

**THIS DOCUMENT (THE “CIRCULAR”) AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the UK Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

**If you sell or have sold or have otherwise transferred all of your Rank Shares, please forward this document, together with the accompanying documents, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you sell or have sold part only of your holding of Rank Shares please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.**

Merrill Lynch International is acting for Rank in relation to the matters described in this document and, with the consent of Rank, members of the Merrill Lynch Group are providing acquisition finance to the Purchaser's Parent in relation to the Disposal. No member of the Merrill Lynch Group is acting for or advising any other person in relation to the Disposal and accordingly no such member will be responsible to any other person for providing the protections afforded to clients of the Merrill Lynch Group or for advice in relation to the matters described in this document.

Goldman Sachs International, which is authorised and regulated in the United Kingdom by The Financial Services Authority, is acting for Rank in relation to the matters described in this document and is not advising any other person and accordingly will not be responsible to any person other than Rank for providing the protections afforded to the customers of Goldman Sachs International or for advice in relation to the matters described in this document.



## **THE RANK GROUP PLC**

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 03140769)

### **Proposed Disposal of Hard Rock and related Special Dividend and Share Consolidation Notice of Extraordinary General Meeting**

This document should be read as a whole. Your attention is drawn to the letter to shareholders from the Chairman of Rank which is set out on page 4 of this document. This document contains the recommendation that you vote in favour of the resolutions to be proposed at the extraordinary general meeting (“EGM”) referred to below.

Application will be made to the UK Listing Authority for the New Rank Shares arising from the proposed consolidation of Rank's ordinary share capital to be admitted to the Official List and to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that dealings in the Existing Rank Shares will continue until close of business on 23 March 2007 and that Admission of the New Rank Shares will become effective and dealings for normal settlement will commence at 8.00 a.m. on 26 March 2007.

**Notice of an EGM of Rank to be held at Statesman House, Stafferton Way, Maidenhead, Berkshire SL6 1AY at 10.00 a.m. on Monday, 8 January 2007 is set out at the end of this document.**

A form of proxy to be used in connection with the resolutions to be proposed at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible by post or (during normal business hours only) by hand but, in any event, so as to be received by Rank's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, **no later than 10.00 a.m. on Saturday, 6 January 2007.**

Electronic proxy appointment is available for this EGM. This facility enables Rank Shareholders to lodge their proxy appointment by electronic means on a website provided by Lloyds TSB Registrars. Rank Shareholders who have already registered their holding(s) with the Shareview portfolio service will be sent an e-mail with full instructions on the electronic proxy voting procedure. The deadline for receipt of electronic proxies is **no later than 10.00 a.m. on Saturday, 6 January 2007.**

**Your attention is drawn to the risk factors set out in Part 1 of this document.**

A summary of the action to be taken by Rank Shareholders is set out on page 8 of this document and in the accompanying Notice of the EGM. The completion and return of the completed Form of Proxy will not prevent you from attending the EGM and voting in person (in substitution for your proxy vote) if you so wish (and are so entitled).

**THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.**

### **Information regarding Forward-Looking Statements**

This document contains a number of forward-looking statements relating to Rank with respect to, amongst others, the following: financial conditions; results of operations; economic conditions in which Rank operates; the business of Rank; future benefits of the Disposal; and management plans and objectives. Rank considers any statements that are not historical facts as “forward-looking statements”. They relate to events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of Rank to differ materially from the information presented in the relevant forward-looking statement. When used in this document the words “estimate”, “project”, “intend”, “aim”, “anticipate”, “believe”, “expect”, “should”, and similar expressions, as they relate to Rank or the management of it, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this document. Neither Rank nor any member of Rank undertake any obligation publicly to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, save in respect of any requirement under applicable laws, the Listing Rules and other regulations.

### **TO VOTE ON THE PROPOSALS**

Whether or not you plan to attend the EGM in person, please:

1. complete the enclosed Form of Proxy in accordance with the instructions printed on it; and
2. return it so as to be received by no later than 10.00 a.m. on Saturday, 6 January 2007.

The completion and return of the completed Form of Proxy will not prevent you from attending the EGM and voting in person (in substitution for your proxy vote) if you so wish (and are so entitled).

A summary of the action to be taken by Rank Shareholders is set out on page 8 of this document and in the accompanying Notice of the EGM.

Electronic proxy appointment is available for this EGM. Rank Shareholders who have already registered their holding(s) with the Shareview portfolio service will be sent an e-mail with full instructions on the electronic proxy voting procedure.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

|  | 2007                              |
|--|-----------------------------------|
| Latest time and date for receipt of Forms of Proxy for the EGM . .   | 10.00 a.m. on Saturday, 6 January |
| Extraordinary General Meeting . . . . .  | 10.00 a.m. on Monday, 8 January   |
| Expected Closing of the Disposal . . . . .   | Monday, 5 March                   |
| Existing Rank Shares marked ex-Special Dividend . . . . .  | Wednesday, 21 March               |
| Record Date for entitlement to the Special Dividend and for the<br>Share Consolidation . . . . .   | Friday, 23 March                  |
| Commencement of dealings in New Rank Shares . . . . .  | Monday, 26 March                  |
| CREST accounts credited with New Rank Shares . . . . .   | Monday, 26 March                  |
| Payment of Special Dividend <sup>†</sup> and despatch of cheques and CREST<br>assured payments for fractional entitlements and certificates for<br>New Rank Shares . . . . . | No later than Monday, 9 April     |

1. If any of the above times and/or dates change, the revised times and/or dates will be notified to Rank Shareholders by announcement through the Regulatory Information Service of the London Stock Exchange. The timing of these steps assumes that the date of Closing will be Monday, 5 March 2007. The timing of Closing is, however, dependent upon, amongst other things, the passing of Resolution 1 at the EGM, and if there is any delay in the passing of such Resolution this date may change and timing of the above steps will need to be changed to reflect this.
  2. All references in this document are to London times unless otherwise stated.
  3. Except where otherwise stated, amounts quoted in US dollars in this document have been converted into equivalent sterling amounts at the rate of US\$1.97 : £1, the closing rate prevailing on Wednesday, 6 December 2006.
- † **If you have a mandate in place with the Registrars in respect of the reinvestment of dividends, and you do not wish to have the Special Dividend reinvested in Rank Shares, you will need to contact the Registrars in writing and revoke that mandate as soon as possible.**

## DIRECTORS, COMPANY SECRETARY AND ADVISERS

|                               |   |
|-------------------------------|---|
| Directors                     | Alun Cathcart (Chairman)<br>Ian Burke<br>Peter Gill<br>Richard Greenhalgh<br>Brendan O'Neill<br>Bill Shannon<br>John Warren |
| Secretary                     | Pamela Coles  |
| Registered Office             | Statesman House<br>Stafferton Way<br>Maidenhead<br>Berkshire SL6 1AY  |
| Sponsor and Financial Adviser | Merrill Lynch International<br>Merrill Lynch Financial Centre<br>2 King Edward Street<br>London EC1A 1HQ                    |
| Financial Adviser             | Goldman Sachs International<br>Peterborough Court<br>133 Fleet Street<br>London EC4A 2BB                                    |
| Solicitors                    | Freshfields Bruckhaus Deringer<br>65 Fleet Street<br>London EC4Y 1HS  |
| Reporting Accountants         | PricewaterhouseCoopers LLP<br>1 Embankment Place<br>London WC2N 6RH   |
| Registrars                    | Lloyds TSB Registrars<br>The Causeway<br>Worthing BN99 6DA  |

## LETTER FROM THE CHAIRMAN OF THE RANK GROUP PLC



### **The Rank Group Plc**

(Incorporated and registered in England and Wales  
under the Companies Act 1985 with registered number 03140769)

*Directors:*

Alun Cathcart (Chairman)  
Ian Burke (Chief Executive)  
Peter Gill (Finance Director)  
Richard Greenhalgh (Non-executive Director)  
Brendan O'Neill (Non-executive Director)  
Bill Shannon (Non-executive Director)  
John Warren (Non-executive Director)

*Registered Office:*

Statesman House  
Stafferton Way  
Maidenhead  
Berkshire SL6 1AY

15 December 2006

Dear Shareholder,

### **PROPOSED DISPOSAL OF HARD ROCK BY THE RANK GROUP PLC AND RELATED SPECIAL DIVIDEND AND SHARE CONSOLIDATION**

#### **1. Introduction**

On 7 December 2006, the Board of Rank announced that it has entered into an agreement to sell Hard Rock, the rock-music based entertainment business, to Seminole Hard Rock Entertainment Inc. (the "Purchaser") for an aggregate consideration of US\$965 million (equivalent to approximately £490 million) payable in cash, subject to certain adjustments to be made post-Closing. It is expected that a tax cost of £15 million will arise from the Disposal payable by Rank.

It is intended that, as soon as practicable following Closing of the disposal of Hard Rock (the "Disposal"), Rank will return to shareholders £350 million (equivalent to approximately 65 pence per Rank Share) of the proceeds of the Disposal by way of a special dividend (the "Special Dividend"). For the reasons explained in this letter and in Part 5 of this document, it is proposed that the payment of a Special Dividend of approximately 65 pence per Existing Rank Share be accompanied by a share consolidation (the "Share Consolidation"). After payment of anticipated taxation and other costs associated with the Disposal, the remaining proceeds of approximately £110 million will be used to repay drawings under the Company's term loan and revolving credit facilities.

In view of its size, the Disposal is conditional, amongst other things, upon the approval of Rank Shareholders at an EGM (the "EGM") which is being convened at 10.00 a.m. on Monday, 8 January 2007 for this purpose. The purpose of this document is to provide you with details of, and the background to, the Disposal, to explain why the Directors believe it to be in the interests of Rank and its shareholders, and to ask Rank Shareholders to vote in favour of the Resolutions to be proposed at the EGM.

A notice is set out at the end of this document convening the EGM at which resolutions will be proposed to approve the Disposal and the Share Consolidation.

Further details of the principal terms and conditions of the Disposal are set out in Part 4 of this document.

Further details of the Special Dividend and the Share Consolidation are set out in Part 5 of this document.

#### **2. Background to and reasons for the Disposal**

The Board of Rank announced on 4 July 2006 that it had decided to review the potential strategic options for Hard Rock. Following completion of the review in December 2006, the Board decided that the disposal

of Hard Rock by Rank to the Purchaser for US\$965 million (equivalent to approximately £490 million) is in the best interests of Rank's shareholders.

Hard Rock has limited synergies with the rest of the Group and delivery of its growth strategy would require a significant increase in capital expenditure over the medium term. Through a competitive auction process, Rank has been able to maximise the value of Hard Rock for its shareholders.

The Disposal will allow Rank to focus on its gaming operations (which are mainly located in the UK) during a key period for the industry. Rank sees considerable long-term opportunities for its gaming businesses as a result of the full implementation of the 2005 Gambling Act and societal changes in attitudes towards gaming. Rank believes that as a focused gaming operator it is better able to manage a number of near-term challenges, notably the extension from 2007 of a smoking ban across the UK.

The Board remains convinced that the Disposal is in the best long-term interests of Rank, although the Disposal is expected to dilute reported earnings per share of the remaining Group in 2007. The statement regarding earnings per share is not a profit forecast and should not be interpreted to mean that Rank's earnings or earnings per share for 2006, 2007 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Rank.

### **3. Information on Hard Rock**

Hard Rock is a leading rock-music based entertainment brand. Hard Rock branded assets around the world, with the exception of the Hard Rock Hotel and Casino in Las Vegas and the Hard Rock Casino in London, are either owned and operated by Hard Rock, or operated under franchising or brand licensing agreements. The Hard Rock Casino in London will continue to be owned and operated by Rank. During 2007 it will be re-branded under a Rank Gaming casino brand. Hard Rock's portfolio currently includes:

- 124 Hard Rock Cafes;
- 4 Hard Rock Hotels;
- 2 Hard Rock Casino Hotels (locations that include both a hotel and a casino);
- 2 Hard Rock Live! Concert venues; and
- equity stakes in three unbranded hotels.

For the year ended 31 December 2005, the financial statements of Rank were prepared under IFRS. In that year, Hard Rock generated revenues of £250.1 million, operating profit of £34.8 million and, at the year end, had net assets of £242.8 million and gross assets of £290 million. The unaudited financial results of Rank for the six months ended 30 June 2006 were prepared under IFRS. In this period, Hard Rock generated revenues of £133.7 million, operating profits of £18.9 million and, at the period end, had net assets of £289.3 million and gross assets of £333.3 million. This financial information is extracted without material adjustment from Part 2 of this document which also sets out further financial information on Hard Rock.

The Hard Rock Hotel and Casino in Las Vegas is not part of the Hard Rock group and is therefore not being sold as part of the Disposal.

### **4. Principal terms of the Disposal**

Under the Disposal Agreement, which was signed on 7 December 2006, Rank has agreed to sell the companies comprising Hard Rock to the Purchaser.

The purchase price for Hard Rock is US\$965 million (equivalent to approximately £490 million) before anticipated taxation and other costs associated with the transaction, subject to certain adjustments to be made at Closing which are set out in more detail in Part 4 of this document.

£350 million out of the proceeds of the Disposal will be returned to shareholders by way of the Special Dividend.

The Disposal Agreement contains representations and warranties to the Purchaser which are usual for a transaction of this nature. Under the Disposal Agreement, the Sellers have agreed to jointly and severally indemnify the Purchaser in respect of the breach of any of the representations and warranties, any failure by the Sellers to comply with or perform any of their covenants or agreements under the Disposal Agreement, and certain specific losses the Purchaser may suffer.



The Disposal, which is expected to be completed on Monday, 5 March 2007, is conditional, amongst other things, upon the approval of Rank Shareholders at the EGM to be held at Statesman House, Stafferton Way, Maidenhead, Berkshire SL6 1AY at 10.00 a.m. on Monday, 8 January 2007. The Disposal Agreement may be terminated by either the Sellers or the Purchaser if this approval becomes incapable of being obtained. The Sellers have agreed to pay the Purchaser a termination fee of US\$15 million (equivalent to approximately £7.6 million) (exclusive of any amounts in respect of VAT) on the occurrence of certain specified events, including if the Purchaser terminates the Disposal Agreement because Rank Shareholders have failed to approve the Disposal and the Company and/or the Sellers enter into a definitive agreement in relation to the disposal of Hard Rock within 12 months of the date of such termination.

Further details of the Disposal Agreement are set out in Part 4 of this document.

## **5. Special Dividend and Share Consolidation**

Subject to and following the approval of the Resolutions by Rank Shareholders at the EGM and Closing, Rank will pay the Special Dividend. The Special Dividend will return £350 million (equivalent to approximately 65 pence per Rank Share) to Rank Shareholders on the Register at close of business on 23 March 2007, and is expected to be paid to Shareholders no later than 9 April 2007. The balance of the proceeds from the Disposal after payment of anticipated taxation and costs associated with the Disposal, being approximately £110 million, will be used to repay drawings under Rank's term loan and revolving credit facility (for further information in respect of which, see paragraph 7 of this letter). In conjunction with the payment of the Special Dividend, Rank proposes to implement the Share Consolidation. The payment of the Special Dividend will be conditional on the Share Consolidation taking place.

The total amount of the Special Dividend is equivalent to approximately 27.73 per cent. of the market capitalisation of Rank at the close of business on Tuesday, 12 December 2006, the latest practicable trading date prior to the publication of this document. The effect of the Share Consolidation will be to reduce the number of Existing Rank Shares by approximately the same percentage, with the result that Rank Shareholders will receive 18 New Rank Shares for every 25 Existing Rank Shares Rank Shareholders hold on the Record Date. Although its nominal value will be 13<sup>8</sup>/<sub>100</sub> pence, as opposed to 10 pence (the nominal value of each Existing Rank Share), each New Rank Share will carry the same rights as are set out in the Articles of Association for each Existing Rank Share.

If a Rank Shareholder's holding comprises fewer than 25 Existing Rank Shares, but more than one, their Rank Shareholding will still be consolidated. Any relevant Rank Shareholding not exactly divisible by 25 will generate New Rank Shares as well as an entitlement to a fraction of a New Rank Share. Arrangements will be put in place for such fractional entitlements arising from the Share Consolidation to be aggregated and sold in the market on the Rank Shareholder's behalf. If the proceeds of sale of such New Rank Shares (net of any commissions, dealing costs and administrative expenses) are £3.00 or more for any Rank Shareholder, such proceeds will be paid to the Rank Shareholder entitled to them by cheque or CREST assured payment, expected to be despatched by no later than 9 April 2007, but if such proceeds amount to less than £3.00 per Rank Shareholder, they will be retained by Rank in accordance with the Articles of Association.

Although following the Share Consolidation each Rank Shareholder will hold fewer Rank Shares than before, his or her shareholding as a proportion of the total number of Rank Shares in issue, and therefore his or her ownership of Rank, will be the same both before and immediately after the Share Consolidation, subject to adjustments to reflect fractional entitlements.

The purpose of the Share Consolidation, amongst other things, is to preserve the position of holders of options and awards under the Rank Share Schemes who will not receive the Special Dividend and to try to ensure that (subject to normal market movements) the market value of each New Rank Share is approximately the same as the market value of each Existing Rank Share, despite the payment of the Special Dividend. In this way, it will allow comparability of earnings per share and share prices before and after the payment of the Special Dividend.

Participants in the Rank Share Schemes will not be entitled to receive the Special Dividend but the effect of the Share Consolidation will be to preserve the value of their options and awards (subject to normal market fluctuations) and so no adjustment will be made to either the number of Rank Shares subject to those options or awards or the amount (if anything) payable on the exercise or vesting of such options or awards.



Following the Share Consolidation, Rank's authorised ordinary share capital will comprise 1,296,000,000 New Rank Shares and, assuming no further shares are issued between the date of this document and the Share Consolidation becoming effective, the issued share capital will comprise 390,484,877 New Rank Shares.

Further information on the Special Dividend and Share Consolidation (including an illustration of how they will work in practice) is set out in Part 5 of this document.

## **6. Capital structure and dividend policy**

The Board believes that Rank's capital structure policy, announced on 3 March 2006, remains appropriate for the Group. As such, it will remain unchanged at a target net debt to EBITDA range of 3.5 times to 4.0 times over the medium term. There is no change to the expected level of the final dividend for the financial year to 31 December 2006. The Directors intend to maintain, at a minimum, the absolute level of dividend per share in 2007 compared to 2006. Furthermore, the Directors intend to target a dividend cover of 2.0 times earnings over the medium term.

## **7. Financial effects of the Disposal**

The cash proceeds from the Disposal will amount to US\$965 million (equivalent to approximately £490 million) before certain post-Closing adjustments. As described in Part 5 of this document, Rank will return £350 million (equivalent to approximately 65 pence per Rank Share) to Rank Shareholders by way of the Special Dividend. After the payment of anticipated taxation and other costs associated with the Disposal, the remaining proceeds will be used to reduce general corporate borrowings. It is expected that a tax cost of £15 million will arise from the Disposal.

As a result of paying down debt, Rank will have additional financial flexibility in financing the development of its ongoing businesses. This development will focus on maximising returns and cash flow from operations.

An unaudited consolidated pro forma statement of net assets for the Continuing Group as at 30 June 2006 and under IFRS is set out, for illustrative purposes only, in Part 3 of this document. At that date, Rank had unaudited consolidated net assets of £54.6 million (under IFRS). As shown in that statement, the illustrative unaudited consolidated net assets of the Continuing Group as at 30 June 2006 and under IFRS, on a pro forma basis and adjusted to reflect the Disposal and the Special Dividend as if Closing had occurred at that date, would have been £35.6 million.

## **8. Current trends in trading and prospects**

### ***The Continuing Group***

For the 48 weeks to 26 November 2006 Rank has generated modest revenue growth from continuing businesses.

Mecca Bingo has generated underlying revenue growth, but the business as a whole has been held back by the performance of its clubs in Scotland, which have been subject to a smoking ban since 26 March 2006. This year, Rank's clubs in England and Wales have grown revenue by 1 per cent., with a 2 per cent. rise in spend per head, off-setting a 1 per cent. decline in admissions.

Revenue growth in Grosvenor Casinos has slowed in the second-half of the year, due to the timing effect of the "early freedoms" of the 2005 Gambling Act, which were introduced in October last year. For the year to date, revenue has grown by 6 per cent., with admissions rising 4 per cent. and spend per head up by 2 per cent.

### ***Hard Rock***

In Hard Rock's company-operated cafes, like-for-like sales are ahead 6 per cent. for the year to date, with a 7 per cent. increase in sales of food and beverage and a 5 per cent. rise in merchandise. Total sales from company-operated cafes have grown by 8 per cent.

## **9. Risk factors**

Rank Shareholders should consider fully and carefully the risk factors associated with the Continuing Group and Hard Rock. Your attention is drawn to the risk factors set out in Part 1 of this document.

## 10. Extraordinary General Meeting

You will find set out at the end of this document a notice convening an EGM of Rank to be held at Statesman House, Stafferton Way, Maidenhead, Berkshire SL6 1AY at 10.00 a.m. on Monday, 8 January 2007 for the purpose of seeking shareholder approval of the Disposal and the Share Consolidation.

## 11. Action to be taken

Enclosed with this document is a Form of Proxy to be used in connection with the EGM. **Whether or not you intend to attend the EGM in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible by post or (during normal business hours only) by hand but, in any event, so as to be received by Rank's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, no later than 10.00 a.m. on Saturday, 6 January 2007.** The return of a completed Form of Proxy will not prevent you from attending and voting at the EGM if you so wish.

Electronic proxy appointment is available for this EGM. This facility enables Rank Shareholders to lodge their proxy appointment by electronic means on a website provided by Lloyds TSB Registrars. Rank Shareholders who have already registered their holding(s) with the Shareview portfolio service will be sent an e-mail with full instructions on the electronic proxy voting procedure. The deadline for receipt of electronic proxies is no later than 10.00 a.m. on Saturday, 6 January 2007.

## 12. Further information

The expected timetable of principal events for the Disposal is set out on page 2 of the document to which this letter forms part. Further information regarding the Disposal is set out in Part 4 of this document.

Your attention is drawn to the further information set out in other parts of this document. Shareholders should read the whole document and not rely solely on the information set out in this letter.

## 13. Recommendation to shareholders

The Board of Rank, which has received financial advice from Merrill Lynch International and Goldman Sachs International, consider the terms of the Disposal and the Share Consolidation to be fair and reasonable. In providing their advice, Merrill Lynch International and Goldman Sachs International have relied upon the Board's commercial assessments.

The Board believes the Disposal and the Share Consolidation to be in the best interests of Rank's shareholders as a whole and, accordingly, the Board unanimously recommends Rank's shareholders to vote in favour of the Resolutions to be proposed at the EGM, as all Directors intend to do in respect of their own beneficial holdings.

Members of the Merrill Lynch Group, with the consent of Rank, are providing acquisition finance to the Purchaser's Parent in relation to the Disposal.

Yours sincerely,



Alun Cathcart  
Chairman  
The Rank Group Plc

**Part 1**  
**RISK FACTORS**

*This Part 1 addresses certain existing and future risks to which the Continuing Group and Hard Rock are exposed, which could adversely affect the business, results of operations, cash flow, financial condition, revenue, profits, assets, liquidity, and capital resources of the Continuing Group and/or Hard Rock, as appropriate. In such a case, the market price of Rank Shares may decline and investors may lose all or part of their investment. Prior to voting on the Disposal, Rank Shareholders should consider these risks fully and carefully, together with all other information set out in this document.*

*Additional risks and uncertainties currently unknown to the Group, or which the Group currently deems immaterial, may also have an adverse effect on the financial condition or business of the Continuing Group and/or Hard Rock.*

**PART A: RISKS ASSOCIATED WITH THE CONTINUING GROUP**

***The sale of Hard Rock may not progress or conclude as expected, or, if concluded, may expose the Continuing Group to costs or other claims.***

Closing of the sale of Hard Rock is subject to the approval of the Rank Shareholders at the EGM, and the expiration or termination of all waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (in addition to other conditions set out in Part 4). If the Rank Shareholders do not approve of the Disposal at the EGM, or if the waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, have not expired or been terminated, the Disposal will not complete. In addition, it is a condition of Closing that the representations and warranties given by the Sellers continue to be true and correct as at Closing (except with respect to those representations and warranties that expressly address matters only as of a particular date, in which case, as of such date, and except for such failures of representations and warranties which could not, individually, or in the aggregate, be reasonably expected to have a material adverse effect on Hard Rock), provided that (except in respect of certain representations and warranties) if the Purchaser claims that this condition is not satisfied, and declines to waive the satisfaction of it, the Sellers shall have the option to waive the upper limit on indemnification claims and deem the condition to have been satisfied, on the basis that the Purchaser shall not be barred from bringing a claim for indemnification. The Sellers have agreed to pay the Purchaser a termination fee of US\$15 million (equivalent to approximately £7.6 million) (exclusive of any amounts in respect of VAT) on the occurrence of certain specified events, including if the Purchaser terminates the Disposal Agreement because Rank Shareholders have failed to approve the Disposal and the Company and/or the Sellers enter into a definitive agreement in relation to the disposal of Hard Rock within 12 months of the date of such termination.

The Disposal Agreement contains certain representations, warranties and indemnities in favour of the Purchaser. The extent to which the Continuing Group will be required in the future to incur costs under any of these representations, warranties or indemnities is not predictable and, if the Continuing Group should incur such costs, these costs could have an adverse effect on its cash flow and financial condition. Further details of the Disposal Agreement are set out in Part 4 of this document.

The purchase price for Hard Rock is US\$965 million (equivalent to approximately £490 million) before anticipated taxation and other costs associated with the transaction, subject to certain adjustments to be made at Closing which are set out in more detail in Part 4 of this document.

The current disposal process for Hard Rock may not progress as expected, with the result that the business may incur future operating losses and use additional cash resources.

***Certain factors could affect enforcement of remedies against the Purchaser's Parent and/or the Purchaser in relation to the Disposal.***

The Purchaser's Parent is an independent government with sovereign powers and, whilst it is subject to its own internal laws, and generally subject to United States federal law, it is not generally subject to state law. The Purchaser is a Florida corporation, subject to the laws of the State of Florida. The Purchaser's Parent and the Purchaser have agreed that New York law will govern the Disposal Agreement.

The Purchaser's Parent enjoys sovereign immunity, and in order to sue it (or its agent, which is likely to include the Purchaser) the Purchaser's Parent must expressly and unequivocally waive such immunity. The Purchaser's Parent and the Purchaser have consented to suits in certain courts in the State of New York and the State of Florida for claims arising against them under the Disposal Agreement or the transactions contemplated therein, and to the arbitration of claims arising under the Disposal Agreement or the transactions contemplated therein. In the event that these waivers of sovereign immunity are held to be ineffective, the Continuing Group could be precluded from judicially enforcing any rights or remedies against the Purchaser's Parent or the Purchaser. Disputes over the waivers of sovereign immunity will affect enforcement of a final judgment against the Purchaser's Parent or the Purchaser. Even though the Purchaser has represented and warranted in the Disposal Agreement that the limited waivers of sovereign immunity, submissions to jurisdiction and agreements to arbitrate are enforceable, if it is ultimately held that such waivers are not enforceable the Continuing Group may not be able to recover all or a portion of the purchase price. There is also a risk that Purchaser's Parent could hold a referendum revoking the resolutions waiving sovereign immunity, which could result in the unenforceability of the Disposal Agreement and the guarantee to be provided by the Purchaser's Parent.

Even assuming that the Purchaser's Parent has effectively waived sovereign immunity, the question remains as to the forum in which a lawsuit can be brought against the Purchaser's Parent or the Purchaser. Since the parties to a transaction cannot confer jurisdiction on a court which does not otherwise have jurisdiction, it is possible that neither a United States federal court nor a state court would have jurisdiction over a case relating to an Indian tribe. Also, federal and state courts may require the exhaustion of all tribal court procedures prior to hearing any dispute. In this event, the Sellers could be subjected to substantial delay, cost and expense while seeking remedies pursuant to tribal procedures, of which there are currently none, and which there is no obligation to create.

Changes in the membership of the Purchaser's Parent's governing body, its policies or tribal law could prevent the transaction from closing.

If the Purchaser is unable to obtain the financing it requires to fund its payment of the purchase price, the principal remedy for the Company and the Sellers will be to bring an action in damages against the Purchaser's Parent under the guarantee that it is to provide. However, the maximum amount that may be recovered under such guarantee is US\$465 million (equivalent to approximately £236 million), and even if it is enforceable the Purchaser's Parent may not have sufficient assets to make any payment required of it.

***Guarantees and other assurances by the Company and other members of the Continuing Group in relation to Hard Rock.***

The Purchaser is required to use commercially reasonable efforts to cause the Company and all other members of the Continuing Group to be released from guarantees and other assurances that they have provided that relate to Hard Rock. The Purchaser is also required to indemnify the Company and all other members of the Continuing Group against all liabilities associated with such guarantees and assurances. However, if the Purchaser, a newly incorporated vehicle for the purposes of the Disposal, suffers financial distress and defaults on its obligations, and the liabilities under such guarantees and assurances are triggered, it is possible that the Purchaser will be unable to satisfy any such indemnity payments to the Company and other members of the Continuing Group.

***Smoking ban.***

New legislation came into effect in Scotland from March 2006 banning tobacco smoking within enclosed public places, including bingo clubs and casinos. Similar pieces of legislation are expected to come into effect in Wales from April 2007 and in England from 1 July 2007. Since the introduction of the smoking ban in Scotland, year on year revenue from Rank's bingo clubs in Scotland has declined by 15 per cent. However, it is too early to determine what effect it may have on Rank's operations in England and Wales.

On 1 January 2006 new legislation came into effect in Spain banning smoking from all public places with the exception of specifically allocated smoking zones. Within gaming premises the smoking zone may extend to 30 per cent. of the total floor space with a maximum area of 300 square metres. There has been a modest impact on the profitability of Rank's bingo clubs in Spain since January 2006.

***Fluctuations of revenues, expenses and operating results.***

The Continuing Group's revenues, expenses and operating results could vary significantly from period to period as a result of a variety of factors, some of which are outside the Continuing Group's control. These factors include general economic conditions, conditions specific to the market, trends in revenues, capital expenditure, energy costs, the weather, transportation costs, rent costs, the level of the minimum wage and other costs, and the introduction or delay in the introduction of new products or services by the Continuing Group or its competitors. In response to a changing competitive environment, the Continuing Group may elect from time to time to make certain pricing, service or marketing decisions that could have a material adverse effect on its revenues, results of operations and financial condition.

***The Continuing Group is reliant on its ability to attract and retain key employees.***

There are a small number of directors and key employees whose departure from the Continuing Group could, in the short term, adversely affect the Continuing Group. Whilst the Continuing Group has entered into service agreements with each of these individuals, the retention of their services cannot be guaranteed.

Equally, the ability to attract new employees with the appropriate expertise and skills cannot be guaranteed. The Continuing Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Continuing Group.

***The Continuing Group may be required to increase its contributions to cover an increase in the cost of funding future pension benefits or to cover funding shortfalls under the Rank Pension Plan.***

The Continuing Group provides retirement benefits for its former and current employees through a number of pension schemes including the Rank Pension Plan, which is a defined benefit pension scheme. On the IAS 19 basis, the Rank Pension Plan had an estimated surplus of £64.6 million (this figure was calculated by the scheme actuary in connection with the preparation of the Group's last published interim results) as at 30 June 2006. Pending finalisation of the valuation of the Rank Pension Plan as at 6 April 2006, the surplus on this basis has not been reflected in the Group's last published interim results. The preliminary results of the latest valuation produced by the scheme actuary revealed that the Rank Pension Plan had a deficit of approximately £144 million calculated on a buy-out basis as at 5 April 2006. The following issues could adversely affect the funding of the defined benefits under the Rank Pension Plan and materially affect the Continuing Group's funding obligations: (i) poor investment performance of pension fund investments; (ii) the trustee of the Rank Pension Plan switching investment strategy; (iii) the trustee of the Rank Pension Plan (with employer agreement) increasing employer contributions to the Rank Pension Plan (although under the scheme rules the scheme actuary has sole control over the employer contribution rate, under new legislation (the "Scheme Funding Regulations"), the contribution rate must be set by the trustees, having obtained employer agreement and taking into account the recommendations of the scheme actuary); (iv) longer life expectancy (which will make pensions payable for longer and therefore more expensive to provide, whether paid directly from the Rank Pension Plan or secured by the purchase of annuities); (v) adverse annuity rates (which tend, in particular, to depend on prevailing interest rates and life expectancy), as these will make it more expensive to secure pensions with an insurance company; (vi) a change in the actuarial assumptions by reference to which the Continuing Group's contributions are assessed; and (vii) other events occurring which make past service benefits more expensive than predicted in the actuarial assumptions, by reference to which the Continuing Group's past contributions were assessed. Rank has agreed to pay additional contributions (over and above the normal accrual rate) of £15 million on 31 January 2007, £15 million on 31 January 2008, £10 million on 31 January 2009 and £10 million on 31 January 2010.

Future actuarial valuations are required to be carried out at least every three years (with annual funding checks) and the trustee of the Rank Pension Plan (with employer agreement) may well require increased employer contributions to the Rank Pension Plan.

Since April 2006 a levy has been payable to the Pension Protection Fund and this levy is likely to result in an increased contribution rate being payable to the Rank Pension Plan.

***The Continuing Group faces additional risks under the Pensions Act 2004.***

Some of the provisions of the Pensions Act 2004 potentially restrict the freedom of the Continuing Group to reorganise itself. These include section 38, which permits the Pensions Regulator to impose on any employer in the Rank Pension Plan, or person "connected with or an associate of" any employer in the



Rank Pension Plan, a contribution notice which would require the person to make a contribution to the Rank Pension Plan. The conditions for such a notice include that such a person has been party to an act or a deliberate failure to act which has as its main purpose (or one of its main purposes) the avoidance or reduction of a debt that would otherwise fall due from a participating employer to the trustee of the Rank Pension Plan under section 75 of the Pensions Act 1995. The amount of contributions set out in a contribution notice may be either the whole or part of the statutory debt payable to the Rank Pension Plan (i.e. the amount of the deficit calculated on the buy-out basis). The Pensions Regulator can only make an order where it believes it is reasonable to do so. A person holding alone or together with his associates directly or indirectly one third or more of the voting power of the participating employers could be the subject of a contribution notice. The terms “associate” and “connected person”, which are taken from the Insolvency Act 1986, are widely defined.

In addition, the Pensions Regulator has power under section 43 of the Pensions Act 2004 to impose a financial support direction, including, on any company in the Continuing Group which is an employer participating in the Rank Pension Plan, or any other member of the Continuing Group, or any person associated with or connected with that employer. The conditions for such a notice include if a participating employer is “insufficiently resourced” (as defined in the legislation broadly to mean if the employer is a service company or has net assets of less than 50 per cent. of the buy-out deficit in the Rank Pension Plan). If a financial support direction is imposed, that person would have to provide support to the participating employers in terms of its obligations to the Rank Pension Plan; this support could take the form of guarantees or payments.

***Possible volatility of share price.***

The market price of Rank Shares could be subject to significant fluctuations due to a change in sentiment in the stock market regarding Rank Shares or securities similar to them or in response to various facts and events, including regulatory changes affecting the Continuing Group’s operations, variations in the Continuing Group’s operating results and business developments of the Continuing Group or its competitors. Further, the trading price of the Rank Shares may be subject to fluctuations in response to many factors, including those referred to in this Part 1 as well as variations in operating results of the Continuing Group, divergence in financial results from analysts’ expectations, changes in earnings estimates by stock market analysts, stock market speculations and fluctuations and general economic conditions or changes in political sentiment, each of which may adversely affect the market price of the Rank Shares, regardless of the Continuing Group’s actual performance or conditions in its key markets.

***Changes to legislation, including taxes levied on gaming businesses, could impact profitability.***

Operators of bingo and casino activities in the UK are subject to taxes levied by the UK government. Changes to, or an increase in, the rates of taxation currently levied could impact the future profitability of the Group.

***The sale of Deluxe Media may expose the Continuing Group to costs.***

The disposal of Deluxe Media, which is continuing, may expose the Continuing Group to certain costs. In particular, the Continuing Group may be exposed to claims made by the purchasers pursuant to the Deluxe Media sale and purchase agreements.

***Composition of the Continuing Group following Closing.***

The majority of the current Rank Group’s profits are generated by three businesses: Hard Rock, Mecca Bingo and Grosvenor Casinos. The three businesses operate in different market segments and, notwithstanding global economic factors, the financial performance and prospects of the three businesses may be impacted by different and unrelated factors, which provides a benefit of diversification. Following Closing, there could be a greater risk of share price volatility as this diversification will be more limited.

***The loss of any one of the Continuing Group’s gaming licences due to breaches of the relevant gaming legislation could result in the loss of other gaming licences held by the Group.***

Typically, gaming regulatory authorities in the jurisdictions in which the Continuing Group operates: the UK, Alderney, Belgium and Spain, have broad powers related to gaming operations licences. The relevant authority may revoke, suspend, condition or limit the Continuing Group’s gaming approvals and licences, impose substantial fines and take other actions, any of which could have a material adverse effect on the

Continuing Group's business and the value of the Continuing Group's activities. Any breach of the current regulations in these jurisdictions could adversely impact profit and the Continuing Group's ability to continue trading. Any compliance breaches arising from any gaming business could jeopardise the continuation of other gaming licences currently held by other parts of the Group, thereby adversely affecting the results of other operations.

***Future profitability and growth opportunities for the Group's UK gaming businesses will be affected by the Gambling Act 2005 in the UK.***

On 7 April 2005, the Gambling Act 2005 received Royal Assent. Although the new Gambling Act will not be fully implemented until September 2007, a number of "early freedoms" have been granted which have had a positive effect on trading in Rank's casinos. In October 2005 the "24-hour rule" (whereby new members had to allow at least 24 hours between casino membership registration and gaming) was abolished, the maximum permitted number of gaming machines per casino was doubled from 10 to 20 and the maximum level of stake and prize was raised from 50p/£2,000 to £2/£4,000 respectively.

Upon the full implementation of the Gambling Act 2005, the restrictions on casino advertising in the UK will be relaxed and the range of permissible games offered by casinos and bingo clubs will be widened.

The Gambling Act 2005 will allow for one "regional" casino to be built as well as eight "large" casinos and eight "small" casinos. Each of these new casinos, when licensed and operational, will be allowed to offer a greater number of gaming machines and a broader range of gaming products than existing UK casinos. As a result, the financial performance of one or more of the Continuing Group's casinos may be adversely affected by the competitive impact of one or more of these new casinos.

The Continuing Group will be able to compete for one or more of the 17 new casino licences. However, the returns expected from such investments remain uncertain as this will depend upon a large number of factors including the degree of competition for each of the new casino licences. Moreover, the Continuing Group may be unsuccessful in obtaining any of these new licences or the cost may be such that the Company's margins may be adversely affected.

***New casino applications under the 1968 Gaming Act.***

In April 2006 the Gambling Commission ceased to accept applications for new casinos operating under the 1968 Gaming Act. Prior to this deadline a large number of 1968 Act casino applications were submitted to the Gambling Commission. While it is currently unclear exactly how many of the outstanding casino applications will be granted and developed there remains a risk of potential over-supply in certain areas of the UK casinos market, which could in turn impact the profitability of one or more of Rank's casinos.

***The impact of large wins or irrecoverable losses by major gaming players over the short term may adversely impact the profitability of the Group.***

The Continuing Group's casinos provide a small recurring statistical advantage in favour of the house over a period of time. However, fluctuations may occur in a finite period or as a consequence of the pattern of wins or losses arising from a single major player or a small group of such players. Similarly, the unpredictability of sporting events may cause fluctuations in the Continuing Group's sports book win margin. The results of the Continuing Group may vary significantly over time as a result of such fluctuations. In addition, the profitability of the Continuing Group may be adversely impacted by the inability to recover amounts due from major players. This risk will diminish following the completion of the disposal of the Clermont Club casino in London, which occurred on 1 December 2006.

***The Continuing Group, and in particular its telephone betting and online gaming businesses, is highly dependent on technology and advanced information systems.***

The Continuing Group's telephone betting and online operations are highly dependent on technology and advanced information systems, and there is a risk that such technology or systems could fail. A number of online businesses have been affected by "Denial of Service" attacks ("DoS") which, in some circumstances can, usually for a limited period, prevent customers from accessing online products and services. In the event of such a failure or DoS attack, relevant business continuity procedures would take effect, but there can be no assurance that such procedures will be effective or would prevent or mitigate any material adverse effect from such failure or attack on the Continuing Group's financial condition or operations.



In addition, the Continuing Group relies heavily on one software provider for the successful operation of its interactive betting service. If this provider was no longer able to provide these services (or was no longer able to provide these services on substantially the same terms as they are currently provided), there is a risk that the Continuing Group's online operations could be adversely affected.

***Changes in political and social attitude to gaming in the Continuing Group's key markets, could materially and adversely affect its business and profitability.***

In jurisdictions which do not expressly permit gaming, the Continuing Group is dependent on there not being any political will (or to the extent there is such a will in parts of the community, it not being politically achievable) to introduce changes in the law so as effectively to prevent citizens or residents from gaming, or the Continuing Group from effectively providing its services. Changes in gaming laws or regulations in the Continuing Group's key markets which are effective to prevent the Continuing Group from providing its gaming services, whether through their impact on the Continuing Group directly or on its members, may have an adverse effect on its business and profitability.

Furthermore, authorities may seek to exert political and other pressure in an attempt to prevent the Continuing Group from continuing to provide its gaming services. Such pressure could include representations to political or regulatory bodies. Non-legal steps which are effective to prevent the Continuing Group from providing its gaming services in key markets, whether through their impact on the Group directly or on its members, may have an adverse effect on the Continuing Group's business and profitability.

***The Continuing Group's divisions operate in highly competitive industries.***

The Continuing Group operates in a highly competitive market and any failure to keep up with market developments or misinterpreting customer preferences could reduce the profitability of the Continuing Group and adversely impact market share. The Continuing Group faces competition from other operators and from other forms of betting and leisure activities. The Continuing Group's Gaming division competes with a number of companies providing the same, or similar, products and services, as well as companies providing a wide variety of leisure and entertainment alternatives. Failure to maintain the Continuing Group's competitiveness could reduce market share and profitability.

***Currency exchange rate fluctuations, particularly in respect of the euro, may have a negative impact on the Continuing Group's earnings.***

The Continuing Group's businesses are based in a number of countries in the European Union. Fluctuations in exchange rates will therefore impact earnings and, in particular, a weakening of the euro could reduce the Continuing Group's earnings.

***Economic downturn or poor economic and other conditions outside the Continuing Group's control may negatively impact the Continuing Group, reducing profitability.***

An economic downturn leading to a decline in consumer confidence, sustained economic weakness and reduced disposable income may negatively impact the revenues generated by the continuing Group's businesses, reducing profitability. Furthermore, the Continuing Group is sensitive to fluctuations in the economy outside of its control. The Continuing Group's performance depends, to a certain extent, on a number of factors outside of the control of the Continuing Group which impact on consumer spending, including economic conditions. Such factors would include interest rates, fuel and energy costs, salaries, wage rates (whether due to payroll inflation or statutory minimum wage increases or increases to pension contributions), levels of consumer confidence and disposable income.

## **PART B: RISKS ASSOCIATED WITH HARD ROCK**

***Profitability may decline as a result of changes in consumer preferences.***

Operating results of existing Hard Rock locations may be negatively affected by changes in consumer preferences, or changes to locations or entertainment hubs where Hard Rock does not operate. Consumer preferences can change quickly and can be difficult to predict. Hard Rock's inability to anticipate or respond quickly to these shifting preferences may adversely affect its financial and business performance.

***Health risks associated with Hard Rock products.***

The Hard Rock brand may be damaged by any actual or perceived health risks associated with any of the foodstuffs and beverages served in Hard Rock Cafes, Hard Rock Hotels and Hard Rock Casinos. This in turn may affect the profitability of Hard Rock Cafe as well as other Hard Rock branded operations.

***Unfavourable economic conditions, economic downturn, geopolitical instability and terrorist threat could reduce the demand for Hard Rock's services and negatively affect Hard Rock's results.***

General economic trends could have an adverse impact on Hard Rock. A severe or prolonged economic downturn could lead to a reduction in household disposable income, which could have an adverse effect on consumer spending on entertainment, which is likely to affect spending in the entertainment industry. Furthermore, the events of 11 September 2001, the Iraq war, and the SARS epidemic in 2003 had an immediate negative impact on Hard Rock, in particular in major tourist markets such as Orlando, New York, Washington D.C., Las Vegas, Hollywood, Toronto, Paris, London and Rome. Increased international political instability, evidenced by the threat or occurrence of terrorist attacks and enhanced national security measures have had and may continue to have an adverse impact on the US and world economy, in general and customer confidence and spending in particular, which in turn could adversely affect Hard Rock's revenue.

***A material disruption to one of Hard Rock's facilities could adversely affect Hard Rock's ability to generate revenue.***

If operations at any of Hard Rock's facilities were to be disrupted, directly or indirectly, as a result of a natural disaster, such as an earthquake, or as a result of a prolonged power outage, Hard Rock's business and its results of operations could be adversely affected. Interruptions in production could increase costs and reduce sales and could require Hard Rock to make large capital expenditures to remedy the situation, which could negatively affect its profitability and cash flows.

***Hard Rock operates in an industry which is subject to environmental and health and safety laws and regulations.***

Hard Rock's operations are subject to various environmental and health and safety laws and regulations, including those in relation to food and hygiene. The scope of these laws and regulations varies across Hard Rock's businesses according to the jurisdictions in which the business operates. In a number of jurisdictions, governmental permits and approvals are required for certain aspects of Hard Rock's operations. Furthermore, the new legislation in relation to smoking in Scotland, England and Wales and Spain may have an adverse effect on Hard Rock's profitability.

***Loss of key personnel could adversely affect Hard Rock.***

The loss of any key members of Hard Rock's management may adversely affect Hard Rock's financial condition and results of operation. Whilst Hard Rock has entered into service agreements with each of these individuals, the retention of their services cannot be guaranteed.

***Hard Rock's results may be impacted by exchange rate fluctuations.***

Because Hard Rock operates in several countries, it is exposed to foreign currency rate fluctuations. Hard Rock has significant businesses in the United Kingdom, Australia, France, Germany, Denmark, the Netherlands, Portugal, Canada, Italy and Spain, which generate turnover in currencies other than US dollars. In particular, a weakening of pound sterling or the euro could reduce Hard Rock earnings.

## Part 2

### FINANCIAL INFORMATION ON HARD ROCK

#### 1. Nature of financial information

The following financial information relating to Hard Rock has been extracted without material adjustment from the consolidation schedules which support the unaudited interim results for Rank Group for the six months ended 30 June 2006 and the audited financial statements of Rank Group for the years ended 31 December 2003, 31 December 2004 and 31 December 2005. Investors should read the whole document and not just rely on the information contained in this section.

The financial information contained in sections 2 and 3 of this Part 2 does not constitute statutory accounts for any company within the meaning of Section 240 of the Act. The statutory accounts for Rank Group in respect of each of the last three financial years have been delivered to the Registrar of Companies. The auditors' reports in respect of those statutory accounts for the three years were unqualified and did not contain statements under Section 237(2) or (3) of the Act. PricewaterhouseCoopers LLP were the auditors of Rank in respect of the three years ended 31 December 2005.

The financial information contained in sections 2 and 3 of this Part 2 sets out the financial information for Hard Rock for the periods indicated. The financial information for Hard Rock for the year ended 31 December 2005 has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information for Hard Rock for the year ended 31 December 2004 has been prepared in accordance with IFRS and United Kingdom Generally Accepted Accounting Principles ("UK GAAP"). The financial information for Hard Rock for the year ended 31 December 2003 has been prepared in accordance with UK GAAP. The unaudited results for Rank for the six months ended 30 June 2006 and the financial information for Hard Rock for this period have been prepared in accordance with IFRS.

As Hard Rock has not operated on a standalone basis, it is not possible to calculate in the income statements presented below interest or tax charges.

#### 2. Income statements

|  | IFRS                       |                            |
|--|----------------------------|----------------------------|
|  | 12 months to<br>31/12/2005 | 12 months to<br>31/12/2004 |
|  | £m                         | £m                         |
| <b>Revenue</b>   |                            |                            |
| Continuing operations . . . . .  | 250.1                      | 232.0                      |
| <b>Cost of sales</b> . . . . .   | (202.1)                    | (195.0)                    |
| <b>Gross profit</b> . . . . .  | 48.0                       | 37.0                       |
| <b>Other operating costs</b> . . . . .   | (13.2)                     | (9.1)                      |
| <b>Operating profit</b>  |                            |                            |
| Continuing operations—before exceptional items . . . . .                           | <b>34.8</b>                | <b>27.9</b>                |
| <b>Exceptional operating items</b> . . . . .                                       | —                          | (31.0)                     |
| <b>Share of post tax loss of joint ventures</b>                                    |                            |                            |
| Joint ventures . . . . .   | (1.4)                      | (0.5)                      |
| <b>Total operating profit/(loss) before financing costs and taxation</b> . . . . . | <b>33.4</b>                | <b>(3.6)</b>               |

Notes:

- (1) This income statement for the years ended 31 December 2005 and 2004 has been prepared under IFRS.
- (2) For the years ended 31 December 2004 and 2005 it is not possible to provide a meaningful allocation of costs, such as interest and taxation.

|   | UK GAAP                    |                            |
|---|----------------------------|----------------------------|
|   | 12 months to<br>31/12/2004 | 12 months to<br>31/12/2003 |
|   | £m                         | £m                         |
| <b>Turnover</b>   |                            |                            |
| Continuing operations . . . . .   | 232.0                      | 234.0                      |
| <b>Cost of sales</b> . . . . .  | (194.8)                    | (202.9)                    |
| <b>Gross profit</b> . . . . .   | 37.2                       | 31.1                       |
| <b>Other operating costs</b> . . . . .  | (9.4)                      | (8.0)                      |
| <b>Operating profit</b>   |                            |                            |
| Continuing operations—before exceptional items . . . . .                          | <b>27.8</b>                | <b>23.1</b>                |
| <b>Exceptional operating items</b> . . . . .                                      | (31.0)                     | —                          |
| <b>Share of operating loss in joint ventures and associates</b>                   |                            |                            |
| Joint ventures . . . . .  | (0.5)                      | —                          |
| <b>Total operating (loss)/profit before interest costs and taxation</b> . . . . . | <b>(3.7)</b>               | <b>23.1</b>                |

Notes:

- (1) This income statement for the years ended 31 December 2004 and 2003 has been prepared under UK GAAP.
- (2) For the years ended 31 December 2003 and 2004 it is not possible to provide a meaningful allocation of costs, such as interest and taxation.

|   | IFRS                      |
|---|---------------------------|
|   | 6 months to<br>30/06/2006 |
|   | £m                        |
| <b>Revenue</b>  |                           |
| Continuing operations . . . . .   | 133.7                     |
| <b>Cost of sales</b> . . . . .  | (107.5)                   |
| <b>Gross profit</b> . . . . .   | 26.2                      |
| <b>Other operating costs</b> . . . . .                                      | (7.3)                     |
| <b>Operating profit</b>   |                           |
| Continuing operations . . . . .   | <b>18.9</b>               |
| <b>Share of post tax loss of joint ventures</b>                             |                           |
| Joint ventures . . . . .  | (0.9)                     |
| <b>Total operating profit before financing costs and taxation</b> . . . . . | <b>18.0</b>               |

Notes:

- (1) The unaudited income statement for the six months ended 30 June 2006 has been prepared under IFRS.
- (2) For the 6 months ended 30 June 2006 it is not possible to provide a meaningful allocation of costs such as interest and taxation.

### 3. Balance Sheet

|  | <b>Hard Rock at<br/>31/12/2005</b> |
|--|------------------------------------|
|  | <b>£m</b>                          |
| Intangible assets . . . . .                            | 0.6                                |
| Property, plant and equipment . . . . .                | 123.3                              |
| Trade and other receivables . . . . .                  | 4.5                                |
| Financial assets—investments . . . . .                 | 35.7                               |
| <b>Total non-current assets</b> . . . . .              | <u>164.1</u>                       |
| Inventories . . . . .                                  | 13.2                               |
| Trade and other receivables . . . . .                  | 11.8                               |
| Cash and cash equivalents . . . . .                    | 13.2                               |
| Intercompany receivables . . . . .                     | 87.7                               |
| <b>Total current assets</b> . . . . .                  | <u>125.9</u>                       |
| <b>Total assets</b> . . . . .                          | <u>290.0</u>                       |
| Loan capital and borrowings . . . . .                  | (0.4)                              |
| Trade and other payables . . . . .                     | (32.6)                             |
| Current tax liabilities . . . . .                      | (1.0)                              |
| <b>Total current liabilities</b> . . . . .             | <u>(34.0)</u>                      |
| Loan capital and borrowings . . . . .                  | (6.0)                              |
| Other non-current liabilities . . . . .                | (1.0)                              |
| Provision for deferred taxation . . . . .              | (0.6)                              |
| Provisions for other liabilities and charges . . . . . | (5.6)                              |
| <b>Total non-current liabilities</b> . . . . .         | <u>(13.2)</u>                      |
| <b>Total liabilities</b> . . . . .                     | <u>(47.2)</u>                      |
| <b>Net assets</b> . . . . .                            | <u><u>242.8</u></u>                |

Notes:

(1) The balance sheet as at 31 December 2005 has been prepared under IFRS.

|  | <b>Hard Rock at<br/>30/06/2006</b> |
|--|------------------------------------|
|  | <u>£m</u>                          |
| Intangible assets . . . . .                            | 0.4                                |
| Property, plant and equipment . . . . .                | 113.7                              |
| Trade and other receivables . . . . .                  | 6.2                                |
| Financial assets—investments . . . . .                 | 58.4                               |
| <b>Total non-current assets</b> . . . . .              | <u>178.7</u>                       |
| Inventories . . . . .                                  | 14.4                               |
| Trade and other receivables . . . . .                  | 11.5                               |
| Cash and cash equivalents . . . . .                    | 9.1                                |
| Intercompany receivables . . . . .                     | 119.6                              |
| <b>Total current assets</b> . . . . .                  | <u>154.6</u>                       |
| <b>Total assets</b> . . . . .                          | <u>333.3</u>                       |
| Loan capital and borrowings . . . . .                  | (0.4)                              |
| Trade and other payables . . . . .                     | (32.7)                             |
| Current tax liabilities . . . . .                      | (0.8)                              |
| <b>Total current liabilities</b> . . . . .             | <u>(33.9)</u>                      |
| Loan capital and borrowings . . . . .                  | (5.4)                              |
| Provision for deferred taxation . . . . .              | (0.6)                              |
| Provisions for other liabilities and charges . . . . . | (4.1)                              |
| <b>Total non-current liabilities</b> . . . . .         | <u>(10.1)</u>                      |
| <b>Total liabilities</b> . . . . .                     | <u>(44.0)</u>                      |
| <b>Net assets</b> . . . . .                            | <u><u>289.3</u></u>                |

Notes:

(1) The unaudited balance sheet as at 30 June 2006 has been prepared under IFRS.

Part 3

UNAUDITED CONSOLIDATED PRO FORMA STATEMENT OF NET ASSETS FOR THE CONTINUING GROUP

The unaudited pro forma statement of net assets of the Continuing Group in this Part 3 has been prepared under IFRS and on the basis of the notes set out below to illustrate the effect on the consolidated net assets of Rank of the Disposal and Special Dividend as if it was completed on 30 June 2006. As indicated above, the unaudited pro forma statement of net assets has been prepared for illustrative purposes only, and because of its nature, the pro forma statement addresses a hypothetical situation and does not, therefore, represent the Continuing Group's actual financial position or results following the Disposal.

|  | Adjustments                              |   |                                    |  | Pro forma Continuing Group <sup>(5)</sup> |
|--|--|---|------------------------------------|--|---|
|  | Group per Interim results <sup>(1)</sup> | Disposal of Hard Rock business <sup>(2)</sup> | Disposal adjustment <sup>(3)</sup> | Net consideration less Special Dividend <sup>(4)</sup> |   |
|  | £m                                       | £m  | £m                                 | £m   | £m  |
| Intangible assets . . . . .                            | 177.9                                    | (0.4)   | —                                  | —  | 177.5                                     |
| Property, plant and equipment . .                      | 339.8                                    | (113.7)                                       | —                                  | —  | 226.1                                     |
| Trade and other receivables . . . .                    | 20.0                                     | (6.2)   | —                                  | —  | 13.8                                      |
| Deferred tax assets . . . . .                          | 61.9                                     | —   | 0.6                                | —  | 62.5                                      |
| Financial assets—investments . . .                     | 59.1                                     | (58.4)  | —                                  | —  | 0.7                                       |
| <b>Total non-current assets . . . . .</b>              | <b>658.7</b>                             | <b>(178.7)</b>                                | <b>0.6</b>                         | <b>—</b>   | <b>480.6</b>                              |
| Inventories . . . . .                                  | 33.8                                     | (14.4)  | —                                  | —  | 19.4                                      |
| Trade and other receivables . . . .                    | 56.5                                     | (11.5)  | —                                  | —  | 45.0                                      |
| Derivative financial instruments . .                   | 5.8                                      | —   | —                                  | —  | 5.8                                       |
| Cash . . . . .   | 81.6                                     | (9.1)   | 9.1                                | 141.6  | 223.2                                     |
| Intercompany receivables . . . . .                     | —  | (119.6)                                       | 119.6                              | —  | —   |
| Non-current assets held for resale                     | 181.1                                    | —   | —                                  | —  | 181.1                                     |
| <b>Total current assets . . . . .</b>                  | <b>358.8</b>                             | <b>(154.6)</b>                                | <b>128.7</b>                       | <b>141.6</b>   | <b>474.5</b>                              |
| <b>Total assets . . . . .</b>                          | <b>1,017.5</b>                           | <b>(333.3)</b>                                | <b>129.3</b>                       | <b>141.6</b>   | <b>955.1</b>                              |
| Derivative financial instruments . .                   | (2.2)                                    | —   | —                                  | —  | (2.2)                                     |
| Loan capital and borrowings . . . .                    | (45.8)                                   | 0.4   | —                                  | —  | (45.4)                                    |
| Current tax liabilities . . . . .                      | (2.0)                                    | 0.8   | —                                  | —  | (1.2)                                     |
| Trade and other payables . . . . .                     | (153.1)                                  | 32.7  | —                                  | —  | (120.4)                                   |
| Liabilities held for sale . . . . .                    | (69.1)                                   | —   | —                                  | —  | (69.1)                                    |
| <b>Total current liabilities . . . . .</b>             | <b>(272.2)</b>                           | <b>33.9</b>                                   | <b>—</b>                           | <b>—</b>   | <b>(238.3)</b>                            |
| Derivative financial instruments . .                   | (2.4)                                    | —   | —                                  | —  | (2.4)                                     |
| Loan capital and borrowings . . . .                    | (587.0)                                  | 5.4   | —                                  | —  | (581.6)                                   |
| Other non-current liabilities . . . .                  | (30.4)                                   | —   | —                                  | —  | (30.4)                                    |
| Provision for deferred tax . . . . .                   | —  | 0.6   | (0.6)                              | —  | —   |
| Provisions for other liabilities and charges . . . . . | (70.9)                                   | 4.1   | —                                  | —  | (66.8)                                    |
| <b>Non-current liabilities total . . . .</b>           | <b>(690.7)</b>                           | <b>10.1</b>                                   | <b>(0.6)</b>                       | <b>—</b>   | <b>(681.2)</b>                            |
| <b>Total liabilities . . . . .</b>                     | <b>(962.9)</b>                           | <b>44.0</b>                                   | <b>(0.6)</b>                       | <b>—</b>   | <b>(919.5)</b>                            |
| <b>Net assets . . . . .</b>                            | <b>54.6</b>                              | <b>(289.3)</b>                                | <b>128.7</b>                       | <b>141.6</b>   | <b>35.6</b>                               |

Notes:

- (1) The net assets of Rank have been extracted without material adjustment from the unaudited interim results of Rank Group for the six months ended 30 June 2006.
- (2) The net assets of Hard Rock have been extracted without material adjustment from Part 2 of this document.
- (3) These are disposal adjustments comprising of the settlement of intercompany and cash balances and the reclassification of deferred taxation balances.
- (4) These adjustments reflect the receipt of estimated net consideration after adjusting \$965m gross consideration for £30m costs, including taxation, associated with the Disposal. In addition, the adjustment reflects the £350m payment of the Special Dividend. For the purposes of presenting the unaudited pro forma statement of net assets at 30 June 2006 the consideration received by the Rank Group has been translated into pounds sterling at the closing rate at 30 June 2006 of US\$1.85:£1.
- (5) No account has been taken of the trading results of the Continuing Group or Hard Rock for the period since 30 June 2006.



ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA STATEMENT OF NET ASSETS



PricewaterhouseCoopers LLP  
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London WC2N 6RH

The Directors  
The Rank Group Plc  
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Stafferton Way  
Maidenhead  
Berkshire SL6 1AY

Merrill Lynch International (the "Sponsor")  
Merrill Lynch Financial Centre  
2 King Edward Street  
London EC1A 1HQ

15 December 2006

Dear Sirs

**The Rank Group Plc (the "Company")**

We report on the pro forma statement of net assets (the "pro forma financial information") set out in Part 3 of the Company's circular dated 15 December 2006, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Disposal (as defined in this Circular) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the interim financial statements for the 6 month period ended 30 June 2006.

*Responsibilities*

It is the responsibility of the directors of the Company to prepare the pro forma financial information in accordance with item 20.2 of Annex I to the PD Regulation and item 13.5.31R of the Listing Rules of the UK Listing Authority (the "Listing Rules").

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation and the Listing Rules on the pro forma financial information as to the proper compilation of the pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law, we do not assume any responsibility and will not accept liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1(6)R of the Listing Rules, consenting to its inclusion in the Circular.

*Basis of opinion*

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents,

considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

*Opinion*

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully,

**PricewaterhouseCoopers LLP**  
*Chartered Accountants*

## Part 4

### SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE DISPOSAL

The Sellers and the Purchaser entered into the Disposal Agreement on 7 December 2006. Pursuant to the Disposal Agreement, the Sellers have agreed to sell the whole of Hard Rock (i.e. the shares in the Sale Companies and, indirectly, the shares in the Sale Subsidiaries). The obligations of each of the Sellers under the Disposal Agreement are guaranteed by the Company and the obligation of the Purchaser to pay US\$465 million (equivalent to approximately £236 million) of the purchase price under the Disposal Agreement is guaranteed by the Purchaser's Parent. The Disposal Agreement is governed by the law of the State of New York.

#### *Consideration*

The total proceeds of US\$965 million (equivalent to approximately £490 million) (as adjusted to reflect the parties' estimates at Closing of the actual: (i) cash equivalents; (ii) third party indebtedness; (iii) intercompany payables; (iv) intercompany receivables; (v) expenditures made outside the ordinary course of business of Hard Rock with the Purchaser's consent; (vi) retention bonuses paid to Hard Rock employees; and (vii) net working capital greater or less than US\$19 million (equivalent to approximately £9.6 million) (negative), will be paid by way of consideration for the transfer of the shares of the Sale Companies.

The aggregate proceeds payable to the Sellers will be adjusted following Closing once the relevant Closing statements have been drawn up, by means of balancing payments to be made by the Sellers or the Purchaser, as appropriate:

- (a) to the extent that the cash equivalents in Hard Rock are greater or less than the parties' estimate of such cash equivalents as at Closing;
- (b) to the extent that the third party indebtedness in Hard Rock is greater or less than the parties' estimate of such third party indebtedness as at Closing;
- (c) to the extent that the intercompany payables in Hard Rock are greater or less than the parties' estimate of such intercompany payables as at Closing;
- (d) to the extent that the intercompany receivables in Hard Rock are greater or less than the parties' estimate of such intercompany receivables as at Closing; and
- (e) to the extent that the difference in the net working capital from US\$19 million (equivalent to approximately £9.6 million) (negative) is greater or less than the parties' estimate of such difference in the net working capital as at Closing.

The parties to the Disposal Agreement will procure that all estimated intercompany payables and receivables will be paid at Closing.

#### *Conditions to Closing*

Closing is conditional upon fulfilment of the following conditions:

- (a) the approval of the Rank Shareholders;
- (b) there being no governmental order in existence which expressly prohibits or materially restrains the Disposal or materially impairs the value to be received by either party in connection with the Disposal;
- (c) the expiration or termination of all waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
- (d) the representations and warranties given by the Purchaser being true and correct in all material respects as at Closing (except with respect to those representations and warranties that address matters only as of a particular date, in which case, as of such date, and except for such failures of representations and warranties which would not, individually, or in the aggregate, be reasonably be expected to have a material adverse effect on the Purchaser or the Purchaser's Parent, or impair the Purchaser's ability to consummate the Disposal or fulfil its obligations under the Disposal Agreement);

- (e) the covenants to be complied with by the Purchaser on or before Closing having been complied with in all material respects;
- (f) the representations and warranties given by the Sellers being true and correct as at Closing (except with respect to those representations and warranties that address matters only as of a particular date, in which case, as of such date, and except for such failures of representations and warranties which would not, individually, or in the aggregate, be reasonably expected to have a material adverse effect on Hard Rock), provided that if the Purchaser claims that this condition is not satisfied and declines to waive the satisfaction of it, except in relation to certain specified representations and warranties, the Sellers shall have the option to waive the upper limit on indemnification claims and deem the condition to have been satisfied, on the basis that the Purchaser shall not be barred from bringing a claim for indemnification;
- (g) the covenants to be complied with by the Sellers on or before Closing having been complied with in all material respects; and
- (h) all written or oral contracts between the Sale Companies or Sale Subsidiaries, on one hand, and the Sellers or their affiliates on the other, having been terminated.

The conditions in paragraphs (d) and (e) above are given in favour of the Sellers, and the conditions in (f) to (h) above are given in favour of the Purchaser.

#### ***Representations, warranties and indemnities***

Under the Disposal Agreement, the Sellers have given certain representations and warranties to the Purchaser which are usual for a transaction of this nature, including warranties concerning the Sale Companies and the Sale Subsidiaries that are the subject of the Disposal, accounts and financial matters, regulatory and legal matters, intellectual property and information technology matters, the assets and liabilities of Hard Rock, the material contracts of Hard Rock, the properties being sold, environmental matters, employees, pensions and taxation.

Under the Disposal Agreement, the Sellers have agreed to indemnify the Purchaser in respect of the breach or inaccuracy of any of the representations and warranties, any failure by the Sellers to comply with or perform any of their covenants or agreements under the Disposal Agreement, and certain specific losses the Purchaser may suffer.

Claims pursuant to this indemnity are subject to various limitations, including that no claim may be brought against the Sellers for breach of most of the Sellers' representations and warranties unless the aggregate liability for all claims exceeds US\$10 million (equivalent to approximately £5.1 million). The Sellers' liability under most of the representations and warranties and the indemnity is capped at US\$100 million (equivalent to approximately £51 million). The representations and warranties given by the Sellers will generally only survive for a period of 15 months following the date of Closing.

#### ***Restrictive covenants***

Rank and the Sellers have agreed to enter into restrictive covenants of a usual nature for a transaction of this type which, subject to certain minor exceptions, for a period of three years from Closing prevent Rank, the Sellers and their affiliates from soliciting officers of Hard Rock for employment.

#### ***Termination rights***

The Disposal Agreement may be terminated at any time prior to Closing:

- (a) by mutual written consent of the parties;
- (b) by either party in the event that Closing has not occurred by 4 June 2007;
- (c) by the Sellers, in the event that the conditions set out in paragraphs (d) and (e) of the "Conditions to Closing" section become incapable of being fulfilled;
- (d) by the Purchaser, in the event that the conditions set out in paragraphs (f) to (h) of the "Conditions to Closing" section become incapable of being fulfilled;
- (e) by the Sellers, in order to enter into a definitive agreement in relation to a more attractive proposal for the disposal of Hard Rock, provided that the Purchaser shall have three business days to match any such proposal; or

- (f) by either party, if any of the conditions set out in paragraphs (a) to (c) of the “Conditions to Closing” section become incapable of being fulfilled.

The Sellers have agreed to pay the Purchaser a termination fee of US\$15 million (equivalent to approximately £7.6 million) (exclusive of any amounts in respect of VAT) if the Disposal Agreement is terminated by:

- (a) the Sellers, in accordance with paragraph (e) of the “Termination Rights” section above;
- (b) either party, in accordance with paragraph (b) of the “Termination Rights” section above as a result of the Company failing to convene a general meeting of the Rank Shareholders; or
- (c) the Purchaser, in accordance with paragraph (f) of the “Termination Rights” section because the Rank Shareholders fail to approve Resolution 1,

and, in each case, within 12 months of such termination, the Company and/or the Sellers enter into a definitive agreement in relation to the disposal of Hard Rock.

***Transitional services agreement***

The Sellers have agreed with the Purchaser that, following the Disposal, each will act in good faith to determine whether or not any transition services will be required. Any such services will be provided on a temporary basis pursuant to a separate transitional services agreement (or pursuant to ongoing agreements and arrangements).

## Part 5

### FURTHER INFORMATION ON THE SPECIAL DIVIDEND AND SHARE CONSOLIDATION

#### 1. Reasons for and effects of the Special Dividend and Share Consolidation

When considering the optimal way to return capital to Rank Shareholders, the Board focused on methods which would achieve this as quickly as possible, for the benefit of Rank Shareholders as a whole. The Board took advice on a number of options and concluded that the Special Dividend best met these criteria.

The purpose of the Share Consolidation is, amongst other things, to preserve the position of holders of options and awards under the Rank Share Schemes who will not receive the Special Dividend (see below for further information in this respect) and to reduce the number of Rank Shares in issue by approximately the same percentage in order to try to ensure that (subject to normal market movements) the market value of each New Rank Share is approximately the same as the market value of each Existing Rank Share, despite the payment of the Special Dividend. By consolidating the Existing Rank Shares into New Rank Shares of a higher nominal value, that market value is broadly maintained and will allow comparability of earnings per share and share prices with prior financial periods. Although each Rank Shareholder will hold fewer Rank Shares than before, his or her shareholding as a proportion of the total number of Rank Shares in issue, and therefore his or her ownership of Rank, will be the same both before and immediately after the Share Consolidation, subject to adjustments to reflect fractional entitlements (see below).

For purely illustrative purposes (assuming a Special Dividend of 65 pence per Existing Rank Share), examples of the effects of the Special Dividend and the Share Consolidation in respect of certain holdings of Existing Rank Shares are set out below.

| Existing Rank Shares | New Rank Shares | Special Dividend | Fractional Entitlement* |
|----------------------|-----------------|------------------|-------------------------|
| 10                   | 7               | £6.50            | 0.2                     |
| 25                   | 18              | £16.25           | —                       |
| 50                   | 36              | £32.50           | —                       |
| 1,000                | 720             | £650.00          | —                       |

\* The fractional entitlement represents the fraction of a share which will be sold on behalf of Rank Shareholders at or around the time of the Share Consolidation. The net proceeds of such sale (provided they are £3.00 or more) will be despatched to Rank Shareholders thereafter.

The table below sets out the authorised and issued ordinary share capital of Rank as at 12 December 2006 (the latest practicable date prior to the publication of this document) and as it is expected to be following the Share Consolidation.

|                      | Existing Rank Shares | New Rank Shares |
|----------------------|----------------------|-----------------|
| Authorised . . . . . | 1,800,000,000        | 1,296,000,000   |
| Issued . . . . .     | 542,340,107          | 390,484,877     |

The table above does not include the effect of any Existing Rank Shares that may be repurchased in the market or issued in connection with the Rank Share Schemes or otherwise between 13 December 2006 and the Record Date (save for any Existing Rank Shares issued for cash so that the number of New Rank Shares in issue after the Share Consolidation is a whole number).

#### 2. Principal terms of the Special Dividend and Share Consolidation and their implementation

##### *Special Dividend*

The Special Dividend will be paid as a special interim dividend in respect of the financial year of Rank ending on 31 December 2007. The Special Dividend equates to an amount of approximately 65 pence per Existing Rank Share held by a Rank Shareholder. Cheques in respect of the relevant amount of the Special Dividend corresponding to the relevant number of Existing Rank Shares held by a Rank Shareholder are expected to be despatched to Rank Shareholders who do not have a valid dividend payment instruction in place by no later than 9 April 2007. Rank Shareholders who have a valid dividend payment instruction in place (including CREST participants) are expected to have the relevant amount of the Special Dividend paid in accordance with their dividend payment instruction by no later than 9 April 2007.

The Board will formally resolve to pay the Special Dividend immediately following receipt of the proceeds of the Disposal upon Closing. Payment of the Special Dividend will be conditional upon the Share

Consolidation taking place and thus, although not directly subject to shareholder approval, is subject to such approval being obtained for the Share Consolidation. **If you have a mandate in place with the Registrars in respect of the reinvestment of dividends, and you do not wish to have the Special Dividend reinvested in Rank Shares, you will need to contact the Registrars in writing and revoke that mandate as soon as possible.**

### *Share Consolidation*

The effect of the Share Consolidation will be that Rank Shareholders on the Register on the Record Date will, on the implementation of the Share Consolidation, exchange:

#### **25 Existing Rank Shares for 18 New Rank Shares**

and in that proportion for any other number of Existing Rank Shares then held. The proportion of the issued ordinary share capital of Rank held by each Rank Shareholder following the Share Consolidation will, save for fractional entitlements, remain unchanged. Apart from having a different nominal value, each New Rank Share will carry the same rights as those set out in the Articles of Association which currently attach to the Existing Rank Shares.

To effect the Share Consolidation, it may be necessary to issue, prior to the Record Date, an additional number of Existing Rank Shares for cash so that the number of Existing Rank Shares in issue is exactly divisible by 25.

### *Fractional entitlements*

Rank Shareholders whose individual holdings of Existing Rank Shares cannot be consolidated into an exact number of New Rank Shares will be left with a fractional entitlement to a New Rank Share. Arrangements will be put in place for such fractional entitlements arising from the Share Consolidation to be aggregated into whole New Rank Shares (“Fractional Entitlement Shares”) and sold in the market on the Rank Shareholders’ behalf. If the proceeds of sale of such Fractional Entitlement Shares (net of any commissions, dealing costs and administrative expenses) are £3.00 or more for any Rank Shareholder, such proceeds will be paid to the Rank Shareholder entitled to them by cheque or CREST assured payment, to be despatched by no later than 9 April 2007, but if such proceeds amount to less than £3.00 they will be retained by Rank, pursuant to the Articles of Association.

### *Conditions*

The Special Dividend will not be paid unless the Share Consolidation is approved at the EGM and subsequently takes place. The Share Consolidation is conditional on Resolution 2 being passed and becoming unconditional. Resolution 2 is conditional on Closing and the New Rank Shares being admitted to the Official List by the UK Listing Authority and being admitted to trading by the London Stock Exchange.

### *Rank Share Schemes*

Participants in the Rank Share Schemes will not be entitled to receive the Special Dividend. The effect of the Share Consolidation will, however, be to preserve the value of their options and awards, subject to normal market fluctuations, and so no adjustment will be made to either the number of Rank Shares subject to those options or awards or the amount (if anything) payable on the exercise or vesting of such options or awards.

### *Rank Pension Plan*

Given the estimated surplus of £64.6 million (this figure was calculated by the scheme actuary in connection with the preparation of the Group’s last published interim results) on the IAS 19 basis under the Rank Pension Plan as at 30 June 2006, the Company does not consider that it would be appropriate to seek clearance of the Special Dividend from the Pensions Regulator. The Company has discussed the matter with the trustee of the Rank Pension Plan and the Pensions Regulator, who has indicated that where the Company and the trustee conclude that a pension scheme is in surplus on the relevant basis then clearance would be inappropriate. Accordingly, the Company and the trustee do not envisage additional funds being paid into the Rank Pension Plan in connection with the Special Dividend.



### 3. Taxation consequences of the Special Dividend and Share Consolidation

The following paragraphs are intended as a general guide to certain limited UK tax considerations only and do not purport to be a complete analysis of all potential UK tax consequences of the Special Dividend and Share Consolidation. They are based on current UK tax law and published HM Revenue and Customs practice, which is subject to change, possibly with retrospective effect. They apply only to Rank Shareholders who are resident or ordinarily resident in the UK for tax purposes (except insofar as reference is made to non-UK residents), who are the absolute beneficial owners of their Existing Rank Shares and any dividends paid on them, and who hold their Existing Rank Shares as investments. Certain shareholders, such as dealers in securities, insurance companies, collective investment schemes and persons who have acquired their Existing Rank Shares by reason of their or another's employment, may be subject to different tax rules which are not considered.

**Rank Shareholders who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the UK, should consult their own appropriate independent professional adviser without delay.**

#### *Taxation of the Special Dividend*

The UK tax treatment of the Special Dividend will generally be the same as the tax treatment of other dividends paid by the Company on its Existing Rank Shares.

The Company will not be required to withhold tax at source on any dividends it pays to Rank Shareholders.

#### *UK resident Rank Shareholders*

A UK resident individual Rank Shareholder who receives the Special Dividend from the Company will generally be entitled to a tax credit in respect of that dividend, currently equal to one-ninth of the cash dividend received, which is equivalent to 10 per cent. of the aggregate of the cash dividend received and the tax credit (the "gross dividend"), and will be subject to income tax on the gross dividend. The related tax credit can be set against the individual Rank Shareholder's total liability to income tax on the dividend as follows.

A UK resident individual Rank Shareholder who (taking into account the Special Dividend) is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the Special Dividend at the lower rate of income tax on dividend income (currently 10 per cent.). The tax credit will satisfy in full such a Rank Shareholder's liability to income tax on the dividend received. For example, a cash dividend of £90 would carry a tax credit of £10, giving a gross dividend of £100. Lower rate tax would be £10 (£100 at 10 per cent.) which for such a Rank Shareholder is satisfied in full by the tax credit.

A UK resident individual Rank Shareholder who (taking into account the Special Dividend) is subject to income tax at the higher rate will be liable to tax on the Special Dividend on the gross dividend at the dividend higher rate of 32.5 per cent. to the extent that such sum, when treated as the top slice of that Rank Shareholder's income, falls above the threshold for higher rate income tax. The related tax credit will therefore not fully satisfy that Rank Shareholder's liability to income tax on the gross dividend and the Rank Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend or 25 per cent. of the cash dividend received. In the above example, the gross dividend (£100) would be taxed at 32.5 per cent. giving a tax liability of £32.50. Credit is given for the tax credit (£10), giving a further net liability of £22.50. This represents 22.5 per cent. of the gross dividend or 25 per cent. of the cash dividend (£90) received.

UK resident corporate Rank Shareholders will generally not be liable to corporation tax in respect of the Special Dividend. These Rank Shareholders will not be able to claim repayment of the tax credit in respect of the Special Dividend.

UK resident Rank Shareholders who are not liable to UK tax on dividends, including pension funds, authorised investment funds and charities, will generally not be entitled to claim repayment of the tax credit in respect of the Special Dividend.

#### *Non-UK resident Rank Shareholders*

The rights of Rank Shareholders who are not resident in the UK for tax purposes to claim repayment from HM Revenue and Customs of any part of the tax credit attaching to the Special Dividend will depend upon

the existence and terms of any applicable double tax convention between the UK and the country in which the Rank Shareholder is resident.

A Rank Shareholder who is not resident in the UK for tax purposes may be subject to foreign taxation on dividend income under local law and should consult his or her own tax adviser concerning his or her liability to tax on dividends received from the Company.

### **Share Consolidation**

It is expected that for the purposes of UK taxation on chargeable gains the Share Consolidation will be treated as follows:

- (a) the New Rank Shares arising from the Share Consolidation should be regarded as resulting from a reorganisation of the share capital of the Company. Accordingly, to the extent that a Rank Shareholder receives New Rank Shares, the Rank Shareholder will not generally be treated as making a disposal of all or part of his or her holding of Existing Rank Shares by reason of the Share Consolidation being implemented. The New Rank Shares which replace a Rank Shareholder's holding of Existing Rank Shares (the "new holding") as a result of the Share Consolidation will be treated as the same asset acquired at the same time as the Rank Shareholder's holding of Existing Rank Shares was acquired;
- (b) to the extent that a Rank Shareholder receives cash by virtue of a sale on his or her behalf of any New Rank Shares to which he or she has a fractional entitlement, the Rank Shareholder should not, in practice, normally be treated as making a part disposal of his or her holding of Existing Rank Shares if the amount received is small in comparison with the value of that Rank Shareholder's Existing Rank Shares, the proceeds instead being deducted from the base cost of the Rank Shareholder's new holding. Under current HM Revenue and Customs practice, any cash payment of £3,000 or less or which is 5 per cent. or less of the value of a Rank Shareholder's Existing Rank Shares will generally be treated as small for these purposes. If the proceeds exceed that base cost, however, or if a Rank Shareholder holds one Existing Rank Share and so is not entitled to any New Rank Shares on the Share Consolidation, the Rank Shareholder will be treated as disposing of part or all of his or her Existing Rank Shares and may, depending on his or her own circumstances, be subject to tax in respect of any chargeable gain thereby realised; and
- (c) on a subsequent disposal of the whole or part of the New Rank Shares comprised in his or her new holding, a Rank Shareholder may, depending on his or her circumstances, be subject to tax on the amount of any chargeable gain realised.

### ***Section 703 of ICTA***

Under the provisions of section 703 ICTA, HM Revenue and Customs can, in certain circumstances, counteract tax advantages arising in relation to certain transactions in securities. The Company has sought no clearance in relation to the applicability of section 703 ICTA in respect of the Special Dividend and the surrounding circumstances, including the Disposal. However, these provisions should not generally affect the taxation treatment of Rank Shareholders holding Existing Rank Shares who receive the Special Dividend. Rank Shareholders who are considering transactions in respect of their Existing Rank Shares or who may be considering taking the Special Dividend into account for any of the relevant purposes listed in section 704A ICTA are however advised to take independent advice on the potential application of section 703 ICTA in light of their own particular circumstances.

### **4. Record Date**

Subject to the New Rank Shares being admitted to the Official List by the UK Listing Authority, and being admitted to trading by the London Stock Exchange, Rank Shareholders who are on the Register on the Record Date will receive the Special Dividend and have their Rank Shareholdings consolidated.

Persons who acquire Rank Shares before the close of business on the Record Date but are not on the Register as at the Record Date should apply to the broker or other intermediary through whom they bought the Rank Shares to arrange for delivery to them of the New Rank Shares, the Special Dividend and related tax voucher and the proceeds of the sale of any fractional entitlement.

## **5. Dealings and settlement**

Application will be made to the UK Listing Authority for the New Rank Shares to be admitted to the Official List and to the London Stock Exchange for the New Rank Shares to be admitted to trading. It is expected that dealings in the New Rank Shares will commence at 8.00 a.m. on 26 March 2007.

Rank will apply for the New Rank Shares to be admitted to CREST with effect from listing so that general market transactions in the New Rank Shares may be settled within CREST.

From listing of the New Rank Shares, Existing Rank Share certificates will no longer be valid. New share certificates in respect of New Rank Shares are expected to be posted at the risk of Rank Shareholders by no later than 9 April 2007 to those Rank Shareholders who hold their Existing Rank Shares in certificated form. These will replace existing certificates which should then be destroyed. Pending the receipt of new certificates, transfers of New Rank Shares held in certificated form will be certified against the Register. Rank Shareholders who hold their entitlements to New Rank Shares in uncertificated form through CREST will have their CREST accounts adjusted to reflect their entitlement to New Rank Shares on 26 March 2007.

The dates referred to above assume that Closing will occur on 5 March 2007. The timing of Closing is, however, dependent upon, amongst other things, the passing of the Resolutions at the EGM, and if there is any delay in the passing of such Resolutions the date of Closing may change and the dates referred to above may also change as a consequence.

## **6. Overseas shareholders**

Cheques, unless Rank Shareholders have in place a valid dividend instruction, in respect of the Special Dividend, certificates in respect of New Rank Shares and, where applicable, cheques in respect of fractional entitlements, will be distributed to overseas Rank Shareholders by post in accordance with the timetable set out in this document.

## Part 6

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Directors of the Company, whose names are set out below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Directors of Rank

The Directors of Rank and their functions are as follows:

|                    |                        |
|--------------------|------------------------|
| Alun Cathcart      | Non-executive Chairman |
| Ian Burke          | Chief Executive        |
| Peter Gill         | Finance Director       |
| Richard Greenhalgh | Non-executive Director |
| Brendan O'Neill    | Non-executive Director |
| Bill Shannon       | Non-executive Director |
| John Warren        | Non-executive Director |

#### 3. Directors' interests

3.1 As at 12 December 2006 (the latest practicable date prior to the publication of this document), the interests of the Directors and persons connected with them (within the meaning of section 346 of the Act) in the share capital of the Company (all of which are beneficial), notified to the Company pursuant to section 324 or 328 of the Act or which are required to be entered in the Register of Directors' Interests maintained under section 325 of the Act or which are interests of persons connected with the Directors which would, if the connected person were a Director, be required to be notified under section 324 or 328 of the Act or entered in the Register of Directors' Interests under section 325 of the Act, the existence of which are known, or with reasonable diligence could be ascertained by the Directors:

|                    | <u>Number of Rank Shares</u> | <u>Percentage of Rank Shares</u> |
|--------------------|------------------------------|----------------------------------|
| Alun Cathcart      | 100,000                      | 0.018                            |
| Ian Burke          | 10,000                       | 0.002                            |
| Peter Gill         | 10,000                       | 0.002                            |
| Richard Greenhalgh | 5,835                        | 0.001                            |
| Brendan O'Neill    | 4,969                        | 0.001                            |
| Bill Shannon       | 6,537                        | 0.001                            |
| John Warren        | 11,936                       | 0.002                            |

None of the Directors beneficially own more than 0.018 per cent. of a relevant class of share.

The Directors' interests in the securities of Rank, including options to purchase Rank Shares under the terms of Rank's Executive Share Option Scheme ("ESOS") and Share Savings Scheme ("SAYE") were, as of 12 December 2006:

|            | <u>ESOS</u> | <u>SAYE</u> | <u>Exercise Price (p)</u> | <u>Exercise Period</u>     |
|------------|-------------|-------------|---------------------------|----------------------------|
| Ian Burke  | 429,328     |             | 237.58                    | 10 Mar 2009 to 9 Mar 2016  |
|            |             | 5,053       | 187.00                    | 1 Dec 2009 to 31 May 2010  |
| Peter Gill | 230,831     |             | 303.25                    | 22 Sep 2008 to 21 Sep 2015 |
|            | 101,119     |             | 237.58                    | 10 Mar 2009 to 9 Mar 2016  |
|            |             | 8,756       | 187.00                    | 1 Dec 2011 to 31 May 2012  |

Ian Burke and Peter Gill have been granted the following conditional awards of Rank Shares pursuant to the Company's 2005 Long Term Incentive Plan:

| <u>Director</u>      | <u>Award of Rank Shares</u> | <u>Year of Conditional Award</u> | <u>Release Year</u> |
|----------------------|-----------------------------|----------------------------------|---------------------|
| Ian Burke . . . . .  | 216,101                     | 2006                             | 2009                |
| Peter Gill . . . . . | 115,226                     | 2005                             | 2008                |
|                      | 92,542                      | 2006                             | 2009                |

Under the Long Term Incentive Plan, the release of awards is dependent upon the achievement of total shareholder return and earnings per share targets over three consecutive years; the total shareholder return performance is measured against a comparative group of companies. The maximum number of shares will only be released if the Company exceeds the total shareholder return of at least 75 per cent. of the comparator group and produces real average annual growth of two per cent. in earnings per share over the performance period.

- 3.2 By virtue of being potential beneficiaries of the Rank Employee Benefit Trust, as at 12 December 2006 the executive Directors were technically interested in 202,852 Rank Shares held in this trust (0.037 per cent. of Rank's issued ordinary share capital).
- 3.3 Save as disclosed above, none of the Directors, nor any person connected with them (within the meaning of section 346 of the Act) has any interest in the share capital of Rank or any of its Subsidiaries.
- 3.4 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of Rank (including Hard Rock) and which was effected by any member of Rank (including Hard Rock) during the current or immediately preceding financial year of Rank or which was effected during any earlier financial year and which remains in any respect outstanding or unperformed.

#### 4. Directors' service contracts

The Chairman and executive Directors have service contracts with Rank (the "Service Agreements") as follows:

| <u>Name</u>             | <u>Position</u>        | <u>Annual base salary</u> |
|-------------------------|------------------------|---------------------------|
| Alun Cathcart . . . . . | Non-executive Chairman | £192,500                  |
| Ian Burke . . . . .     | Chief Executive        | £510,000                  |
| Peter Gill . . . . .    | Finance Director       | £364,000                  |

The Service Agreements of Alun Cathcart and Peter Gill may be terminated by either party giving not less than one year's notice. For a period of 12 months following Ian Burke's appointment on 6 March 2006, his Service Agreement may be terminated by either party on 24 months' notice and following the end of this period will be terminable by either party giving not less than one year's notice. The Service Agreements of Alun Cathcart, Ian Burke and Peter Gill may be terminated immediately by Rank, at its sole discretion, making a payment of salary in lieu of notice.

Ian Burke and Peter Gill participate in Rank's discretionary bonus arrangements under which payment of an annual bonus of up to a fixed percentage of salary is subject to achievement of challenging targets set by Rank's remuneration committee; and both participate in a deferred share bonus plan under which shares may be awarded in 2007, subject to the financial performance of Rank's Gaming business. Ian Burke participates in Rank's Group Self Invested Pension Plan, which is a defined contribution scheme, to which Rank makes contributions of 35 per cent. of his annual salary. Peter Gill receives a salary supplement of 30 per cent. in lieu of any pensions arrangement. Each of the Service Agreements of Ian Burke and Peter Gill entitle them to receive a lump-sum life assurance benefit of four times annual salary in addition to permanent health, accident and medical insurance.

Each of Ian Burke and Peter Gill are entitled to a company car allowance and running costs. Alun Cathcart receives a contribution of £12,500 per annum towards car and communications expenses.

Non-executive Directors do not have service contracts and are appointed under letters of appointment ("Appointment Letters") for an initial period of three years, subject to review annually thereafter. These appointments are subject to Rank's Articles of Association and may be terminated without liability for compensation.

Under their Appointment Letters, non-executive Directors receive annual fees of £38,000. They also receive the following additional annual fees: £8,500 for chairmanship of the audit committee; £7,500 for chairmanship of the remuneration committee; and £2,500 for the position of senior independent non-executive director. Rank has a policy that non-executive directors should use 30 per cent. of their net base fees to acquire Rank Shares which they are expected to retain for the period of their appointment as a non-executive director.

## 5. Substantial shareholdings

As at 12 December 2006 (being the latest practicable date prior to the publication of this document) Rank had been notified of, or was otherwise aware of, the following person(s) who were, directly or indirectly, interested in 3 per cent. or more of the existing issued share capital of Rank:

|  | Per cent.<br>as at<br>12 December<br>2006 |
|--|---|
| FMR Corp and Fidelity International Limited . . . . .                                      | 10.99                                     |
| BriTel Fund Trustees Limited . . . . .   | 5.22                                      |
| —Hermes Focus Asset Management Ltd & Hermes SLP Ltd (by association with BriTel) . . . . . | 3.04                                      |
| —Devon County Council (by association with Hermes) . . . . .                               | 3.04                                      |
| Prudential Plc . . . . .   | 5.10                                      |
| Legal & General Group plc . . . . .  | 4.05                                      |
| Barclays PLC . . . . .   | 4.04                                      |
| Aviva plc . . . . .  | 3.85                                      |

Save as disclosed in this paragraph, Rank is not aware of any person who at 12 December 2006 (being the latest practicable date prior to the publication of this letter), directly or indirectly, has an interest (within the meaning of Part VI of the Act) in Rank Shares which represents 3 per cent. or more of its issued share capital.

## 6. Key Hard Rock management

- 6.1 **Hamish Dodds** has been the president and chief executive of Hard Rock since 2004. Prior to joining Hard Rock, he was President and General Manager of the South America, Central America and Caribbean business unit at PepsiCo.
- 6.2 **Thomas Gispanski** is the Vice President of Finance. Prior to joining Hard Rock, he was the Senior Vice President and Chief Financial Officer of Orange Lake Resort and the Wilson Resort Management Corp, a real estate developer and a resort management company.
- 6.3 **Mike Kneidinger** is the Vice President of Cafe Operations. Prior to joining Hard Rock, he was the Director of Operations for Bennigan's Restaurants at S&A Restaurant Corporation.
- 6.4 **Oliver Munday** is the Vice President of Franchised Operations. Prior to joining Hard Rock in 1997, he was a Director of Jones Lang Wootton.
- 6.5 **Michael Soll** is the Vice President of Casinos. Prior to joining Hard Rock, he was Vice President of Planning and Development for Caesars Entertainment in Las Vegas.
- 6.6 **Trevor Horwell** is the Vice President of Hotels. Prior to joining Hard Rock, he worked for over 15 years with Hyatt International in several roles including Director of Operations and Director of Worldwide Corporate Development.
- 6.7 **Sean Dee** is Vice President and Chief Marketing Officer. Prior to joining Hard Rock, he operated his own private marketing consultancy in California and was Vice President of Marketing and Global Marketing Director-Media with Levi Strauss & Company.
- 6.8 **John Ott** is the Vice President of Design and Development. Prior to joining Hard Rock, he worked with a large commercial contractor, a project management consultant and several real estate developers.
- 6.9 **Jay Wolszczak** is the Vice President of Business Affairs and General Counsel. Prior to joining Hard Rock, he was an Associate with the law firm of Akerman, Senterfitt & Eidson.



## 7. Related party transactions

For each of the years ended 31 December 2003, 2004 and 2005, and in the current financial year to date, Rank has not entered into any transactions with related parties.

## 8. Material contracts

### *The Continuing Group*

8.1 The contracts set out in paragraphs 8.2 to 8.5 below (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Continuing Group within the two years immediately preceding the date of this document and are or may be material. There are no other contracts entered into at any time (not being contracts entered into in the ordinary course of business) that contain any provision under which any member of the Continuing Group has any obligations or entitlements which are, or may be, material to the Continuing Group as at the date of this document.

### 8.2 Disposal Agreement

The Disposal Agreement was entered into on 7 December 2006 between the Sellers and the Purchaser to effect the Disposal. The Disposal Agreement is conditional on the passing of Resolution 1. Further information on the Disposal Agreement is contained in Part 4 to this document.

### 8.3 Deluxe Film Disposal Agreement

Certain members of the Continuing Group and DX III Holdings Corporation (a Delaware Corporation) entered into a disposal agreement on 23 December 2005 (the "Deluxe Film Disposal Agreement") to effect the disposal of Deluxe Film out of Rank (the "Deluxe Film Disposal") for a consideration, subject to certain adjustments, of US\$750 million (equivalent to approximately £382 million). The Deluxe Film Disposal Agreement governs the relationship between certain members of the Continuing Group and DX III Holdings Corporation's following the Deluxe Film Disposal. In particular, the Deluxe Film Disposal Agreement restricts the manner in which Rank and certain members of the Continuing Group can compete, directly or indirectly, with Deluxe Film for a period of five years following completion of the Deluxe Film Disposal.

### 8.4 Agreement relating to the refinancing of the Continuing Group's debt

A multicurrency revolving credit facility was entered into on 6 December 2006 (the "Bridge Facility Agreement"), between Rank Group Finance Plc (as "Borrower"), Rank (as Guarantor), Bank of America Securities Limited, The Royal Bank of Scotland Plc, Barclays Bank Plc and HSBC Bank Plc (as "Arrangers") and the lenders listed therein (the "Lenders") pursuant to which the Lenders have agreed to provide Rank Group Finance Plc with a 364-day revolving loan facility for £400 million with a term out option to 31 July 2008 (the "Bridge Facility").

The Bridge Facility will be available for the general corporate purposes of the Continuing Group including but not limited to:

- (a) the refinancing of the facilities made available to the Borrower under the facilities agreement dated 1 March 2006; and
- (b) a return to the Rank Shareholders of part of the proceeds of the Disposal.

Interest is payable on the loans made under the Bridge Facility at the rate which is the aggregate of: (i) LIBOR; (ii) mandatory costs (being regulatory costs of the Lenders which are passed onto borrowers); and (iii) the relevant margin, which will initially be 1.00 per cent. per annum.

A commitment fee is also payable at a percentage rate per annum on the day-to-day basis equal to 0.25 per cent. per annum on the undrawn amount of the Bridge Facility from the date of shareholder approval of the Disposal until the earlier of: (i) the date which is 364 days after the date of the Bridge Facility Agreement; and (ii) the date on which loans made under the Bridge Facility are termed out.

The Bridge Facility Agreement contains certain mandatory prepayment events, including: (i) a change of control of Rank; and (ii) the raising of new debt or equity by Rank.

The Bridge Facility Agreement contains representations, warranties and undertakings (including financial condition covenants and undertakings requiring the provision of a guarantee from Rank) in favour of the Lenders which are typical for this type of credit agreement. It also contains: (i) customary events of default upon occurrence of which the Lenders may terminate and demand

repayment of the Bridge Facility; and (ii) customary conditions precedent which are usually agreed to in relation to this type of facility.

Rank intends to restructure its existing general corporate term loan and revolving credit facilities to reflect the ongoing financing requirements of the Continuing Group following the Disposal. This Bridge Facility Agreement can be used to refinance these existing term loans and revolving credit facilities if its current financing banks do not agree to any such proposed restructuring.

#### 8.5 Sale and leaseback and transfer of surplus leasehold properties

The Company entered into an agreement on 14 July 2006 (the "Sale and Leaseback Agreement") to effect the sale of 43 of its properties in the UK to Earth Estates Limited and Solarus Estates Limited (together "Earth Solarus") for £211 million, on the terms that the Company would lease these properties back over 15 years at an initial rate of £11.2 million per annum. The Sale and Leaseback Agreement also provided for the transfer of Rank's liabilities in relation to a further 44 surplus leasehold properties to Earth Solarus, for a leasehold liability price of £39 million.

#### *Hard Rock*

8.6 No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any company in the Hard Rock group, either (a) within the two years immediately preceding the date of this document which are or may be material; or (b) which contain any provision under which any company in the Hard Rock group has any obligations or entitlements which are or may be material as at the date of this document.

### 9. Litigation

#### *The Continuing Group*

9.1 Neither Rank nor any member of the Continuing Group is, nor has been, engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Rank is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of Rank.

#### *Hard Rock*

9.2 Hard Rock is not, nor has been, engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Rank is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of Hard Rock.

### 10. Working capital

Rank is of the opinion that, taking into account the net proceeds of the Disposal and banking and other facilities available to it, the Continuing Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

### 11. Significant change

- (a) There has been no significant change in the financial or trading position of the Continuing Group since 30 June 2006, being the date to which Rank's most recent unaudited interim results have been prepared.
- (b) There has been no significant change in the financial or trading position of Hard Rock since 30 June 2006, being the date to which the unaudited interim financial results for Hard Rock in Part 2 of this document have been prepared.

### 12. Consents

- (a) Merrill Lynch International and Goldman Sachs International have each given and have not withdrawn their written consent to the issue of this document with the inclusion of their respective names and the references to them in the form and context in which they appear.



- (b) PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in Part 3 of this document of its report on the pro forma financial statement of net assets for the Continuing Group in the form and context in which it appears.

**13. Rank registered/head office**

Rank's registered/head office will remain at Statesman House, Stafferton Way, Maidenhead, Berkshire SL6 1AY.

**14. Documents available for inspection**

Copies of the following documents may be inspected at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS and at the registered office of the Company at Statesman House, Stafferton Way, Maidenhead, Berkshire SL6 1AY, during normal business hours on any day (Saturdays, Sundays and public holidays excepted) until the date of the EGM, including during the EGM:

- (a) the Memorandum and Articles of Association of Rank;
- (b) the consent letters referred to in paragraph 12 of this Part 6;
- (c) the report from PricewaterhouseCoopers LLP set out in Part 3 regarding the pro forma financial information of Rank;
- (d) the audited consolidated accounts of Rank for the two financial years ended 31 December 2004 and 31 December 2005;
- (e) this document;
- (f) the Disposal Agreement;
- (g) the register of Directors' interests in the ordinary shares of the Company; and
- (h) the service contracts and letters of engagement of the Directors.

Dated 15 December 2006

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

|  |   |
|--|---|
| “Act”                                    | the Companies Act 1985 (as amended)   |
| “Admission”                              | admission of the New Rank Shares to the Official List of the UK Listing Authority and to trading on the market for listed securities on the London Stock Exchange   |
| “Board” or “Directors”                   | the board of directors of Rank  |
| “Chairman”                               | Alun Cathcart   |
| “Closing”                                | the completion of all, or substantially all, of the Disposal pursuant to the terms of the Disposal Agreement  |
| “Continuing Group”                       | Rank and its Subsidiaries after the Disposal becomes effective  |
| “Deluxe Film”                            | the DVD, VHS and CD replication, packaging and distribution business operated under the Deluxe name, specifically excluding the CE&A Business   |
| “Deluxe Film Disposal Agreement”         | the agreement dated 23 December 2005 to effect the disposal of Deluxe Film from Rank, described in more detail in paragraph 8.3 of Part 6 of this document.   |
| “Deluxe Film Disposal”                   | the disposal of Deluxe Film out of Rank   |
| “Deluxe Media”                           | the media services business of Rank   |
| “Disposal”                               | the disposal of Hard Rock out of the Group as described in this document  |
| “Disposal Agreement”                     | the agreement entered into on 7 December 2006 between Rank and the Purchaser relating to the Disposal, described in more detail in Part 4 of this document  |
| “EGM” or “Extraordinary General Meeting” | the extraordinary general meeting of Rank convened at 10.00 a.m. on Monday, 8 January 2007, notice of which is set out at the end of this document  |
| “EGM Notice”                             | the notice of the EGM which appears at the end of this document   |
| “Existing Rank Shares”                   | the ordinary shares of 10 pence each in the issued share capital of Rank  |
| “Form of Proxy”                          | the form of proxy to be used in connection with the EGM, as referred to in paragraph 11 of the letter from the Chairman of Rank at the front of this document   |
| “Fractional Entitlement Shares”          | has the meaning given to the term in Part 5 on page 27 of this document   |
| “Gaming”                                 | the gaming business of the Group including Rank’s bingo, casino and online gaming businesses  |
| “Group” or “Rank Group”                  | Rank and its subsidiary undertakings as at the date of this document  |
| “Hard Rock”                              | the business of the Group trading under the “Hard Rock” brand and encompassing cafes, hotels, casinos, live venues and merchandising that are currently part of the Group (which, for the avoidance of doubt, does not include the Hard Rock Hotel and Casino in Las Vegas or the Hard Rock Casino in London) |
| “Hard Rock Sellers” or “Sellers”         | Rank Leisure Holdings Ltd., Rank Overseas Holdings Ltd., Rank America, Inc., Rank (UK) Holdings Ltd., Rank Holdings (Germany) GmbH, Rank Holdings (France) SA, Rank Holidays  |

|                            |   |
|----------------------------|---|
|                            | Division Ltd., Rank Group Holdings Ltd., Rank Holdings (Netherlands) B.V., and Rank Holding Espana SA   |
| “ICTA”                     | the Income and Corporation Taxes Act 1988   |
| “IFRS”                     | the International Financial Reporting Standards adopted for use in the European Union   |
| “Listing Rules”            | the listing rules of the UK Listing Authority   |
| “London Stock Exchange”    | London Stock Exchange plc   |
| “Long Term Incentive Plan” | the Rank Group 2000 Long Term Incentive Plan and the 2005 Rank Group Long Term Incentive Plan   |
| “Merrill Lynch Group”      | Merrill Lynch International and its subsidiaries, holding companies and the subsidiaries of any such holding company  |
| “New Rank Shares”          | the proposed new ordinary shares of 13% pence each in the capital of the Company resulting from the Share Consolidation   |
| “Purchaser”                | Seminole Hard Rock Entertainment Inc.   |
| “Purchaser’s Parent”       | Seminole Tribe of Florida   |
| “Rank” or the “Company”    | The Rank Group Plc, a company registered in England and Wales with registered number 03140769   |
| “Rank Pension Plan”        | the Rank pension plan constituted by a trust deed and rules dated 28 May 1998, as amended from time to time, or, if the context so requires, the trustee of that plan   |
| “Rank Shareholder”         | a holder of Rank Shares   |
| “Rank Shareholding”        | the shareholding in the capital of Rank of any Rank Shareholder from time to time   |
| “Rank Shares”              | prior to the Share Consolidation, the Existing Rank Shares, and thereafter, the New Rank Shares   |
| “Rank Share Schemes”       | the Rank Group 2000 Long Term Incentive Plan, the 2005 Rank Group Long Term Incentive Plan, the Rank Group 1996 Executive Share Option Scheme, the Rank Group 2002 Executive Share Option Scheme, the Rank Group 1996 Share Saving Scheme and the Rank Group 2005 Share Saving Scheme |
| “Record Date”              | 23 March 2007   |
| “Register”                 | the register of members of the Company  |
| “Registrars”               | Lloyds TSB Registrars   |
| “Resolution 1”             | the ordinary resolution proposed by the Company, as set out at number 1 in the accompanying notice of EGM   |
| “Resolution 2”             | the ordinary resolution proposed by the Company, as set out at number 2 in the accompanying notice of EGM   |
| “Resolutions”              | the resolutions to be proposed at the EGM to obtain the approval of Rank Shareholders to the Disposal and the Share Consolidation   |
| “Sale Companies”           | those companies forming part of Hard Rock’s corporate group in which the Sellers are selling shares directly to the Purchaser   |
| “Sale Subsidiaries”        | those companies in Hard Rock’s corporate group which are being transferred to the Purchaser indirectly as a result of the sale of the shares in the Sale Companies, their direct or indirect parent companies   |
| “Service Agreements”       | the service contracts of the executive Directors and the Chairman with Rank   |

|                          |   |
|--------------------------|---|
| “Share Consolidation”    | the proposed consolidation to be effected by consolidating every 25 Existing Rank Shares into 18 New Rank Shares and every 25 authorised but unissued ordinary shares into 18 New Rank Shares |
| “Special Dividend”       | the proposed special interim dividend of approximately 65 pence per Existing Rank Share   |
| “Subsidiaries”           | subsidiaries, as interpreted in section 736(1) of the Act   |
| “UK” or “United Kingdom” | the United Kingdom of Great Britain and Northern Ireland  |
| “UK GAAP”                | the accounting principles generally accepted in the UK  |
| “UK Listing Authority”   | the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended)                   |
| “US” or “United States”  | the United States of America, its territories and possessions, any state of the United States and the District of Columbia  |
| “US\$” or “dollars”      | United States dollars   |

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# THE RANK GROUP PLC

(Incorporated and registered in England and Wales  
under the Companies Act 1985 with registered number 03140769)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting (“EGM”) of The Rank Group Plc (the “Company”) will be held at Statesman House, Stafferton Way, Maidenhead, Berkshire SL6 1AY, on Monday, 8 January 2007 at 10.00 a.m. to consider and, if thought fit, pass the following resolutions, which shall be proposed as ordinary resolutions:

### Ordinary Resolutions

1. THAT:

the proposed disposal by the Company and its subsidiaries of the Hard Rock businesses as described in the circular to shareholders dated 15 December 2006 (the “Circular”) and on the terms and subject to the conditions of the disposal agreement signed on 7 December 2006 (described in the Circular), is approved, and the directors of the Company (or a duly authorised committee thereof) are authorised to do or procure to be done all such acts and things on behalf of the Company and any of its subsidiaries as they consider necessary or expedient for the purpose of giving effect to such disposal and this resolution and to carry the same into effect with such modifications, variations, revisions, waivers or amendments, provided such modifications, variations, revisions, waivers or amendments are not of a material nature.

2. THAT:

subject to and conditional upon the completion of all, or substantially all, of the proposed disposal of the Hard Rock businesses in accordance with the terms and subject to the conditions set out in the disposal agreement, and subject to and conditional upon admission of the New Rank Shares (as defined below) to the Official List of the United Kingdom Listing Authority and to trading on the London Stock Exchange becoming effective by 8.00 am on Monday, 26 March 2007 (or such later time and date as the directors of the Company (or a duly authorised committee thereof) may decide):

- (a) all the ordinary shares of 10 pence each in the capital of the Company which at the close of business on 23 March 2007 (or such other time and date as the directors of the Company may determine) are shown in the books of the Company as authorised, whether issued or unissued, shall be sub-divided into new ordinary shares of 1 pence each in the capital of the Company (the “Intermediate Shares”);
- (b)
  - (i) all Intermediate Shares that are unissued shall be consolidated into new ordinary shares of 13 $\frac{3}{4}$  pence each in the capital of the Company (the “Unissued New Rank Shares”), provided that, where such consolidation would otherwise result in a fraction of an Unissued New Rank Share, that number of Intermediate Shares which would otherwise constitute such fraction shall be cancelled pursuant to section 121(2)(e) of the Companies Act 1985; and
  - (ii) all Intermediate Shares that are in issue shall be consolidated into new ordinary shares of 13 $\frac{3}{4}$  pence each in the capital of the Company (the “New Rank Shares”), provided that, where such consolidation results in any member being entitled to a fraction of a New Rank Share, such fraction shall, so far as possible, be aggregated with the fractions of a New Rank Share to which other members of the Company may be entitled and the directors of the Company be and are hereby authorised to sell (or appoint any other person to sell) to any person, on behalf of the relevant members, all the New Rank Shares representing such fractions (“the Fractional Entitlement Shares”) at the best price reasonably obtainable, and to distribute the proceeds of sale (net of expenses) in due proportion among the relevant members entitled thereto (save that any fraction of a penny which would otherwise be payable shall be rounded up or down in accordance with the usual practice of the registrar of the Company, and save that, pursuant to Article 42 of the Company’s Articles of Association, the Company may retain the net proceeds of sale of such Fractional Entitlement Shares where the individual amount of net proceeds to which any member is entitled is less than £3.00) and that any director of the Company (or any person appointed by the directors of the Company) shall be and is hereby authorised to execute an instrument of transfer in respect of such shares on behalf of the relevant members and to do all acts and things the directors consider necessary or expedient to effect the transfer of such shares to, or in accordance with the directions of, any buyer of any such shares.

By the order of the Board  
Pamela Coles  
Company Secretary

Registered Office:  
Statesman House  
Stafferton Way  
Maidenhead  
Berkshire SL6 1AY

15 December 2006

**Notes:**

1. A member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her by:
  - (a) completing and returning the enclosed form of proxy; or
  - (b) if the member is a user of the CREST system (including CREST Personal Members), having an appropriate CREST message transmitted.A proxy need not be a member of the Company.
2. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that those shareholders registered in the register of members of the Company as at 10.00 a.m. on Saturday, 6 January 2007 shall be entitled to attend or vote at the meeting in respect of the number of shares in their names at that time.
3. In the case of joint holders, the signature of any of them will suffice, but the names of all joint holders should be shown, and the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names appear in the register of members in respect of their joint holding.
4. The form of proxy should be in writing under the hand of the appointor or his/her agent duly authorised in writing. In the case of a corporation the form must be under seal or under the hand of a duly authorised agent or officer of the corporation whose authority should be stated.
5. Any alteration made to the form of proxy should be initialled by the person(s) signing it.
6. To appoint a proxy or to give an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent (ID 7RA01) by 10.00 a.m. on Saturday, 6 January 2007. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual. A proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 may be treated as invalid.
7. To be effective the instrument appointing a proxy and, if appropriate, the authority under which it is signed, or an office or certified copy thereof, must be deposited at the offices of Lloyds TSB Registrars not later than 10.00 a.m. on Saturday, 6 January 2007 or 48 hours before the time for holding any adjourned meeting or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
8. There will be available for inspection at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London, EC4Y 1HS, and at the registered office of the Company, during normal business hours on any weekday (public holidays excepted) from the date of this notice until the date of the extraordinary general meeting, including during the extraordinary general meeting:
  - (a) the Memorandum and Articles of Association of the Company;
  - (b) the consent letters referred to in paragraph 12 of Part 6 of the Circular;
  - (c) the report from PricewaterhouseCoopers LLP set out in Part 3 of the Circular regarding the pro forma financial information of the Company;
  - (d) the audited consolidated accounts of the Company for the two financial years ended 31 December 2004 and 31 December 2005;
  - (e) the Circular;
  - (f) the disposal agreement;
  - (g) the register of directors' interests in the ordinary shares of the Company; and
  - (h) the service contracts and letters of engagement of the directors of the Company.
9. Appointment of a proxy will not prevent a member from attending and voting at the extraordinary general meeting should he/she decide to do so.
10. The form of proxy confers authority to demand or join in demanding a poll.
11. Electronic proxy appointment is available for this EGM. This facility enables Rank shareholders to lodge their proxy appointment by electronic means on a website provided by Lloyds TSB Registrars. Rank shareholders who have already registered their holding(s) with the Shareview portfolio service will be sent an e-mail with full instructions on the electronic proxy voting procedure. Other shareholders may submit an electronic proxy appointment online, using the three reference numbers printed on the form of proxy, at [www.sharevote.co.uk](http://www.sharevote.co.uk), where details of the voting procedure are shown. Electronic proxies will not be valid if received after 10.00 a.m. on Saturday, 6 January 2007 and will not be accepted if found to contain a computer virus.









