

2 March 2007

The Rank Group Plc
Preliminary results for the year ended 31 December 2006 (unaudited)

Financial highlights

- Revenue from continuing operations of £549.6m (2005: £529.8m)
- Group operating profit before exceptional items from continuing operations of £77.4m (2005: £90.5m); £133.6m (2005: £78.4m) after exceptional items
- Adjusted* profit before tax of £44.4m (2005: £50.5m); profit before tax of £92.9m (2005: £15.8m)
- Bingo operating profit of £72.1m (2005: £87.9m)
- Casinos operating profit of £39.5m (2005: £35.0m)
- Interactive (Blue Square) operating profit of £7.8m (2005: £1.0m)
- Hard Rock reported as a discontinued operation. Operating profit of £40.4m (2005: £34.8m)
- Basic earnings per share of 19.9p (2005: loss per share 33.6p)
- Adjusted* earnings per share of 5.1p (2005: 5.4p)
- Final dividend per share of 4.0p (2005: 10.3p); Full year dividend of 6.0p (2005: 15.3p)
- Net debt of £447.2m (2005: £739.4m)

* Adjusted profits and earnings per share are calculated by excluding earnings related to discontinued operations, exceptional items, foreign exchange on inter-company balances including hedging and amortisation of interest relating to equity component of convertible bond from basic earnings.

Ian Burke, chief executive of The Rank Group Plc said: "Through the actions that we have taken in 2006 we have repositioned the Group to focus purely on mainstream gaming. This is a market where we have a depth of operating experience, a portfolio of strategically important assets and recognised brands and where we see opportunities for sustained long-term growth."

During the course of the year Rank has taken action to address each of the strategic priorities that were outlined at the time of the Group's interim results in September 2006:

Re-energise Gaming division

- Mecca Bingo – gains in market share as a result of initiatives to improve competitive positioning
- Grosvenor Casinos – growth in revenue and operating profit and strong rise in active membership
- Blue Square – significant growth in operating profit, principally as a result of strong revenue growth from online gaming

Establish appropriate cost structure for continuing Group

- Corporate functions and Gaming shared services merged - £6m of annual overhead savings from 2007
- New club operating models and purchasing efficiencies introduced - £10m of annual cost savings from 2007 in Mecca Bingo and Grosvenor Casinos

Maintain growth of Hard Rock and assess strategic options

- Hard Rock operating profit increased by 16.1% to £40.4m
- \$965m (£490m) sale of Hard Rock agreed on 7 December 2006 (completion expected on 5 March 2007)

Exit Deluxe Media Services and other non-core interests

- Agreement reached to complete exit of Deluxe Media Services
- Sale of US Holidays completed on 15 December 2006

Complete balance sheet restructuring

- £200m share buy-back in 2006
- £350m special dividend scheduled for payment on 9 April 2007 and share consolidation

Ian Burke said: "During 2006 we agreed or completed asset disposals totalling more than £1.1 billion, including the sales of Deluxe Film, Hard Rock and US Holidays. By the time that the £350m special dividend is paid on 9 April 2007, we will have returned £550m to shareholders in the space of 14 months (excluding ordinary dividends).

"As a result of our programme of restructuring, we have transformed Rank into a focused gaming business.

"We see long-term growth prospects in the UK gaming market and we believe that, with our integrated model of bingo, casino and betting with both retail and on-line distribution, we are well placed to benefit from the predicted increases in consumer spending on mainstream gaming.

"In the short-term we recognise that our businesses face a number of challenges, most notably the smoking ban which will be effective across the whole of Britain from July this year. Our strategy is to take vigorous action to meet these challenges while retaining our long-term focus on the growth opportunities for Rank."

Ends

Enquiries

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Photographs available from www.newscast.co.uk and www.rank.com

Analyst meeting, webcast and conference call details:

Friday 2 March 2007

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

To register for the live webcast, please pre-register for access by visiting the Group website (www.rank.com). A copy of the webcast and slide presentation given at the meeting will be available on the Group's website later today. The webcast will be available for a period of six months.

Conference call details:

Friday 2 March 2007

9.20am International +44 (0)20 8609 0205 / UK Local 0800 358 2705 / USA Free 1866 793 4279
passcode 189069#

9.30 am Meeting starts

A replay will be made available on International +44 (0)20 8609 0289 / UK Local 0800 358 2189 / USA Free 1866 676 5865 (passcode 164753#)

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

CHIEF EXECUTIVE'S REVIEW

Introduction

The reporting of Rank's financial results for 2006 is affected by a number of changes to the Group's structure and to the way that we manage the continuing businesses.

In accordance with European Union endorsed International Financial Reporting Standards (IFRS) we have separated the performances of Hard Rock, Deluxe Film, Deluxe Media Services and US Holidays (classified as "discontinued businesses") within the Income Statement.

In addition we have changed the way that we report the performances of our continuing businesses, stating segmental operating profit before shared service costs. Gaming division shared service costs are now aggregated, reflecting the ongoing integration of our bingo, casino and interactive operations.

Results – continuing operations

During 2006, we grew revenue from continuing operations by 3.7% to £549.6m but operating profit of £77.4m was 14.5% lower than in 2005. The reduction in operating profit was due in part to a £4.5m increase in rental costs arising from the £211m sale & leaseback transaction which completed in August 2006. Adjusting for the increased lease costs and a number of one-time restructuring costs, operating profit for the continuing Group was in line with our performance in 2005.

The outstanding performance came from our interactive business, Blue Square, which increased operating profit by 680% to £7.8m through tighter margin control and strong revenue growth in its games and poker products.

In Mecca Bingo we have made significant progress in improving the quality of our product, giving our members greater value for their money. During 2006 we paid out more than £205m in main stage bingo prizes, compared with £187m in 2005. This approach has been rewarded with an increase in market share and a stemming of admissions decline. However the impact of the smoking ban in Scotland, in addition to rises in business costs and operating lease payments has resulted in lower operating profit.

In Grosvenor Casinos we delivered good growth in revenue and a 12.9% rise in operating profit. This performance was driven by a 3.7% year-on-year increase in admissions and a 1.2% increase in spend per head.

Smoking bans

Scotland's ban on smoking in enclosed public places contributed to a 15% reduction in like-for-like revenue from our Scottish bingo clubs from the point of its introduction in March 2006 to the end of the year. Similar bans will be introduced this year in Wales (2 April) and England (1 July). We have implemented a broad strategy to counter the negative effects of the smoking ban, including improving facilities for members who wish to smoke, working with the Gambling Commission to adapt our games and stepping up new member recruitment. However the smoking ban remains our most immediate concern for the Group.

Top Rank Espana, our Spanish bingo clubs business, has had to adapt to a partial smoking ban which only permits smoking in up to 30% of the club's gaming area. From 1 September 2006 it has been a legal requirement that these smoking areas be segregated from non-

smoking areas by physical partitions. These changes caused an element of disruption but the business has taken all steps necessary to comply with the regulations.

As we have no casinos in Scotland at present, we have no first-hand knowledge of the effect of a smoking ban on casinos. Industry data suggests that, since the ban came into force, casinos in Scotland have under-performed slightly against those in England and Wales.

Gambling Act 2005

In September 2007 the majority of the provisions of the Gambling Act 2005 (2005 Act) will be implemented. The 2005 Act brings a number of benefits for our businesses.

- the relaxation of advertising restrictions for casinos
- the opportunity to charge 'rake' on card room poker
- the ability to test new casino and bingo games
- the removal of limits on linked games and the ability to create rollover jackpots in bingo

The major negative aspect of the 2005 Act for Rank is the loss of Section 21 gaming terminals as a result of the reclassification of gaming machines. At 31 December 2006 Rank had 1,145 Section 21 terminals across its estate, including 949 in Mecca Bingo and 196 in Grosvenor Casinos.

To counter the loss of these terminals, we are introducing a range of improvements to our electronic gaming product, including the upgrading of AWP prizes from £25 to £35, the maximisation of Section 31 'Jackpot' machine allocation and the gradual replacement of 'reel' machines with 'video' machines.

At present a number of the 2005 Act regulations governing the changes described above have yet to be published in their final form.

Casino market growth – 1968 Act casinos

The UK casino market has entered a dynamic phase in its development with societal and regulatory changes stimulating mainstream consumer demand for the leisure experience of casino gaming.

The increase in popularity of casino gaming has been accompanied by a rise in the number of UK casino licences. We estimate that there are 138 casinos operating in the UK and 34 non-operating licences – all granted under the 1968 Gaming Act (1968 Act). Since April 2006 there has been a moratorium on new casino licence applications under the 1968 Act. A number of applications (submitted prior to the moratorium) have yet to be heard but we estimate that there could be as many as 175 casinos operating by 2010. This represents a reduction versus our previous estimate of approximately 200 and is based upon a reduced rate of successful licence applications.

The granting of new casino licences in jurisdictions where the extant market supply is already sufficient to meet demand remains a concern for the Group. During 2006 22 new casino licence applications were contested. Of these 13 were refused and two were withdrawn. We intend to continue to press for the 'demand test' to be applied and used in determination of new licence grants in all jurisdictions where we operate casinos.

Casino market growth – Gambling Act 2005 casinos

On 30 January 2007, the Casino Advisory Panel issued a list of the local authorities that had been successful in applying to host one of the 17 new casinos to be granted under the 2005 Act.

The list requires ratification by the Secretary of State for Culture Media and Sport as well as parliamentary approval, both of which are expected to occur in the next few months. Following this event, the successful local authorities are then required to hold open competitive tender processes before appointing developers and operators. This stage is to be conducted in accordance with guidelines from the Secretary of State, which are due to be published shortly.

We intend to bid for a number of these new casino licences, although we have concerns about the inequitable regulations governing existing (1968 Act) casinos and the new (2005 Act) casinos. We do not yet have full visibility on the bidding process but it is likely to require a significant level of investment.

As an established British casino operator with a track record of responsible operation and commercial success and with the rare combination of operating experience in casino, bingo and sports betting (the three gambling elements of the new casinos) we have the competencies and resources necessary to apply for the new licences.

Double-taxation on bingo

During 2007 we will continue to work with the Bingo Association to press for the abolition of double-taxation on bingo. Bingo participation fees are subject to both 17.5% value added tax (VAT) and 15% gross profits tax (GPT) which applied in combination effect a tax rate of 27.7%. This is in contrast to the 15% gross profits tax that British bookmakers pay on their gross win. We contend that this is an unfair system that penalises soft gaming.

In recent years we have engaged in discussions with the Government to seek an end to this harsh tax regime. We strongly urge the Government to reconsider the current taxation regime and so prevent the demise of bingo in many local communities, thus preserving employment and an important part of the social fabric of the UK.

Cost savings

During 2006 we undertook a major programme of cost saving initiatives, designed to generate £16m of annual cost savings. We developed improved club operational models in Mecca Bingo and Grosvenor Casinos, we closed our London head office and merged our corporate and Gaming shared service functions, we streamlined our senior management structure and took steps to improve procurement efficiency.

As a result we expect to achieve £10m of operational cost savings in 2007 (mainly in Mecca Bingo) and to cut £6m from our combined Group and Gaming division costs, on an underlying basis. The implementation of these initiatives during 2006 resulted in one-off costs of £4.4m in Group overhead and £4.5m in Gaming shared services.

Sale of Hard Rock and payment of special dividend

On 7 December 2006 we announced the sale for \$965m (approximately £490m) of Hard Rock to the Seminole Tribe of Florida. The disposal and a proposal for a £350m special dividend payment received shareholder approval at an extraordinary general meeting on 8 January 2007. The disposal is expected to complete on 5 March 2007 and the special dividend of 65 pence per share is scheduled to be paid on 9 April 2007 to shareholders on the register at 23 March 2007. The payment of the special dividend will be accompanied by an 18 for 25 share consolidation.

Deluxe Media Services and US Holidays

During 2006 we exited, via a series of disposals, all Deluxe Media Services (DMS) operations in Europe (including the UK). In addition we reached agreements with our customers to terminate our media replication and distribution services in the USA. Although there are ongoing lease commitments on a small number of properties in the USA, we anticipate exiting the business within the £56.6m provision established at 31 December 2005.

On 15 December 2006 we completed the sale of US Holidays, for \$32.6m (approximately £16.8 million).

Final dividend

We look forward with confidence in the Group's prospects and are pleased to recommend a final dividend of 4.0p per share, making a total dividend for the year of 6.0p per share. The dividend will be paid on 11 May 2007 to shareholders on the register at 27 April 2007.

The Board intends that the absolute level of dividend per share in 2007 will be no lower than in 2006. Our medium term dividend cover target remains 2.0 times earnings.

Current trading

We are satisfied with the overall trading performance of the Group in the eight week period since the start of the year.

Mecca Bingo has generated like-for-like revenue growth in its clubs in England and Wales as a consequence of higher spend per head. Admissions are lower than in the same period last year due to lower expenditure on promotions. Trading in Mecca's clubs in Scotland remains difficult, with a slight increase in the level of revenue decline. During the winter months we have experienced a recovery in spend per head but a steeper decline in admissions. Pleasingly, Top Rank Espana has achieved revenue in line with the same period in 2006.

Grosvenor Casinos has generated like-for-like growth in revenue against a strong comparative period in 2006, with improvements in spend per head outweighing lower admissions. We have chosen not to replicate the high level of promotional activity that stimulated double-digit admissions growth at the start of 2006 but are pleased with our new member and admissions performance.

Our interactive business, Blue Square has enjoyed a strong start to the year with growth in gross win. Poker is performing particularly well as a result of the launch of the Blue Square sponsored Grosvenor UK Poker Tour.

SUMMARY OF RESULTS (from continuing operations)

	Revenue		Operating profit Before exceptionals		After exceptionals	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Mecca Bingo	261.7	264.0	63.2	77.9		
Top Rank Espana	31.1	31.6	8.9	10.0		
Grosvenor Casinos	217.6	207.9	39.5	35.0		
Blue Square	39.2	26.3	7.8	1.0		
Gaming Shared Services			(24.8)	(18.1)		
Gaming	549.6	529.8	94.6	105.8	162.9	105.8
Central costs and other	-	-	(17.2)	(15.3)	(29.3)	(27.4)
Continuing operations	549.6	529.8	77.4	90.5	133.6	78.4
Interest (net)			(33.0)	(40.0)	(47.7)	(43.6)
Adjusted profit before taxation			44.4	50.5	85.9	34.8
Foreign exchange on inter-company balances (including hedging)			10.0	(16.0)	10.0	(16.0)
Amortisation of equity component of convertible bond			(3.0)	(3.0)	(3.0)	(3.0)
Profit before taxation and exceptional items			51.4	31.5	92.9	15.8
Basic earnings per share- continuing operations			8.1p	1.0p	19.5p	2.4p
Adjusted earnings per share			5.1p	5.4p		

Group revenue from continuing operations was up 3.7% to £549.6m, mainly due to growth in Blue Square and Grosvenor Casinos.

Group operating profit before exceptional items was down 14.5% to £77.4m. Operating profit fell in Mecca Bingo and Top Rank Espana but rose in Grosvenor Casinos and Blue Square. Profits from our bingo businesses have been affected by smoking bans in Scotland and Spain as well as increased rents on the sale and leaseback sites. Gaming shared services and corporate costs include a number of one off costs totalling £8.9m.

Adjusted Group profit before tax was down 12.1% to £44.4m with the lower Group operating profit being partially offset by reduced interest charges.

The effective tax rate on adjusted profits is 32.4% (2005: 33.5%). The tax charge is in line with the continuing Group's anticipated effective tax rate of 30-35%.

Adjusted earnings per share before exceptional items of 5.1p (2005: 5.4p) reflects the lower level of Group operating profit, offset by decreases in the number of shares in issue and the decrease in the effective rate of tax.

As required by IFRS, foreign exchange movements on certain inter-company loans are recognised in the income statement as financial gains or losses. This has resulted in a £10.0m gain (2005: £16.0m charge), including hedging gains, being recognised against the results of the continuing Group. In addition, the amortisation of the Group's £167.7m convertible bond's equity component has resulted in a £3.0m (2005: £3.0m) charge being recognised in this income statement in accordance with IAS 32 and IAS 39.

The sale and leaseback transaction and disposal of surplus properties completed in August (see further details below) resulted in a net £171.9m cash inflow to the Group and an exceptional profit of £55.3m being recognised. This has resulted in additional rent costs in the year of £4.5m.

The Clermont Club was sold for £31.0m in December 2006 and an exceptional profit of £13.0m has been recognised on the disposal.

In addition the Group has reported a £12.1m exceptional loss on the disposal of its investment in Universal Studios Japan. Previously the loss had been recognised in reserves.

The Group incurred an exceptional charge of £14.7m in relation to the refinancing carried out as a result of the sale of Deluxe Film and the decision to sell Deluxe Media.

The performances of Mecca Bingo, Top Rank Espana, Grosvenor Casinos and Blue Square are covered in more detail below.

BINGO

	Revenue		Operating profit	
	2006	2005	2006	2005
	£m	£m	£m	£m
Mecca Bingo	261.7	264.0	63.2	77.9
Top Rank Espana	31.1	31.6	8.9	10.0
	292.8	295.6	72.1	87.9

Revenue of £292.8m from our bingo operations was only slightly lower than in 2005 but with increased rental costs following the sale and leaseback of 40 clubs, rising business costs and the negative effect of smoking bans in Scotland and in Spain, operating profit declined by 18.0% to £72.1m.

Mecca Bingo

	2006	2005	Change
			%
Admissions (000s)	19,412	19,728	(1.6)
Spend per head (£)	13.48	13.38	0.7

Revenue from our UK bingo clubs business Mecca, edged lower to £261.7m and operating profit was down by 18.9% to £63.2m. Spend per head growth of 0.7% helped to off-set a 1.6% decline in admissions, which in turn was driven by a drop in average frequency of visit. The contraction of operating margin was due in part to an additional £3.3m of rental costs and the estimated £4.5m profit impact of the Scottish ban on smoking in enclosed public areas.

In the 40 weeks between the introduction of the smoking ban and the end of the year, our Scottish clubs experienced a 15% decline in like-for-like revenue. Admissions were 6% lower than in 2005 and spend per head was down by 9%. By contrast, our clubs in England and Wales increased like-for-like revenue by 1% over the same period.

During the year we opened three new clubs, at Crewe, Edinburgh and Paisley and we exited seven clubs, at Aintree, Brighton, Dingle, Easterhouse, Edinburgh, Portsmouth and Stepney. At 31 December 2006 Mecca operated 113 clubs across the UK, including 14 in Scotland and four in Wales.

We have made good progress towards our goals of rebuilding Mecca's share of the bingo market and checking admissions decline. Mecca's share of 'National Game' ticket sales increased from 27.6% in 2005 to 28.8% in 2006. Active membership increased by 3.5%, with 1.1 million members visiting our clubs in 2006.

Our gain in market share resulted from our efforts to improve the competitive positioning of our product by offering consistently high quality, high prize bingo. During 2006 we paid out more than £205m in main stage bingo prizes, representing a 10% increase over 2005. To achieve this we cut the average level of participation fee charged on main stage bingo from 19.0% to 15.3%.

While the immediate effect of this approach has been to reduce revenue, it has proved successful in checking admissions decline. During the second half of the year, Mecca generated modest like-for-like admissions growth in England and Wales.

Gaming machines were the principal area of revenue growth, contributing £72.8m or 27.8% of Mecca's total revenue in 2006. At the end of 2006 our portfolio comprised 374 Section 31 'jackpot' machines, 949 Section 21 terminals and 3,993 AWP machines. From September 2007 we will be required to remove all Section 21 terminals. To counter the loss of these terminals we are introducing a range of improvements to our electronic gaming product. The ability to upgrade our AWP jackpots from £25 to £35 will help to off-set this impact. During 2007 we will continue to improve the overall quality of our machines product.

Analysis of UK bingo revenue	2006 £m	2005 £m	Change %
Main stage bingo	43.2	51.6	(16.3)
Interval games	120.4	123.4	(2.4)
Gaming machines	72.8	64.5	12.9
Food, beverage & other	25.3	24.5	3.3

Our long-term priorities in Mecca are to drive underlying revenue momentum by focusing on admissions growth and to improve margins through more efficient club management. In the short-term we are taking steps to mitigate the negative impacts of the smoking ban and the loss of Section 21 gaming terminals.

Bingo is particularly vulnerable to a smoking ban because of: the high propensity of our members to smoke; the structured nature of bingo's gameplay; the regulatory constraints that restrict innovation; a high fixed-cost base; and the physical constraints of premises licensed for bingo. Our strategy focuses on each of these factors, effecting a coordinated series of counter-measures.

We are making bingo gameplay more flexible through the introduction of a higher degree of variation between main stage and interval games and by expanding the use of linked games. We continue to develop desk-top and portable electronic bingo solutions, which give members greater choice in how they play bingo and which have had a positive effect on average book sales.

We are encouraged by the early results from our community outreach marketing initiative which seeks to introduce bingo to new and lapsed customers, particularly to non-smokers.

By the time that the smoking ban is implemented in England on 1 July, we will have introduced sheltered outside enclosures at the majority of our clubs. In turn we will apply for licensing approval to allow gaming in these enclosures, giving those of our members who smoke the chance to continue to enjoy their bingo.

We have carried out a thorough review of our estate to identify those clubs most at risk from the smoking ban and where appropriate we will seek to exit vulnerable locations, either through licence relocations or outright disposals. In February 2007 we completed the sale of our Hounslow club and later that month we announced that we would close a further nine clubs.

Top Rank Espana

	2006	2005	Change %
Admissions (000s)	2,545	2,668	(4.6)
Spend per head (£)	12.23	11.79	3.7

A combination of factors put pressure on revenue and profit at Top Rank Espana, which operates 11 bingo clubs in Spain. Revenue of £31.1m was 1.6% lower than in 2005 and operating profit declined by 11.0% to £8.9m.

Improvements to our gaming machines product resulted in an 3.7% improvement in spend per head but the requirement to partition smoking and non-smoking areas had a negative impact on admissions, which declined by 4.6%.

Our priorities for Top Rank Espana in 2007 are to rebuild profitability by delivering a premium bingo product and by working with our interactive business, Blue Square, to explore the opportunities for on-line distribution that are presented by gaming deregulation in Spain.

We will continue to examine opportunities to grow our clubs portfolio in Spain, but are keen to understand fully the nature of the smoking ban impact before we commit further expansionary capital.

CASINOS

	Revenue		Operating profit	
	2006 £m	2005 £m	2006 £m	2005 £m
London – upper	23.2	24.9	4.1	4.8
London – mainstream	70.9	67.1	12.0	9.6
Provincial	110.3	103.0	22.0	19.2
Total UK	204.4	195.0	38.1	33.6
Belgium	13.2	12.9	1.4	1.4
Total	217.6	207.9	39.5	35.0

In Grosvenor Casinos, we grew revenue by 4.7% and increased operating profit by 12.9%. This performance was achieved despite a £1.2m increase in rental costs resulting from the sale and leaseback of four casinos, which completed in August 2006.

In the UK we achieved a 4.8% increase in revenue to £204.4m, while operating profit grew by 13.4% to £38.1m. This performance was driven by a 3.7% rise in admissions and a 1.2% rise in spend per head. Active membership rose by 11.9% to more than 774,000.

After a strong start to 2006, our year-on-year admissions performance weakened during the second half. This was due in large part to our decision to spend less heavily on promotions than we had done in the final quarter of 2005 (when we ran a major marketing campaign to coincide with the removal of the '24-hour rule').

Growth in spend per head was due in large part to the performance of our electronic gaming products, following an increase in the permitted allocation of Section 31 'jackpot' machines in the final quarter of 2005. At 31 December 2006 our estate comprised 578 Section 31 machines, 196 Section 21 terminals and 759 electronic roulette positions.

In June 2006 we relocated a licence in Manchester from Empire Street to a purpose-built 35,000 sq ft site on Bury New Road. The new casino was the first to be opened under the G Casino brand, a concept designed specifically for the mainstream leisure gaming market. We are encouraged by its early performance.

In November we completed the sale for £31.0m of the Clermont Club in London and in July we exited under-performing casinos in Manchester and in Scarborough. At 31 December 2006 Grosvenor operated 33 casinos in the UK.

Our two casinos in Belgium, at Middlekerke and Blankenberge generated a small increase in revenue to £13.2m while operating profit of £1.4m was 6.4% ahead of 2005. During 2007 we will explore opportunities presented by new legislation to broaden the range of gaming activities within these casinos. These opportunities include the introduction of video poker and electronic roulette.

	Admissions		Spend per head	
	2006 (000s)	2005 (000s)	2006 £	2005 £
London – upper	62	59	375.30	423.80
London – mainstream	945	898	75.10	74.10
Provincial	3,521	3,410	31.30	30.20
Total UK	4,528	4,367	45.20	44.67

London upper – Sales and profit for the casinos in our 'London - upper' segment were affected by the sale of the Clermont Club. From 2007, the Park Tower (which is the other casino in this segment) will be reported as part of Grosvenor's London casinos.

London mainstream – Our four mainstream casinos in London generated revenue growth of 5.7%, with admissions rising by 5.2% and spend per head up by 1.3%. The Hard Rock Casino (which will be re-branded as a G Casino during 2007), located in the heart of London's tourism district on Leicester Square, drew particular benefit from the ending of the 24 hour rule, enjoying strong growth in admissions.

Provincial – Our provincial casinos posted a 7.1% increase in revenue for the year, despite the closure in July of the Hard Rock Casino in Manchester and the Grosvenor Casino in Scarborough. During the year we increased admissions by 3.3% and grew spend per head by 3.6% to £31.30. A small number of our casinos experienced a rise in competition during the year, which held back profit growth within the provincial segment.

The priorities for Grosvenor in 2007 are to continue to position both our product and our estate for continued growth in mainstream casino gaming. At the same time we are mindful of the potentially negative effects of the introduction of smoking bans in England and Wales and of the loss of Section 21 gaming terminals.

The full implementation of the 2005 Act in September 2007 brings opportunities for Grosvenor in the shape of new regulations on casino advertising and promotions, the ability to test new games and a change to revenue generation from poker room activities.

From September the restrictions on casino advertising will be relaxed. While the exact nature of the changes are not yet clear, we expect that the changes will allow us to promote

the locations and the consumer offers of our casinos more clearly and through a broader range of media. We will have an early opportunity to examine the impact of television in raising awareness of our business. From August this year ten of our casinos will feature on Channel 4 Television's coverage of the Blue Square sponsored Grosvenor UK Poker Tour (see below for further details).

From the implementation of the 2005 Act, we will be testing a range of internationally established casino games which have hitherto not been permitted in the UK. These include poker variants such as 'Texas Hold 'Em', 'Let It Ride' as well as a number of 'side bet' games, such as Blackjack's 'Perfect Pairs'. We will work closely with the Gambling Commission to ensure that any new games comply both with the 2005 Act and with our own code of conduct on responsible gambling.

In addition we will be permitted to charge 'rake' on card room poker games, rather than simply taking an hourly usage or dealer fee. As the UK's largest poker room operator (20 of our 33 casinos operate a dedicated card room) this presents an opportunity for the business.

We continue to grow our estate to meet the rising consumer demand for mainstream casino gaming. In addition to our plans to apply for new casino licences under the 2005 Act, we will add to and develop our existing portfolio of clubs, which are licensed under the 1968 Act.

We are building our first casinos in Scotland, at Aberdeen and Dundee and expect them to open in 2008. We have been granted a further six non-operating casino licences and we have the ability to extend or relocate sub-scale casinos. These opportunities create the potential to add significant scale to our estate over the next few years.

In February 2007 we relocated our Luton casino licence from Dunstable Road to a 30,000 sq ft site with good parking facilities on Park Street West in the town centre. The casino has opened under our new G Casino brand. We will undertake a major extension project at the Grosvenor Blackpool, which will also be re-branded as a G Casino.

INTERACTIVE

Blue Square	2006	2005
	£m	£m
Gaming	22.9	13.1
Sportsbook	16.3	13.2
Gross win/ revenue	39.2	26.3
Operating profit	7.8	1.0

In 2006 our interactive gaming business, Blue Square increased revenue by 49% to £39.2m and grew operating profit by 680% to £7.8m. Active membership increased by 22.9% to more than 285,000 members.

This strong performance was driven largely by our strategy to develop our games and poker products and by the advances we have made in sportsbook risk management. Gross win from gaming grew by 74.8% to £22.9m while sportsbook rose by 23.5% on stronger margins to £16.3m. This was the first time that Blue Square's gaming gross win had exceeded that of sportsbook.

During the year we launched a number of new gaming products, including meccabingo.com and grosvenorcasinos.com.

In sportsbook we developed Blue Square Prices, breaking with bookmaking tradition to offer customers an alternative to Show Prices on horse-racing. Between its launch in May and the

end of the year, Blue Square was able to offer better last show odds than the official Starting Price on 38% of races covered (and the same odds on 44% of events).

The priorities for Blue Square in 2007 are to support the growth of our sportsbook and gaming products through targeted and imaginative marketing and to develop the on-line distribution of Rank's retail gaming brands.

In January 2007 we launched the Blue Square-sponsored Grosvenor UK Poker Tour, the most significant series of poker tournaments yet seen in the UK. The tour comprises eleven regional poker tournaments and numerous 'satellite' events, each hosted in a Grosvenor casino, and culminates in a grand final to be held at the Victoria Casino in London in December. Approximately 20% of players are expected to qualify for the tournaments by playing on-line at Blue Square Poker.

With each event being filmed for Channel 4 Television, the Grosvenor UK Poker Tour will become the first poker tournament to appear on terrestrial television, with 22 weekly screenings commencing in August.

This year we aim to extend the on-line distribution of our retail gaming brands, with marketing campaigns for meccabingo.com and grosvenor-casinos.com and the launch of grosvenorpoker.com. And we are exploring opportunities with Top Rank Espana to develop an on-line bingo product for the Spanish market.

To support the Blue Square sportsbook in 2007 we have taken sponsorship of the Greyhound Derby, the UK Darts Open and become the first full day sponsors at 'Glorious Goodwood'.

DISCONTINUED OPERATIONS

Hard Rock

The sale of Hard Rock, the cafe, hotel and casino business, was agreed on 7 December 2006 and it is now classified as a business held for sale. As a consequence its results are reported as discontinued operations.

Hard Rock delivered an 8.4% growth in revenue to £271.2m (2005: £250.1m) and operating profit of £40.4m (2005: £34.8) as a result of strong trading from each of the business divisions.

The sale of the business to the Seminole Tribe of Florida is expected to complete on 5 March 2007 and will generate a profit on disposal. The book value of Hard Rock at 31 December 2006 was approximately £200m.

Deluxe Film

The sale of Deluxe Film, the film services business, was completed on 27 January 2006.

Deluxe Film delivered an operating profit before exceptional items of £1.5m in its final month of operation. The business was written down to its expected net realisable value in 2005, incurring an exceptional loss of £150.4m.

Deluxe Media Services

During 2006 DMS operations in Europe have been exited through a series of disposals and we reached agreements with our customers to terminate our remaining operations in North America.

DMS, the DVD and CD manufacturing and distribution business, made an operating loss before exceptionals of £13.9m (2005: £16.4m).

In 2005 the Group reported a pre-tax exceptional charge of £136.5m to write the business down to net realisable value. No exceptional charge or credit has been reported for 2006 and, as previously reported, we anticipate current provisions will cover the exit costs for the remaining business.

US Holidays

US Holidays, the time-share accommodation, camping and hotels business, was sold on the 15 December 2006. Revenue in 2006 was £28.0m (2005: £30.4m) with operating profit of £2.1m (2005: £2.2m).

An exceptional pre-tax loss of £20.0m was incurred on the sale.

CASHFLOW AND NET DEBT

	2006 £m	2005 £m
Continuing operations		
Cash inflow from operations	107.3	131.9
Capital expenditure	(50.2)	(28.2)
Fixed asset disposals	10.1	1.6
Operating cash inflow	67.2	105.3
Acquisitions and disposals	458.0	(3.0)
Net sale and leaseback proceeds	171.9	-
Payments in respect of provisions and exceptional costs	(37.0)	(29.5)
	660.1	72.8
Interest, tax, dividends and share capital issued	(135.1)	(124.1)
Share buy-back	(201.4)	-
Additional contribution to pension fund	(50.0)	-
Cash outflow on discontinued operations	(14.3)	(8.8)
Net cash inflow (outflow)	259.3	(60.1)

Operating cash flow was £67.2m, £38.1m lower than 2005 due to the increase in capital expenditure and reduced operating profit.

Capital expenditure

	2006 £m	2005 £m
Continuing operations		
Mecca Bingo	16.3	13.7
Top Rank Espana	5.5	2.0
Grosvenor Casinos	24.4	7.9
Blue Square	2.8	3.6
Other	1.2	1.0
Total	50.2	28.2

During 2006 we invested £50.2m to maintain and develop our gaming businesses.

Total capital expenditure for Mecca was £16.3m, which included £5.6m of expansionary capital, largely on projects to open new clubs at Crewe and Paisley as well as the fully electronic club at Fountain Park in Edinburgh.

Capital expenditure for Top Rank Espana was £5.5m. This included the investment required to adapt our clubs for the introduction of a partial smoking ban, which was phased in during the year.

Total capital expenditure for Grosvenor was £24.4m including the development of our G Casinos. In 2006 we opened our first G Casino within a 35,000 sq. ft site on Bury New Road in Manchester and our second site in Luton opened in February 2007. In addition we extended the Grosvenor Casino in Reading.

Acquisitions and disposals

The £458.0m cash inflow in the year principally comprises £394.1m for Deluxe Film, £31m for the Clermont Club and £16.8m for US Holidays.

Sale and leaseback

In August we completed a £211m sale and leaseback transaction on 43 of our UK freehold properties. Under the terms of the agreement we will lease back the properties over a period of up to 15 years at an initial rental of £11.2m per annum (£8.0m in Mecca Bingo and £3.2m in Grosvenor Casinos).

Concurrent with the sale and leaseback we transferred lease liabilities relating to 38 surplus properties. In addition we exited and transferred lease liabilities on six loss-making operations, comprising four bingo clubs and two casinos.

The combined sale and leaseback and transfer of liabilities resulted in a net payment to Rank of £171.9m, giving rise to a profit on disposal of £55.3m.

Share buy-back

Between 6 March 2006 and 13 November 2006, Rank returned £200m to shareholders via an on-market share buy-back programme and incurred related costs of £1.4m. Rank bought and cancelled 86.5m shares at an average price per share of 231p.

Pension fund

During the course of the year we made a payment of £50m to the pension plan in accordance with an agreement with the Group pension plan trustee. This included a £24m payment that, under section 75 of the Pensions Act, was required following the sale of Deluxe Film. In addition we have committed to a series of subsequent contributions totalling £50m to be paid over the next three years, with the last payment due no later than January 2010. The first payment of £15m was paid in January 2007 and these payments are in addition to the Group's normal annual contributions. The scheme has been closed to new entrants since 2000.

As of 31 December 2006 our IAS19 pension fund surplus as recognised in the balance sheet was £75.8m (2005: £38.2m deficit).

Net debt

Net debt at 31 December 2006 was £447.2m compared with £739.4m at 31 December 2005.

In addition to the cash inflow detailed above, the principal other movement was a net £32.7m reduction resulting from favourable exchange rate movements.

SHAREHOLDER INFORMATION

Dividends

The proposed final dividend of 4.0p per Ordinary share, together with the interim dividend of 2.0p per Ordinary share, makes a total for the year of 6.0p (2005 – 15.3p). The record date for the final dividend is 27 April 2007 and the payment date is 11 May 2007.

Board changes

On 1 March 2007 Peter Johnson succeeded Alun Cathcart as Chairman of Rank. Alun Cathcart left the Company on 28 February 2007.

Annual General Meeting

The Annual General Meeting will be held at 11 am on 3 May 2007 at Frederick's Hotel, Shoppenhangers Road, Maidenhead Berkshire SL6 2PZ.

GROUP INCOME STATEMENT (unaudited)
For the year ended 31 December 2006

	2006			2005 (restated)		
	Before Exceptional Items £m	Exceptional Items £m	Total £m	Before Exceptional Items £m	Exceptional Items £m	Total £m
	Continuing operations					
Revenue	549.6	-	549.6	529.8	-	529.8
Cost of sales	(282.5)	-	(282.5)	(268.8)	-	(268.8)
Gross profit	267.1	-	267.1	261.0	-	261.0
Other operating costs	(189.7)	56.2	(133.5)	(170.5)	(12.1)	(182.6)
Group operating profit (loss)	77.4	56.2	133.6	90.5	(12.1)	78.4
Financing:						
- Finance costs	(36.2)	(14.7)	(50.9)	(46.9)	(3.6)	(50.5)
- Finance income	3.2	-	3.2	6.9	-	6.9
- Amortisation of equity component of convertible bond	(3.0)	-	(3.0)	(3.0)	-	(3.0)
- Foreign exchange profit (loss) on inter-company loans including hedging	10.0	-	10.0	(16.0)	-	(16.0)
Total net financing charge	(26.0)	(14.7)	(40.7)	(59.0)	(3.6)	(62.6)
Profit (loss) before taxation	51.4	41.5	92.9	31.5	(15.7)	15.8
Taxation (note 4)	(3.6)	25.2	21.6	(25.0)	24.3	(0.7)
Profit for the year from continuing operations	47.8	66.7	114.5	6.5	8.6	15.1
Discontinued operations:						
Operations held for sale (note 3)	21.5	(17.0)	4.5	42.5	(266.1)	(223.6)
Profit (loss) for the year	69.3	49.7	119.0	49.0	(257.5)	(208.5)
Profit attributable to minority interest	1.8	-	1.8	1.2	-	1.2
Profit (loss) attributable to equity shareholders	67.5	49.7	117.2	47.8	(257.5)	(209.7)
	69.3	49.7	119.0	49.0	(257.5)	(208.5)
Earnings (loss) per share attributable to equity shareholders						
Basic	11.5p	8.4p	19.9p	7.7p	(41.3)p	(33.6)p
Diluted	11.5p	8.4p	19.9p	7.6p	(41.1)p	(33.5)p
Earnings per share - continuing operations						
Basic	8.1p	11.4p	19.5p	1.0p	1.4p	2.4p
Diluted	8.1p	11.4p	19.5p	1.0p	1.4p	2.4p
Earnings (loss) per share - discontinued operations						
Basic	3.4p	(3.0)p	0.4p	6.7p	(42.7)p	(36.0)p
Diluted	3.4p	(3.0)p	0.4p	6.6p	(42.5)p	(35.9)p

Further earnings per share information is provided in Note 7.

The 2005 comparatives have been restated for the classification of Hard Rock and US Holidays as discontinued operations.

GROUP BALANCE SHEET (unaudited)
As at 31 December 2006

	2006 £m	2005 £m
Assets		
Non-current assets		
Intangible assets	159.3	178.2
Property plant and equipment	217.7	480.9
Financial assets – investments	0.5	45.1
Defined benefit pension asset	75.8	-
Deferred tax assets	9.7	62.5
Other receivables	8.4	28.7
	471.4	795.4
Current assets		
Financial assets		
- Derivative financial instruments	9.5	5.2
- Cash and cash equivalents	83.6	117.7
Inventories	4.3	33.0
Trade and other receivables	56.7	44.7
Assets held for sale	242.0	512.1
	396.1	712.7
Total assets	867.5	1508.1
Current liabilities		
Financial liabilities		
- Derivative financial instruments	(2.6)	(6.1)
- Loan capital and borrowings	(10.8)	(13.5)
Trade and other payables	(125.2)	(158.8)
Current tax liabilities	(2.3)	(2.8)
Provisions for other liabilities and charges	(12.7)	(11.4)
Liabilities held for sale	(44.5)	(209.1)
	(198.1)	(401.7)
Net current assets	198.0	311.0
Non-current liabilities		
Financial liabilities		
- Derivative financial instruments	(1.6)	(2.2)
- Loan capital and borrowings	(510.5)	(836.2)
Deferred tax liabilities	(7.7)	-
Other non-current liabilities	(32.9)	(31.0)
Defined benefit pension liability	-	(38.2)
Provisions for other liabilities and charges	(41.4)	(30.7)
	(594.1)	(938.3)
Net assets	75.3	168.1
Shareholders' equity		
Called up share capital	54.2	62.6
Share premium account	98.1	93.1
Other reserves	(77.0)	1.0
Total shareholders' equity	75.3	156.7
Minority interests	-	11.4
Total equity	75.3	168.1

GROUP CASH FLOW STATEMENT (unaudited)
For the year ended 31 December 2006

	2006	2005 (restated)
	£m	£m
Cash flows from operating activities		
Net cash generated from operations (note 5)	83.0	175.3
Net interest paid	(58.2)	(35.3)
Tax paid	(3.9)	(1.3)
Additional pension payment	(50.0)	-
Net interest and tax paid by discontinued operations	(5.2)	(10.8)
Net cash (used in) from operating activities	(34.3)	127.9
Cash flows from investing activities		
Proceeds from disposal of businesses (net of cash disposed)	449.8	-
Acquisition of businesses (net of cash acquired)	(0.6)	(3.0)
Purchase of property, plant and equipment	(50.2)	(28.2)
Proceeds from sale of property, plant and equipment	10.1	1.6
Net proceeds from sale and leaseback	171.9	-
Sale of investments	8.8	-
Discontinued operations (note 3)	(21.8)	(70.9)
Net cash from (used in) investing activities	568.0	(100.5)
Cash flows from financing activities		
Dividends paid to shareholders	(74.1)	(92.5)
Net proceeds from issue of ordinary share capital	5.2	5.0
Share buy-back	(201.4)	-
Debt due within one year		
- repayment of sterling borrowings	-	(10.5)
Debt due after more than one year		
- drawdown of syndicated facilities	300.1	328.9
- repayment of US dollar borrowings	(219.1)	(51.9)
- repayment of sterling borrowings	(35.0)	-
- repayment syndicated borrowings	(326.3)	(153.8)
- other	-	(2.8)
Finance lease principal repayments	(1.6)	(3.0)
Discontinued operations (note 3)	(13.8)	(4.5)
Net cash (used in) from financing activities	(566.0)	14.9
Effects of exchange rate changes	(1.7)	1.6
Net (decrease) increase in cash and cash equivalents	(34.0)	43.9
Cash and cash equivalents at beginning of year	109.4	65.5
Cash and cash equivalents at end of year	75.4	109.4

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE (unaudited)
For the year ended 31 December 2006

	2006	2005
	£m	£m
Profit (loss) for the financial year	119.0	(208.5)
Currency translation net of tax and hedging	(28.3)	45.0
Actuarial gain (loss) on defined benefit pension scheme net of tax	64.7	(13.4)
Revaluation of available for sale securities recycled within net profit	12.1	-
Revaluation of available for sale securities	22.8	6.8
Tax on non-qualifying leasehold property	-	4.3
Total recognised income (expense) for the year	190.3	(165.8)
- attributable to minority interest	1.8	1.2
- attributable to equity shareholders	188.5	(167.0)
	190.3	(165.8)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

1. Basis of preparation and accounting policies

The financial statements attached do not constitute the full financial statements within the meaning of Section 240 of the Companies Act 1985. They are extracted from the unaudited draft financial statements for the year ended 31 December 2006. Full accounts for The Rank Group Plc for the year ended 31 December 2005 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

The Directors approved this announcement on 1 March 2007.

For the year ended 31 December 2006, the Group is required to prepare its annual financial statements in accordance with European Union endorsed IFRS. The accounting policies have been consistently applied to all periods presented.

The principal accounting policies adopted under IFRS and applied in the preparation of the financial statements are available on the Group's website, www.rank.com.

2. Continuing operations - exceptional items

The Group defines exceptional items as those items which by their size or nature distort the comparability of the Group's results from year to year. Pre-tax exceptionals are set out below:

	2006	2005
	£m	£m
Profit on sale and leaseback transaction	55.3	-
Profit on disposal of Clermont Club	13.0	-
Loss on sale of investment	(12.1)	-
Provision for onerous leases on vacant properties	-	(12.1)
Financing charge	(14.7)	(3.6)
Total	41.5	(15.7)

3. Discontinued operations

In 2006 Hard Rock, US Holidays, Deluxe Film and DMS businesses met the IFRS criteria required to be classified as discontinued operations (2005 Deluxe Film and DMS). As a result, revenue and costs are recorded in a single line on a post-tax basis in the income statement. A breakdown of the results of discontinued operations is shown below.

The Deluxe Film sale completed on 27 January 2006 resulting in the crystallisation of the 2005 provision for loss on disposal. US Holidays completed on 15 December 2006. An agreement was reached on 7 December 2006 for the sale of Hard Rock, with completion expected on 5 March 2007. The Group has exited from all DMS businesses in Europe and has reached agreements with our customers to terminate our media replication and distribution services in the USA.

	2006 Hard Rock £m	2006 US Holidays £m	2006 DMS £m	2006 Film £m	2006 Total £m
Revenue	271.2	28.0	163.1	26.2	488.5
Operating profit (loss) before exceptional items	40.4	2.1	(13.9)	1.5	30.1
Exceptional items	-	(20.0)	-	-	(20.0)
(Loss) income from associates	(1.3)	-	-	0.1	(1.2)
Net finance costs	(2.6)	-	(0.9)	-	(3.5)
Profit (loss) before tax	36.5	(17.9)	(14.8)	1.6	5.4
Taxation	0.4	(3.7)	5.3	(2.9)	(0.9)
Net profit (loss)	36.9	(21.6)	(9.5)	(1.3)	4.5

	2005 Hard Rock £m	2005 US Holidays £m	2005 DMS £m	2005 Film £m	2005 Total £m
Revenue	250.1	30.4	267.1	415.7	963.3
Operating profit (loss) before exceptional items	34.8	2.2	(16.4)	65.7	86.3
Exceptional items	-	-	(136.5)	(150.4)	(286.9)
(Loss) income from associates	(1.4)	-	-	0.8	(0.6)
Net finance (costs) income	(0.7)	-	(1.0)	1.0	(0.7)
Profit (loss) before tax	32.7	2.2	(153.9)	(82.9)	(201.9)
Taxation	(4.3)	(0.1)	(3.3)	(14.0)	(21.7)
Net profit (loss)	28.4	2.1	(157.2)	(96.9)	(223.6)

Cash flows relating to the discontinued operations are as follows:

	2006 Hard Rock £m	2006 US Holidays £m	2006 DMS £m	2006 Film £m	2006 Total £m
Cash flow from operating activities	45.0	(3.0)	(53.0)	18.5	7.5
Cash flow from investing activities	(17.5)	(1.8)	0.1	(2.6)	(21.8)
Cash flow from financing activities	(4.4)	(0.1)	(9.2)	(0.1)	(13.8)
	23.1	(4.9)	(62.1)	15.8	(28.1)

	2005 Hard Rock £m	2005 US Holidays £m	2005 DMS £m	2005 Film £m	2005 Total £m
Cash flow from operating activities	44.8	5.5	(23.3)	35.1	62.1
Cash flow from investing activities	(3.2)	(1.1)	(17.7)	(48.9)	(70.9)
Cash flow from financing activities	1.3	(0.3)	(4.8)	(0.7)	(4.5)
	42.9	4.1	(45.8)	(14.5)	(13.3)

4. Taxation

The taxation charge, including amounts disclosed within discontinued operations, may be analysed as follows:

	2006 £m	2005 (restated) £m
Continuing operations		
- Adjusted profit	14.4	16.9
- Foreign exchange on inter-company loans	(10.8)	8.1
Charge for continuing operations	3.6	25.0
Discontinued operations	3.9	42.5
Total pre-exceptional tax charge	7.5	67.5
Exceptional tax credit		
- continuing operations	(25.2)	(24.3)
- discontinued operations	(3.0)	(20.8)
Total exceptional tax credit	(28.2)	(45.1)

The 2006 exceptional tax credit of £25.2m on continuing operations comprises deferred tax credits of £15.7m on the sale and leaseback transaction, £5.1m on the sale of the Clermont Club licence and a current tax credit of £4.4m arising on the exceptional refinancing costs. The 2005 credit related to the closure of an outstanding issue with the tax authorities.

5. Reconciliation of operating profit to cash flow

	2006 £m	2005 (restated) £m
Continuing operations		
Operating profit	133.6	78.4
Exceptional (credit) charge	(56.2)	12.1
Depreciation and amortisation	28.9	28.8
(Increase) decrease in working capital	(3.7)	13.7
Other items	4.7	(1.1)
Cash inflow from operations	107.3	131.9
Cash payments in respect of provisions and exceptional costs	(37.0)	(29.5)
Net cash generated from continuing operations	70.3	102.4
Net cash generated from discontinued operations	12.7	72.9
Net cash generated from operations	83.0	175.3

6. Adjusted net profit attributable to equity shareholders

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

	2006 £m	2005 (restated) £m
Net profit (loss) attributable to equity shareholders	117.2	(209.7)
Discontinued operations	(2.7)	224.8
Exceptional items on continuing operations	(41.5)	15.7
Foreign currency gains (losses) on inter-company balances including hedging	(10.0)	16.0
Amortisation of convertible bond	3.0	3.0
Tax on adjusted items	(36.0)	(16.2)
Adjusted net profit	30.0	33.6

7. Earnings per share

	2006	2005 (restated)
Adjusted profit (see note 6)	£30.0m	£33.6m
Weighted average number of shares	587.5m	624.5m
Basic adjusted earnings per share - continuing operations	5.1p	5.4p

The weighted average number of shares used in the calculation of basic earnings (loss) per share is 587.5m (2005: 624.5m). For diluted earnings (loss) per share the weighted average number of shares used in the calculation is 588.0m (2005: 626.0m).

Options are dilutive at the profit from continuing operations level and so, in accordance with IAS 33, have been treated as dilutive for the purpose of diluted earnings per share.

8. Exchange rates

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

	2006	2005
Average	1.85	1.81
31 December	1.96	1.72

Movements in exchange rates had a minimal impact on the operating profit of the continuing Group but decreased net debt by £32.7m during the year.

9. Borrowings to net debt reconciliation

Under IFRS, accrued interest and facility fees are classified as borrowings. In addition, net debt, which is part of the assets and liabilities held for sale is disclosed separately. A reconciliation of net borrowings disclosed in the balance sheet to the Group's net debt position is provided below.

	2006 £m	2005 £m
Borrowings, net of cash	437.7	732.0
Borrowings net of cash within discontinued operations	5.2	13.3
Accrued interest and facility fees	4.3	(5.9)
Net debt	447.2	739.4

10. Statement of changes in shareholders' equity

	2006 £m	2005 £m
Profit (loss) attributable to equity shareholders	117.2	(209.7)
Dividends	(74.1)	(92.5)
Credit in respect of employee share schemes	0.4	3.7
Fair value adjustments to available for sale securities	22.8	6.8
Revaluation of available for sale securities recycled within net profit	12.1	-
Actuarial gain (loss) of defined benefit pension scheme net of tax	64.7	(13.4)
Share buy-back	(201.4)	-
New share capital subscribed	5.2	5.0
Tax on non-qualifying leasehold property	-	4.3
Currency translation net of tax and hedging	(28.3)	45.0
Net movement in shareholders' equity	(81.4)	(250.8)
Opening shareholders' equity	156.7	407.5
Closing shareholders' equity	75.3	156.7