | 5.1p | 67.3p | 72.4p |
| - diluted | 6 | **3.0p** | **(16.0)p** | **(13.0)p** | 5.1p | 67.3p | 72.4p |
| **Earnings (loss) per share - continuing operations** | | | | | | | |
| - basic | 6 | **3.0p** | **(17.3)p** | **(14.3)p** | 5.2p | 2.0p | 7.2p |
| - diluted | 6 | **3.0p** | **(17.3)p** | **(14.3)p** | 5.2p | 2.0p | 7.2p |
| **Earnings (loss) per share - discontinued operations** | | | | | | | |
| - basic | 6 | **-** | **1.3p** | **1.3p** | (0.1)p | 65.3p | 65.2p |
| - diluted | 6 | **-** | **1.3p** | **1.3p** | (0.1)p | 65.3p | 65.2p |

**GROUP BALANCE SHEET**
**At 30 June 2008**
**(unaudited)**

| | **At 30.06.08 £m** | At 31.12.07 £m |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Intangible assets | **182.2** | 179.0 |
| Property, plant and equipment | **173.0** | 179.2 |
| Investments | **0.1** | 0.1 |
| Defined benefit pension asset (note 3) | **-** | 130.7 |
| Deferred tax assets | **49.0** | 13.5 |
| Trade and other receivables | **1.6** | 1.5 |
| | **405.9** | 504.0 |
| **Current assets** | | |
| Financial assets | | |
| - derivative financial instruments | **-** | 0.6 |
| - cash and cash equivalents | **96.1** | 72.1 |
| Inventories | **3.3** | 3.4 |
| Trade and other receivables | **30.1** | 29.9 |
| | **129.5** | 106.0 |
| **Total assets** | **535.4** | 610.0 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Financial liabilities | | |
| - derivative financial instruments | **(3.0)** | (2.5) |
| - loan capital and borrowings | **(177.1)** | (60.7) |
| Trade and other payables | **(102.0)** | (103.8) |
| Current tax liabilities | **(7.5)** | (5.4) |
| Provisions for other liabilities and charges | **(14.3)** | (20.4) |
| | **(303.9)** | (192.8) |
| **Net current liabilities** | **(174.4)** | (86.8) |
| **Non-current liabilities** | | |
| Financial liabilities | | |
| - loan capital and borrowings | **(192.8)** | (331.0) |
| Deferred tax liabilities | **(8.1)** | (7.5) |
| Other non-current liabilities | **(38.8)** | (32.0) |
| Provisions for other liabilities and charges | **(57.9)** | (60.0) |
| | **(297.6)** | (430.5) |
| **Total liabilities** | **(601.5)** | (623.3) |
| **Net liabilities** | **(66.1)** | (13.3) |
| **Capital and reserves attributable to the Company's equity shareholders** | | |
| Ordinary shares | **54.2** | 54.2 |
| Share premium | **98.2** | 98.2 |
| Capital redemption reserve | **33.4** | 33.4 |
| Exchange translation reserve | **2.9** | (0.3) |
| Other reserves | **(254.8)** | (198.8) |
| **Total shareholders' deficit** | **(66.1)** | (13.3) |

**GROUP CASH FLOW STATEMENT**
**For the period ended 30 June 2008**
**(unaudited)**

| | **6 months to 30.06.08 £m** | 6 months to 30.06.07 £m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net cash generated from operations (note 10) | **41.8** | 58.0 |
| Interest received | **1.5** | 3.0 |
| Interest paid | **(15.9)** | (19.4) |
| Tax paid | **(1.1)** | (1.9) |
| Additional pension payments | **-** | (15.4) |
| Discontinued operations | **-** | (4.9) |
| **Net cash from operating activities** | **26.3** | 19.4 |
| | | |
| **Cash flows from investing activities** | | |
| Proceeds from sale of businesses (net of cash disposed) | **-** | 498.7 |
| Acquisition of businesses - deferred consideration | **(3.2)** | - |
| Net proceeds from disposal of defined benefit pension asset | **28.4** | - |
| Purchase of intangible assets | **(2.1)** | (1.7) |
| Purchase of property, plant and equipment | **(9.2)** | (13.3) |
| Proceeds from disposal of property, plant and equipment | **5.6** | 19.2 |
| Discontinued operations | **-** | 0.9 |
| **Net cash from investing activities** | **19.5** | 503.8 |
| | | |
| **Cash flows from financing activities** | | |
| Net proceeds from issue of Ordinary share capital | **-** | 0.1 |
| Purchase of own shares | **-** | (2.1) |
| Dividends paid to shareholders – ordinary | **-** | (15.7) |
| Dividends paid to shareholders – special | **-** | (352.5) |
| Debt due within one year | | |
| - drawdown on syndicated facilities | **25.0** | 150.0 |
| Debt due after more than one year | | |
| - repayment of US dollar borrowings | **(50.8)** | - |
| - repayment of syndicated facilities | **-** | (285.2) |
| Finance lease principal repayments | **(0.5)** | (0.3) |
| Discontinued operations | **-** | (2.5) |
| **Net cash used in financing activities** | **(26.3)** | (508.2) |
| | | |
| **Effect of exchange rate changes** | **0.6** | 0.1 |
| | | |
| **Net increase in cash and cash equivalents** | **20.1** | 15.1 |
| Cash and cash equivalents at beginning of period | **68.6** | 75.4 |
| **Cash and cash equivalents at end of period** | **88.7** | 90.5 |

## GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
## For the period ended 30 June 2008
## (unaudited)

| | **6 months to 30.06.08 £m** | 6 months to 30.06.07 £m |
|---|---|---|
| (Loss) profit for the financial period | **(50.8)** | 341.8 |
| Currency translation net of tax and hedging | **3.2** | (6.0) |
| Actuarial (loss) gain on defined benefit pension scheme net of tax | **(5.5)** | 6.9 |
| Adjustment in respect of deferred tax from 30% to 28% | **-** | 1.7 |
| Revaluation of available-for-sale securities recycled within net profit | **-** | (44.4) |
| Cumulative foreign exchange losses recycled within net profit | **-** | 8.6 |
| Total recognised (expense) income for the period | **(53.1)** | 308.6 |

## NOTES TO THE GROUP FINANCIAL INFORMATION
## For the period ended 30 June 2008
## (unaudited)

### 1. Basis of preparation and accounting policies

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34'), as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with IFRSs as adopted by the European Union.

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2007 were approved by the Board of directors on 28 February 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement made under Section 237 of the Companies Act 1985.

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

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

As required by IAS 34 and consistent with prior years, taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The implementation of the standards and interpretations listed in the 2007 annual financial statements with an effective date for accounting periods beginning on 1 January 2008 have not had a material impact on the interim financial information for the six months ended 30 June 2008.

## 2. Segmental reporting - continuing operations

| | Mecca Bingo | Top Rank España | Grosvenor Casinos | Blue Square | Gaming shared services | Other | Total |
|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m |
| **Six months to 30 June 2008** | | | | | | | |
| **Segment revenue** | **110.1** | **17.7** | **102.2** | **27.0** | **-** | **-** | **257.0** |
| Operating profit (loss) before exceptional items | **21.6** | **4.1** | **14.5** | **5.3** | **(11.2)** | **(5.4)** | **28.9** |
| Exceptional items | **4.0** | **-** | **-** | **-** | **-** | **(99.2)** | **(95.2)** |
| **Segment result** | **25.6** | **4.1** | **14.5** | **5.3** | **(11.2)** | **(104.6)** | **(66.3)** |
| Finance costs | | | | | | | **(13.0)** |
| Finance income | | | | | | | **1.7** |
| Amortisation of equity component of convertible bond | | | | | | | **(1.8)** |
| Unwinding of discount in disposal provisions | | | | | | | **(0.6)** |
| Net return on defined benefit pension asset | | | | | | | **3.6** |
| Other financial losses | | | | | | | **(0.2)** |
| **Loss before taxation** | | | | | | | **(76.6)** |
| Taxation | | | | | | | **20.8** |
| **Loss for the period from continuing operations** | | | | | | | **(55.8)** |
| **Six months to 30 June 2007** | | | | | | | |
| **Segment revenue** | 132.5 | 15.8 | 110.1 | 26.2 | - | - | 284.6 |
| Operating profit (loss) before exceptional items | 31.5 | 4.6 | 21.0 | 5.5 | (10.2) | (4.5) | 47.9 |
| Exceptional items | 9.1 | - | - | - | - | - | 9.1 |
| **Segment result** | 40.6 | 4.6 | 21.0 | 5.5 | (10.2) | (4.5) | 57.0 |
| Finance costs | | | | | | | (13.5) |
| Finance income | | | | | | | 2.9 |
| Amortisation of equity component of convertible bond | | | | | | | (1.8) |
| Net return on defined benefit pension asset | | | | | | | 5.1 |
| **Profit before taxation** | | | | | | | 49.7 |
| Taxation | | | | | | | (15.6) |
| **Profit for the period from continuing operations** | | | | | | | 34.1 |

## 3. Exceptional items

| | **6 months to 30.06.08 £m** | 6 months to 30.06.07 £m |
|---|---|---|
| **Exceptional items relating to continuing operations** | | |
| Loss on transfer of defined benefit pension asset (see below) | **(99.2)** | **-** |
| Net profit on disposal of property less associated closure costs | **4.0** | 9.1 |
| Exceptional items before taxation relating to continuing operations | **(95.2)** | 9.1 |
| Taxation | **27.8** | 0.5 |
| Exceptional items relating to continuing operations | **(67.4)** | 9.6 |
| | | |
| **Exceptional items relating to discontinued operations** | | |
| Hard Rock | **5.0** | 308.0 |
| Exceptional items relating to discontinued operations | **5.0** | 308.0 |
| | | |
| Total exceptional items | **(62.4)** | 317.6 |

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

The transfer secured the accrued benefits for the members of the Plan and removed all financial risks and liabilities in relation to the Plan from the Group. As a result of the transfer, the Group will no longer make the remaining scheduled contributions of £30.8m, which the Group had agreed to at the time of the sale of Deluxe Film in 2006.

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

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

During the period the Group closed one Mecca Bingo club at Swindon. The resulting profit on disposal of the property, together with the profit on two previously closed properties, net of associated closure and disposal costs was £4.0m.

**Discontinued operations**
The Group also released £5.0m from the Hard Rock disposal provision following the expiration of warranties provided in the sale agreement.

## 4. Taxation

| | **6 months to 30.06.08 £m** | 6 months to 30.06.07 £m |
|---|---|---|
| **Current income tax on continuing operations** | | |
| Current tax – UK | **-** | (7.8) |
| Current tax – overseas | **(2.5)** | (3.6) |
| Current tax charge | **(2.5)** | (11.4) |
| Current tax on exceptional items | **(7.8)** | 0.5 |
| **Total current tax** | **(10.3)** | (10.9) |
| **Deferred tax on continuing operations** | | |
| Deferred tax – UK | **(4.5)** | (2.9) |
| Deferred tax on exceptional items | **35.6** | - |
| Restatement of deferred tax from 30% to 28% | **-** | (1.8) |
| **Total deferred tax** | **31.1** | (4.7) |
| **Tax credit (charge) in the income statement on continuing operations** | **20.8** | (15.6) |

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

| | **6 months to 30.06.08 £m** | 6 months to 30.06.07 £m |
|---|---|---|
| **Current income tax on discontinued operations** | | |
| Current tax – UK | **-** | 2.5 |
| Current tax – overseas | **-** | (1.5) |
| Current tax credit | **-** | 1.0 |
| Current tax on exceptional items | **-** | (7.8) |
| **Total current tax** | **-** | (6.8) |
| **Deferred tax on discontinued operations** | | |
| Deferred tax – UK | **-** | (1.0) |
| **Total deferred tax** | **-** | (1.0) |
| **Tax charge in the income statement on discontinued operations** | **-** | (7.8) |

## 5. Dividends

| | **6 months to 30.06.08 £m** | 6 months to 30.06.07 £m |
|---|---|---|
| **Equity – ordinary** | | |
| Final for 2006 paid on 11 May 2007 - 4.0p per share | - | 15.7 |
| Special for 2007 paid on 9 April 2007 - 65.0p per share | - | 352.5 |
| | - | 368.2 |

Following the sale of Hard Rock, a special dividend of 65.0 pence per share was paid on 9 April 2007.

The Directors have not proposed an interim dividend in respect of the six months ended 30 June 2008 (2007 - 2.0p).

## 6. Earnings (loss) per share

| | 6 months to 30.06.08 | | | 6 months to 30.06.07 | | |
|---|---|---|---|---|---|---|
| | **Before exceptional items** | **Exceptional Items** | **Total** | Before exceptional items | Exceptional items | Total |
| **(a) Basic earnings per share** | | | | | | |
| Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of Ordinary shares in issue during the period, excluding Ordinary shares purchased by the Company and held as treasury shares. | | | | | | |
| **Profit (loss) attributable to equity shareholders (£m)** | | | | | | |
| Continuing operations | **11.6** | **(67.4)** | **(55.8)** | 24.5 | 9.6 | 34.1 |
| Discontinued operations | **-** | **5.0** | **5.0** | (0.3) | 308.0 | 307.7 |
| Total | **11.6** | **(62.4)** | **(50.8)** | 24.2 | 317.6 | 341.8 |
| **Weighted average number of Ordinary shares in issue** | **389.5m** | **389.5m** | **389.5m** | 472.2m | 472.2m | 472.2m |
| **Basic earnings (loss) per share** | | | | | | |
| Continuing operations | **3.0p** | **(17.3)p** | **(14.3)p** | 5.2p | 2.0p | 7.2p |
| Discontinued operations | **-** | **1.3p** | **1.3p** | (0.1)p | 65.3p | 65.2p |
| Total | **3.0p** | **(16.0)p** | **(13.0)p** | 5.1p | 67.3p | 72.4p |
| **(b) Diluted earnings per share** | | | | | | |
| Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares in issue to assume conversion of all dilutive potential Ordinary shares. The Group has two categories of dilutive potential Ordinary shares: share options and convertible debt. For share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming exercise of the share options. The convertible debt was not dilutive in either period. | | | | | | |
| There is no difference in the profit (loss) used to determine diluted earnings per share from that used to determine basic earnings per share above. | | | | | | |
| Weighted average number of Ordinary shares in issue | **389.5m** | **389.5m** | **389.5m** | 472.2m | 472.2m | 472.2m |
| Adjustment for share options | **-** | **-** | **-** | - | - | - |
| **Weighted average number of Ordinary shares for diluted earnings per share** | **389.5m** | **389.5m** | **389.5m** | 472.2m | 472.2m | 472.2m |
| **Diluted earnings (loss) per share** | | | | | | |
| Continuing operations | **3.0p** | **(17.3)p** | **(14.3)p** | 5.2p | 2.0p | 7.2p |
| Discontinued operations | **-** | **1.3p** | **1.3p** | (0.1)p | 65.3p | 65.2p |
| Total | **3.0p** | **(16.0)p** | **(13.0)p** | 5.1p | 67.3p | 72.4p |

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

### (c) Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit or loss attributable to equity shareholders to exclude discontinued operations, exceptional items, amortisation of the equity component of the convertible bond, unwinding of the discount in disposal provisions, the net return on the defined benefit pension asset and other financial gains or losses. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that adjusted earnings assists in providing a view of the underlying performance of the business.

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

| | **6 months to 30.06.08 £m** | 6 months to 30.06.07 £m |
|---|---|---|
| (Loss) profit attributable to equity shareholders | **(50.8)** | 341.8 |
| Discontinued operations | **(5.0)** | (307.7) |
| Exceptional items from continuing operations | **67.4** | (9.6) |
| Amortisation of equity component of convertible bond | **1.8** | 1.8 |
| Unwinding of discount in disposal provisions | **0.6** | - |
| Net return on defined benefit pension asset | **(3.6)** | (5.1) |
| Other financial losses | **0.2** | - |
| Taxation on adjusted items | **1.0** | 3.3 |
| **Adjusted net earnings attributable to equity shareholders** | **11.6** | 24.5 |
| **Weighted average number of Ordinary shares in issue (m)** | **389.5m** | 472.2m |
| **Adjusted earnings per share (p)** | **3.0p** | 5.2p |

## 7. Provisions for other liabilities and charges

| | Onerous leases £m | Disposal provisions Deluxe £m | Hard Rock £m | **Total £m** |
|---|---|---|---|---|
| **At 1 January 2008** | 33.5 | 36.2 | 10.7 | **80.4** |
| Released to the income statement – exceptional | - | - | (5.0) | **(5.0)** |
| Utilised in year | (1.5) | (2.6) | (0.5) | **(4.6)** |
| Unwinding of discount | 0.8 | 0.6 | - | **1.4** |
| **At 30 June 2008** | **32.8** | **34.2** | **5.2** | **72.2** |
| Current | 3.2 | 6.2 | 4.9 | **14.3** |
| Non-current | 29.6 | 28.0 | 0.3 | **57.9** |
| **Total** | **32.8** | **34.2** | **5.2** | **72.2** |

The Group released £5.0m from the Hard Rock disposal provision on expiration of warranties provided in the sale agreement.

## 8. Financial liabilities to net debt reconciliation

Under IFRS, derivative financial instruments, accrued interest and unamortised facility fees are classified as financial liabilities. A reconciliation of financial liabilities disclosed in the balance sheet to the Group's net debt position is provided below.

| | **At 30.06.08 £m** | At 31.12.07 £m |
|---|---|---|
| Total financial liabilities | **(372.9)** | (394.2) |
| Less: Derivative financial instruments | **3.0** | 2.5 |
| Less: Accrued interest | **3.5** | 6.5 |
| Less: Unamortised facility fees | **(3.1)** | (3.8) |
| | **(369.5)** | (389.0) |
| Add: Cash and cash equivalents | **96.1** | 72.1 |
| Net debt | **(273.4)** | (316.9) |

In January 2008 the Group repaid US$100.0m of Yankee bonds from existing facilities.

## 9. Statement of changes in shareholders' equity

| | **6 months to 30.06.08 £m** | 6 months to 30.06.07 £m |
|---|---|---|
| **Balance at 1 January** | **(13.3)** | 75.3 |
| Exchange adjustments net of tax and hedging | **3.2** | (6.0) |
| Actuarial (loss) gain on defined benefit pension scheme net of tax | **(5.5)** | 6.9 |
| Cumulative foreign exchange losses recycled within net profit | **-** | 8.6 |
| Revaluation of available-for-sale securities recycled within net profit | **-** | (44.4) |
| Adjustment of deferred tax from 30% to 28% | **-** | 1.7 |
| Issue of share capital | **-** | 0.1 |
| Purchase of own shares | **-** | (2.1) |
| Dividends | **-** | (368.2) |
| Credit in respect of employee share schemes | **0.3** | 0.5 |
| (Loss) profit for the period | **(50.8)** | 341.8 |
| **Balance at 30 June** | **(66.1)** | 14.2 |

## 10. Net cash generated from operations

| | **6 months to 30.06.08 £m** | 6 months to 30.06.07 £m |
|---|---|---|
| **Continuing operations** | | |
| Operating (loss) profit | **(66.3)** | 57.0 |
| Exceptional items | **95.2** | (9.1) |
| Operating profit before exceptional items | **28.9** | 47.9 |
| Depreciation and amortisation | **13.1** | 13.9 |
| Increase in working capital | **(1.6)** | (1.4) |
| Other | **(0.6)** | 0.2 |
| | **39.8** | 60.6 |
| Net cash receipt (payment) in respect of provisions and exceptional items | **2.0** | (2.6) |
| **Net cash generated from operations** | **41.8** | 58.0 |

## 11. Contingent assets

On 22 May 2008, the Group announced that the VAT and Duties Tribunal had upheld the Group's £36.3m claim relating to VAT paid on games of interval bingo between 2003 and 2005. The Tribunal determined that the payment of VAT on these games had constituted a contravention of the European Union's law of fiscal neutrality. This decision was appealed by Her Majesty's Revenue and Customs on 11 July 2008. The Group expects that the appeal will be considered by the High Court during 2009. In addition the Group has yet to lodge the claim for the period from 2006 to date. The Group anticipates lodging this claim, which will total approximately £22.0m, in the second half of 2008.

## 12. Related party transactions

On 30 June 2008 the Group completed the transfer of the assets and liabilities of the Rank Pension Plan ('the Plan'), a defined benefit scheme, to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs). As part of the transfer the Group received £3.7m to cover expenses which the Group has agreed to pay on behalf of the trustees. The balance of costs still to be paid at the reporting date was £1.0m.

## Responsibility statement

The interim management report complies with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Services Authority in respect of the requirement to produce a half-yearly financial report. The interim report is the responsibility of, and has been approved by, the Directors. 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 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 listed on page 28 of the The Rank Group Plc Annual Report for the year ended 31 December 2007, with the exception of the following changes in the period: Mr P Gill resigned on 1 June 2008 and Mr P Gallagher was appointed on 2 June 2008.

## Independent review report to The Rank Group Plc

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008, which comprises the income statement, balance sheet, statement of recognised income and expense, cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

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

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

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
30 July 2008

### Notes

(a) The maintenance and integrity of The Rank Group Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.