



# 2007 preliminary results

29 February 2008





# Peter Johnson

## chairman

---

# Agenda



- Preliminary results
  - Peter Gill
- Operational review and strategic priorities
  - Ian Burke

# Highlights 2007



- Hard Rock sold
- £353m returned to shareholders
- Creation of a focused gaming business
- Action to address difficult external conditions
- Significant cost savings achieved across continuing Group
- Assets & liabilities of final salary pension plan transferred



# Peter Gill

## finance director

---

# Accounting Presentation

## 2006 results restated



- Exceptional items
- Pension scheme accounting

# Financial headlines

## continuing operations

- Revenue £534.4m (2006: £549.6m)
- Operating profit\* £68.3m (2006: £73.2m)
- Adjusted profit before tax £46.2m (2006: £40.2m)
- Adjusted earnings per share 7.4p (2006: 4.6p)
- Operating cash in flow £83.9m (2006: £67.2m)
- Net debt £317m (£447m at 31 December 2006)
- Dividend per share 2.0p (2006: 6.0p)

\* Before exceptional items

# Adjusted profit\*



| £m                          | 2007          | 2006<br>(restated) |
|-----------------------------|---------------|--------------------|
| Revenue                     | <u>534.4</u>  | <u>549.6</u>       |
| Operating profit            | <u>68.3</u>   | <u>73.2</u>        |
| Interest                    | <u>(22.1)</u> | <u>(33.0)</u>      |
| Profit before tax           | <u>46.2</u>   | <u>40.2</u>        |
| Effective tax rate          | <u>30.9%</u>  | <u>33.3%</u>       |
| Adjusted earnings per share | 7.4p          | 4.6p               |

\* Profits and earnings before discontinued operations, exceptional items, unwinding of discount in disposal provisions and amortisation of equity component of convertible bond

# Revenue & operating profit



| £m              | Revenue      |              | Operating profit * |                    |
|-----------------|--------------|--------------|--------------------|--------------------|
|                 | 2007         | 2006         | 2007               | 2006<br>(restated) |
| Bingo           | 272.8        | 292.8        | 52.9               | 72.5               |
| Casinos         | 209.5        | 217.6        | 29.9               | 36.3               |
| Interactive     | 52.1         | 39.2         | 10.9               | 7.8                |
| Shared services |              |              | (18.5)             | (26.0)             |
| Central costs   |              |              | (6.9)              | (17.4)             |
|                 | <u>534.4</u> | <u>549.6</u> | <u>68.3</u>        | <u>73.2</u>        |

\* Before exceptional items

# Bingo



| £m                     | Revenue             |                     | Operating profit * |                    |
|------------------------|---------------------|---------------------|--------------------|--------------------|
|                        | 2007                | 2006                | 2007               | 2006<br>(restated) |
| <b>Mecca Bingo</b>     | <b>240.5</b>        | <b>261.7</b>        | <b>43.6</b>        | <b>63.6</b>        |
| <b>Top Rank Espana</b> | <b>32.3</b>         | <b>31.1</b>         | <b>9.3</b>         | <b>8.9</b>         |
|                        | <b><u>272.8</u></b> | <b><u>292.8</u></b> | <b><u>52.9</u></b> | <b><u>72.5</u></b> |

| <b>Mecca Bingo</b><br>(comparable club†) | 2007          | % change     |
|--|---------------|--------------|
| <b>Admissions ('000)</b>                 | <b>16,809</b> | <b>(6.4)</b> |
| <b>Spend per head (£)</b>                | <b>13.76</b>  | <b>2.3</b>   |
| <b>Like-for-like revenue†</b>            |               | <b>(4.3)</b> |

\* Before exceptional items

† Excludes club openings, closures and relocations

# Casinos



| £m                | Revenue             |                     | Operating profit * |                    |
|-------------------|---------------------|---------------------|--------------------|--------------------|
|                   | 2007                | 2006                | 2007               | 2006<br>(restated) |
| <b>London</b>     | <b>88.0</b>         | <b>94.1</b>         | <b>14.7</b>        | <b>14.7</b>        |
| <b>Provincial</b> | <b>108.4</b>        | <b>110.3</b>        | <b>14.3</b>        | <b>20.2</b>        |
| <b>Belgium</b>    | <b>13.1</b>         | <b>13.2</b>         | <b>0.9</b>         | <b>1.4</b>         |
|                   | <b><u>209.5</u></b> | <b><u>217.6</u></b> | <b><u>29.9</u></b> | <b><u>36.3</u></b> |

| <b>Grosvenor</b><br>(comparable club†) | 2007         | % growth     |
|--|--------------|--------------|
| <b>Admissions ('000)</b>               | <b>4,227</b> | <b>(1.2)</b> |
| <b>Spend per head (£)</b>              | <b>46.19</b> | <b>0.6</b>   |
| <b>Like-for-like revenue†</b>          |              | <b>(0.6)</b> |

\* Before exceptional items

† Excludes club openings, closures and relocations

# Interactive Blue Square



| £m                      | Revenue            |                    |
|-------------------------|--------------------|--------------------|
|                         | 2007               | 2006               |
| <b>Gaming</b>           | <b>36.9</b>        | <b>23.0</b>        |
| <b>Sportsbook</b>       | <b>15.2</b>        | <b>16.2</b>        |
|                         | <b><u>52.1</u></b> | <b><u>39.2</u></b> |
| <b>Operating profit</b> | <b><u>10.9</u></b> | <b><u>7.8</u></b>  |

|                                | 2007       | 2006       |
|--------------------------------|------------|------------|
| <b>Active customers (000s)</b> | <b>321</b> | <b>285</b> |

# Statutory profit & loss



| £m  | 2007                | 2006<br>(restated)  |
|---|---------------------|---------------------|
| Adjusted profit before tax                              | 46.2                | 40.2                |
| Net return on defined benefit pension asset             | 10.5                | 6.7                 |
| Amortisation of equity component<br>of convertible bond | (3.6)               | (3.0)               |
| Unwinding of discount in disposal provisions            | (1.3)               | -                   |
| Other financial gains                                   | 0.5                 | 10.0                |
| Profit before tax and exceptional items                 | <u>52.3</u>         | <u>53.9</u>         |
| Exceptional items                                       | <u>(45.2)</u>       | <u>39.0</u>         |
| Profit before tax                                       | 7.1                 | 92.9                |
| Taxation  | (12.4)              | 21.6                |
| Discontinued operations                                 | <u>316.8</u>        | <u>4.5</u>          |
| Profit for the year                                     | <u><u>311.5</u></u> | <u><u>119.0</u></u> |

# Exceptional items



| £m  | 2007                 | 2006<br>(restated) |
|---|----------------------|--------------------|
| <b>Exceptional items within continuing operations</b> |                      |                    |
| Impairment of clubs                                   | (33.9)               | (8.6)              |
| Provision for onerous leases                          | (27.7)               | -                  |
| Net profit on sale of property                        | 16.4                 | 19.1               |
| Profit on sale and leaseback                          | -                    | 55.3               |
| Loss of sale on investment                            | -                    | (12.1)             |
| Financing charge                                      | -                    | (14.7)             |
| <b>Pre-tax exceptional gain / (loss)</b>              | <b><u>(45.2)</u></b> | <b><u>39.0</u></b> |

# Discontinued operations



| £m                          | Operating profit  |                    | Exceptional items   |                      | Total                      |                          |
|-----------------------------|-------------------|--------------------|---------------------|----------------------|----------------------------|--------------------------|
|                             | 2007              | 2006               | 2007                | 2006                 | 2007                       | 2006                     |
| <b>Hard Rock</b>            | <b>2.1</b>        | <b>40.4</b>        | <b>352.7</b>        | <b>-</b>             | <b>354.8</b>               | <b>40.4</b>              |
| <b>US Holidays</b>          | <b>-</b>          | <b>2.1</b>         | <b>-</b>            | <b>(20.0)</b>        | <b>-</b>                   | <b>(17.9)</b>            |
| <b>Deluxe Media</b>         | <b>-</b>          | <b>(13.9)</b>      | <b>-</b>            | <b>-</b>             | <b>-</b>                   | <b>(13.9)</b>            |
| <b>Deluxe Film</b>          | <b>-</b>          | <b>1.5</b>         | <b>-</b>            | <b>-</b>             | <b>-</b>                   | <b>1.5</b>               |
|                             | <u><b>2.1</b></u> | <u><b>30.1</b></u> | <u><b>352.7</b></u> | <u><b>(20.0)</b></u> | <u><b>354.8</b></u>        | <u><b>10.1</b></u>       |
| <b>Loss from associates</b> |                   |                    |                     |                      | <b>(0.3)</b>               | <b>(1.2)</b>             |
| <b>Tax</b>                  |                   |                    |                     |                      | <b>(27.7)</b>              | <b>(0.9)</b>             |
| <b>Net finance costs</b>    |                   |                    |                     |                      | <b>(10.0)</b>              | <b>(3.5)</b>             |
| <b>Net profit</b>           |                   |                    |                     |                      | <u><u><b>316.8</b></u></u> | <u><u><b>4.5</b></u></u> |

# Group cash flow



| £m   | 2007                | 2006                |
|--|---------------------|---------------------|
| <b>Continuing Operations</b>                   |                     |                     |
| Cash inflow from operating activities          | 101.8               | 107.3               |
| Capital expenditure                            | (47.3)              | (50.2)              |
| Fixed assets disposals                         | 29.4                | 10.1                |
| <b>Operating cash inflow</b>                   | <u>83.9</u>         | <u>67.2</u>         |
| Acquisitions and disposals                     | 495.8               | 629.9               |
| Payments - exceptional costs and provisions    | (15.8)              | (37.0)              |
|  | <u>563.9</u>        | <u>660.1</u>        |
| Interest, tax and dividend payments            | (57.3)              | (136.2)             |
| Special dividend / Share buy-back              | (352.5)             | (201.4)             |
| Additional contribution to pension fund        | (19.6)              | (50.0)              |
| Other (including foreign exchange translation) | (2.5)               | 34.0                |
| Discontinued operations                        | (1.7)               | (14.3)              |
| <b>Decrease in net debt</b>                    | <u>130.3</u>        | <u>292.2</u>        |
| Opening net debt                               | <u>447.2</u>        | <u>739.4</u>        |
| Closing net debt                               | <u><u>316.9</u></u> | <u><u>447.2</u></u> |

# Borrowing facilities



|                           | Year | £m                |
|---------------------------|------|-------------------|
| Bank facilities           | 2012 | 400               |
| Yankee bond               | 2008 | 50                |
| Yankee bond               | 2018 | 7                 |
| Convertible loan stock    | 2009 | 168               |
|                           |      | <u>625</u>        |
| Net debt at December 2007 |      | <u><u>317</u></u> |



Ian Burke  
chief executive

# The Rank Group strategic focus



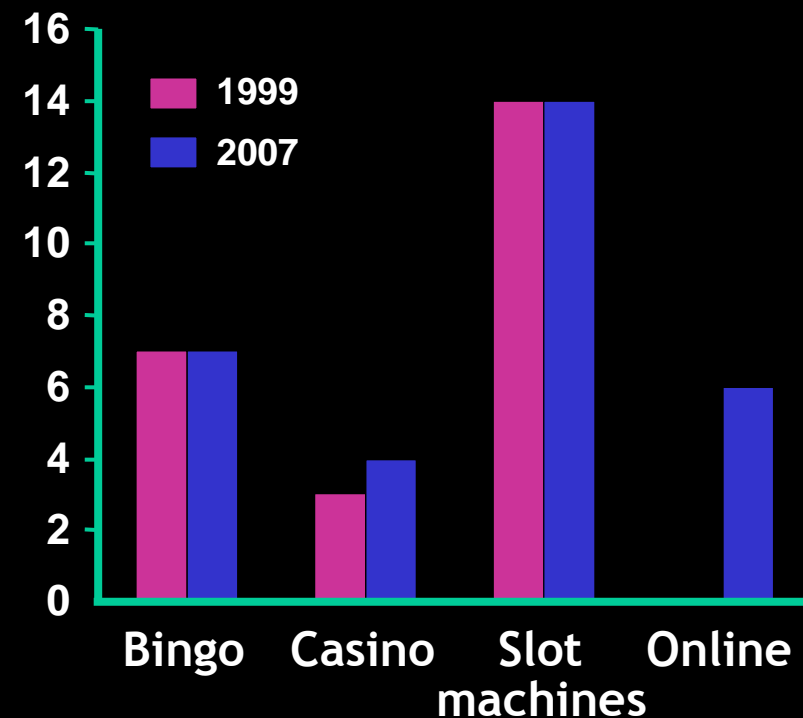
- Providing a range of products geared to different segments of gaming and betting market
- Blend of everyday and occasional gaming-based leisure experiences
- Distribution via leisure retail units, internet, mobile phone and interactive TV
- On line UK focus but with eye on selective international opportunities

# The market opportunity



- Gambling - participation steady/ spend and supply patterns shifting
- Bingo - participation steady/ supply falling
- Casinos - participation growing/ supply growth restricted
- Interactive - participation growing/ supply growing

% of adult population

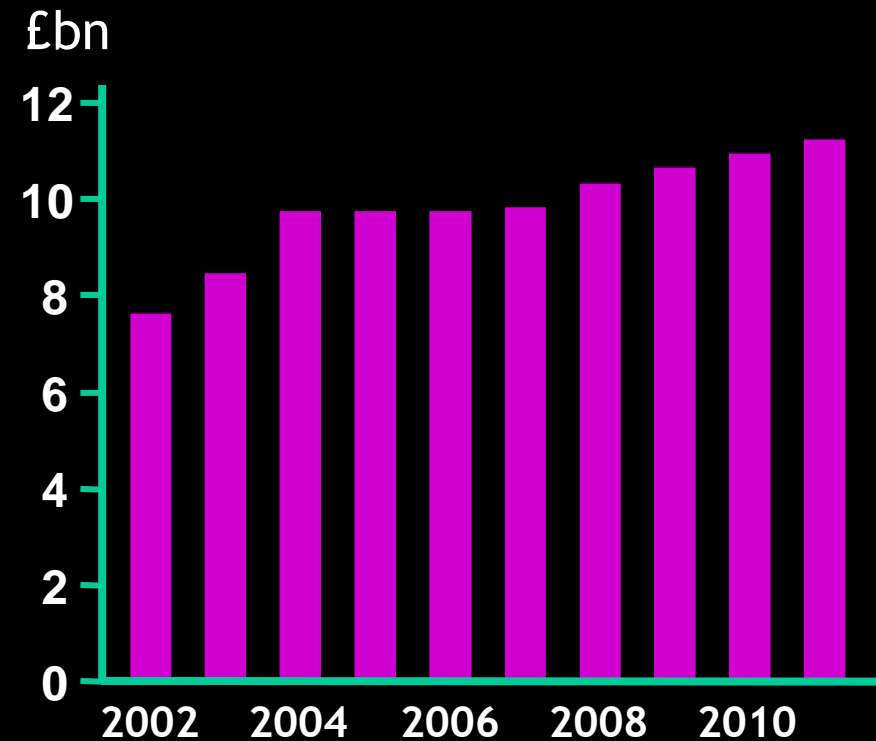


Source: British Gambling Prevalence Study 2007

# The market opportunity



- Total value of UK market expected to grow at 3.4% CAGR
- Bingo - revenue decline forecast
- Casinos - revenue growth forecast
- Interactive - revenue growth forecast



Source: Keynote research 2007

# Government Policies



- Gambling Act 2005 implemented
  - loss of Section 21 gaming terminals
  - 2005 Act Casinos
- Taxation
  - Bingo double taxation
  - £4.6m increase in casino gaming duty
- Smoking bans in Scotland, Wales & England
- Gambling Sector requirements of Government

# The Rank Group

## The business of gaming



|   | Gender |    | No. active customers<br>(000's) | Average customer |               | Experience                                   |
|---|--------|----|---------------------------------|------------------|---------------|--|
|   | M      | F  |                                 | visits/year      | net spend (£) |  |
| <b>Bingo</b><br>(bingo/games, slots)                      | 25     | 75 | 999                             | 17               | 13.76         | UK customers; everyday social gaming         |
| <b>Casino</b><br>(casino, poker, slots)                   | 70     | 30 | 803                             | 6                | 45.03         | UK & international customers; social gaming  |
| <b>Interactive</b><br>(casino, poker, slots, bingo/games) | 50     | 50 | 321                             |                  |               | UK & international customers; in home gaming |

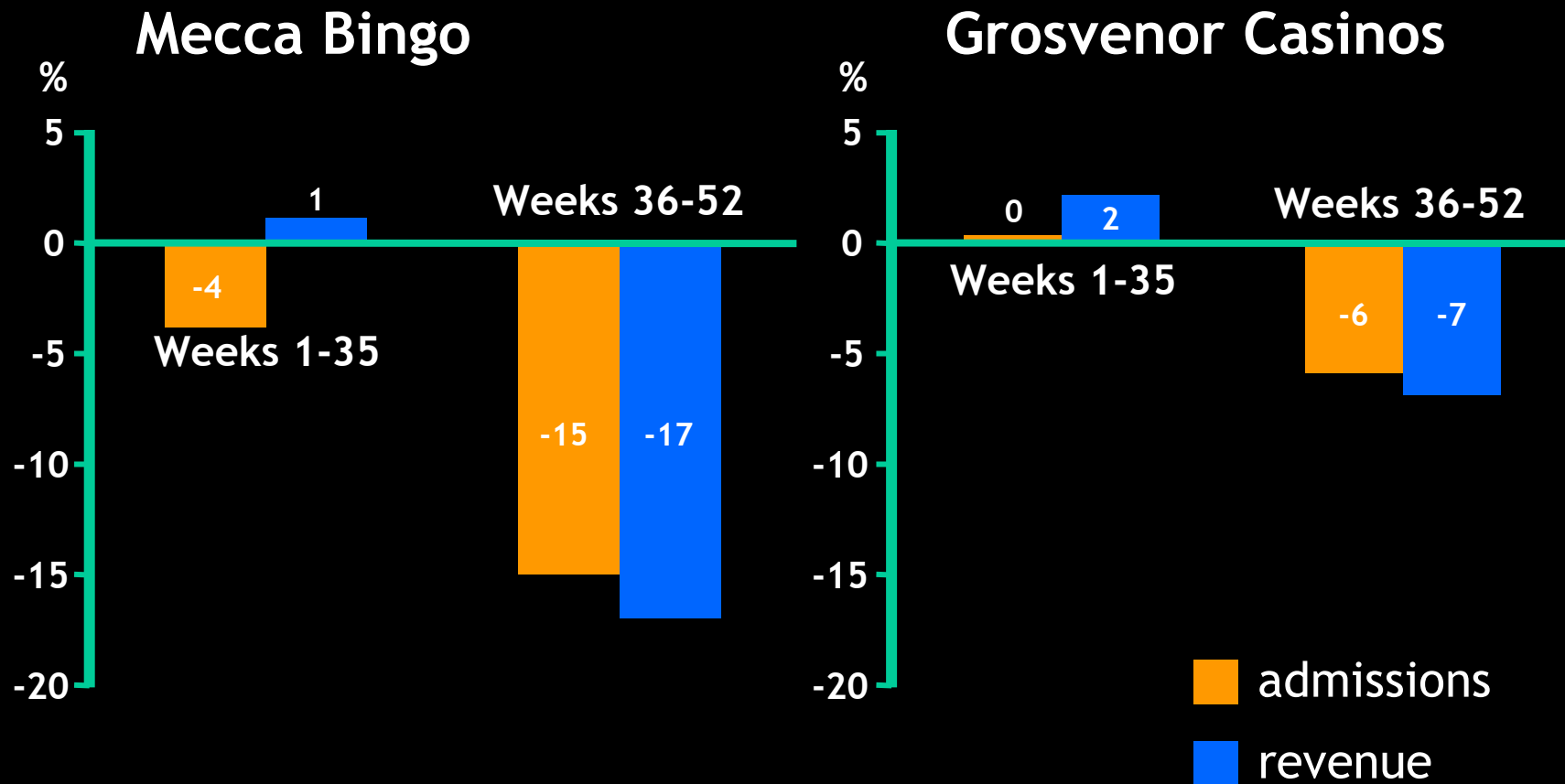
UK only

# 2007 in perspective



- Strong performance in first 8 months
  - Like-for-like revenue growth across Group
  - Operating profit growth
- Trading conditions deteriorated during last 4 month
  - 1 July - smoking ban introduced to England
  - 1 September - Gambling Act prohibits Section 21 terminals. Rank removes/adapts c1,200 terminals
- Customer proposition impacted at time of weakening consumer confidence

# 2007 in perspective admissions and revenue



All numbers are like-for-like

# Strategic priorities



## Stabilise Group

- Adapt businesses to protect revenues
- Tighten cost control
- Selective investment & deferral of non-essential capital projects

## Grow customer visits

- Improve product & service
- Attract and reward customers
- Extend reach through retail and interactive distribution

# Stabilise Group protect revenue



## Mecca

- Smoking shelters erected at more than 80 clubs
- 41 licensed for gaming; 39 operational
- £1.4k per club per week incremental revenue generation

## Grosvenor

- Smoking shelters erected at 30 clubs
- Actions taken to recover win margin

# Stabilise Group control costs



- £15m additional cost savings identified
  - centralisation of marketing in Mecca Bingo
  - deferral of annual pay reviews
  - purchasing operating efficiencies
  - limited redundancies

# Stabilise Group

## selective capital deployment



- Forecast 2008 capital expenditure reduced from £50m to £20m
  - selective deferrals of major capital expenditure projects
  - clubs portfolio generally well maintained
  - disciplined deployment of maintenance capital

# Grow customer visits



- Improve product offer and service
- Reward customer loyalty and engage with new customers
- Extend reach through growth of retail and interactive distribution

# Product development

## Gaming



- New technologies
  - Electronic bingo
  - Video bingo
  - Server based gaming

# Product development

## Gaming



- New games
  - Bingo variants
  - Gaming machines
    - quality review of estate
  - Sports betting
    - international product development

# Product development

## Non-gaming



- Food & drink
  - Better menus
  - Better service skills
  - New EPOS systems
  - New approach to convenience food

# Reward loyal customers



- Recognition through customer service
- Rewards systems
  - Casino system in place in H1
  - Mecca Bingo and Blue Square systems to be developed in H2

# Engage with new customers



- Direct marketing
- Referral programmes
- New member sales managers
- Sponsorship and advertising
  - Blue Square's calendar of targeted sponsorships
  - Casino advertising

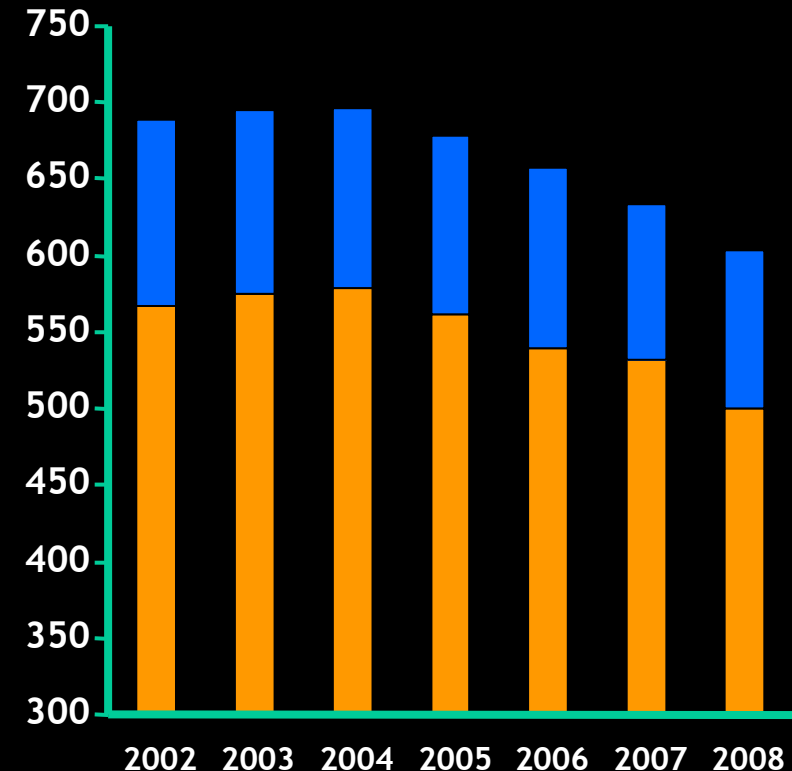
# Portfolio development

## Mecca Bingo



- Portfolio development
- 11 club closures in 2007
- 1 club opening in 2008
- Small number of clubs loss-making before rents/rates
- No decisions on further club closures until tax & trading position clarified
- Selective utilisation of excess club space to develop AGCs\*

Clubs in GB



Competitors  
Mecca Bingo

\* Adult Gaming Centre

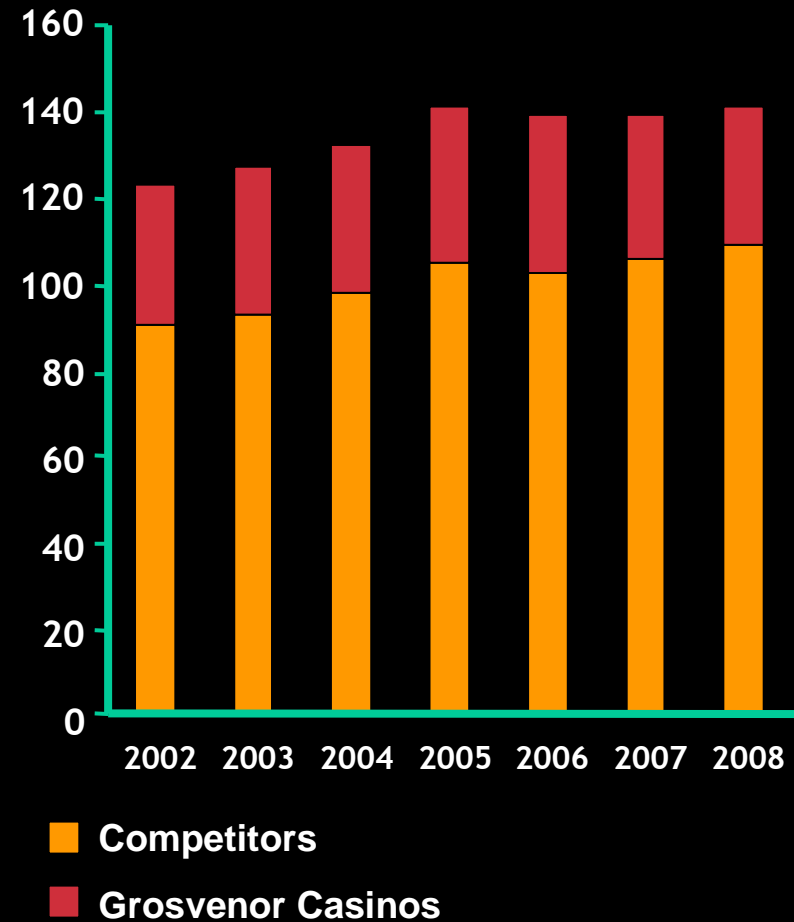
# Portfolio development

## Grosvenor & G Casinos



- Portfolio development
- 32 casinos operating (UK)\*
- 13 non-operating licences
- 5 new casinos by 2012
- Opportunities for further relocations
- Selective refurbishment and extension

Casinos in GB



\*Grosvenor also operates 2 casinos in Belgium

# Portfolio development

## Blue Square



- UK
  - Proprietary sites
  - Distribution agreements
    - Virgin Media
    - Probability Games
- International
  - Proprietary sites
    - [bingouniversal.com](http://bingouniversal.com)(Spain)
  - Distribution agreements
    - [888.com](http://888.com)

# Current trading and outlook



- Mecca Bingo - modest improvement since Q4
- Grosvenor Casinos - trading in line with Q4
- Blue Square - continuing growth
- Priority to stabilise performance in difficult trading conditions
- Retain focus on long term opportunities

# Summary



- Programme of disposals and restructuring complete
- Vigorous action to combat external headwinds
- Aggressive cost cutting actions taken, capital expenditure deferred, dividend cancelled
- Revenue growth through delivery of improved customer experience and value

# Questions & Answers

# Appendix

# Rank Group

## the year ahead



- 12 March HM Government Budget 2008
- 7 May AGM & interim management statement
- 31 July interim results
- October interim management statement

# Capital expenditure



| £m          | FY 2007     | FY2008F      |
|-------------|-------------|--------------|
| Bingo       | 24.3        | 7-10         |
| Casino      | 17.1        | 6-9          |
| Interactive | 4.5         | 4-6          |
| Other       | 1.4         | 1-2          |
| Total       | <u>47.3</u> | <u>20-25</u> |

# Mecca Bingo data sheet



|                                     | FY<br>2007 | H1<br>2007 | FY<br>2006 | H1<br>2006 | FY<br>2005 | H1<br>2005 | FY<br>2004 | H1<br>2004 |
|-------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Clubs</b>                        | 102        | 103        | 113        | 117        | 117        | 117        | 120        | 121        |
| <b>Revenue</b>                      | 240.5      | 132.5      | 261.7      | 133.9      | 264.0      | 133.9      | 265.3      | 133.9      |
| <b>EBIT*</b>                        | 43.6       | 31.5       | 63.6       | 31.8       | 77.9       | 38.5       | 79.6       | 40.3       |
| <b>Operating margin</b>             | 18%        | 24%        | 24%        | 24%        | 30%        | 29%        | 30%        | 30%        |
| <b>Active membership (millions)</b> | 1.0        | 1.1        | 1.1        | 1.1        | 1.1        | 1.1        | 1.1        | 1.1        |
| <b>Electronic gaming</b>            |            |            |            |            |            |            |            |            |
| B3 machines                         | 406        | 355        | 374        | 407        | 370        | 410        | 344        | 344        |
| S21 terminals                       | 0          | 984        | 949        | 845        | 557        | 180        | 60         | 60         |
| Cat C machines                      | 4,787      | 4,058      | 3,993      | 3,984      | 3,959      | 3,728      | 3,754      | 3,754      |

\*Operating profit restated from 2006 as a result of reclassifications

# Top Rank España data sheet



|                  | FY<br>2007 | H1<br>2007 | FY<br>2006 | H1<br>2006 | FY<br>2005 | H1<br>2005 | FY<br>2004 | H1<br>2004 |
|------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Clubs            | 11         | 11         | 11         | 11         | 11         | 11         | 11         | 10         |
| Revenue          | 32.3       | 15.8       | 31.1       | 15.2       | 31.6       | 15.4       | 27.3       | 13.0       |
| EBIT*            | 9.3        | 4.6        | 8.9        | 4.2        | 10.0       | 4.7        | 7.7        | 3.4        |
| Operating margin | 29%        | 29%        | 29%        | 28%        | 32%        | 31%        | 28%        | 26%        |

# Grosvenor Casinos data sheet



|                                    | FY<br>2007   | H1<br>2007   | FY<br>2006   | H1<br>2006   | FY<br>2005   | H1<br>2005   | FY<br>2004   | H1<br>2004   |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| London                             | 5            | 5            | 5            | 6            | 6            | 6            | 6            | 6            |
| Provincial                         | 27           | 28           | 28           | 30           | 30           | 30           | 30           | 28           |
| Belgium                            | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            |
| <b>Total</b>                       | <b>34</b>    | <b>35</b>    | <b>35</b>    | <b>38</b>    | <b>38</b>    | <b>38</b>    | <b>38</b>    | <b>36</b>    |
| Revenue (UK)                       | 196.4        | 104.0        | 204.4        | 103.4        | 195.0        | 94.3         | 188.4        | 88.4         |
| Revenue (Belgium)                  | 13.1         | 6.1          | 13.2         | 6.2          | 12.9         | 6.0          | 12.4         | 6.0          |
| <b>Total revenue</b>               | <b>209.5</b> | <b>110.1</b> | <b>217.6</b> | <b>109.6</b> | <b>207.9</b> | <b>100.3</b> | <b>200.8</b> | <b>94.4</b>  |
| EBIT (UK)*                         | 29.0         | 20.6         | 34.9         | 20.0         | 33.6         | 17.5         | 38.0         | 16.4         |
| EBIT (Belgium)                     | 0.9          | 0.4          | 1.4          | 0.5          | 1.4          | 0.5          | 1.7          | 1.0          |
| <b>Total EBIT</b>                  | <b>29.9</b>  | <b>21.0</b>  | <b>36.3</b>  | <b>20.5</b>  | <b>35.0</b>  | <b>18.0</b>  | <b>39.7</b>  | <b>17.4</b>  |
| Operating margin (UK)              | 15%          | 20%          | 17%          | 19%          | 17%          | 19%          | 20%          | 19%          |
| Operating margin (Belgium)         | 7%           | 7%           | 11%          | 8%           | 11%          | 8%           | 14%          | 17%          |
| <b>Operating margin</b>            | <b>14%</b>   | <b>19%</b>   | <b>17%</b>   | <b>19%</b>   | <b>17%</b>   | <b>18%</b>   | <b>20%</b>   | <b>18%</b>   |
| <b>UK active membership (000s)</b> | <b>803</b>   | <b>788.0</b> | <b>774.0</b> | <b>616.0</b> | <b>455.5</b> | <b>350.0</b> | <b>312.8</b> | <b>272.0</b> |
| <b>Electronic gaming</b>           |              |              |              |              |              |              |              |              |
| B3 machines (UK)                   | 582          | 594          | 578          | 639          | 524          | 296          | 287          | 287          |
| S21 terminals (UK)                 | 0            | 219          | 196          | 158          | 85           | 42           | 0            | 0            |
| Electronic roulette                | 853          | 802          | 759          | 747          | 710          | 646          | 626          | 626          |

\* Operating profit restated from 2006 as a result of reclassifications

# Blue Square data sheet



|                         | FY<br>2007 | H1<br>2007 | FY<br>2006 | H1<br>2006 | FY<br>2005 | H1<br>2005 | FY<br>2004 | H1<br>2004 |
|-------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Gaming revenue          | 36.9       | 17.2       | 22.9       | 10.2       | 13.1       | 5.7        | 9.2        | 4.3        |
| Sportsbook revenue      | 15.2       | 9.0        | 16.3       | 8.4        | 13.2       | 6.7        | 16.4       | 8.9        |
| Revenue (£m)            | 52.1       | 26.2       | 39.2       | 18.6       | 26.3       | 12.4       | 25.6       | 13.2       |
| EBIT (£m)               | 10.9       | 5.5        | 7.8        | 3.1        | 1.0        | 0.3        | 5.0        | 2.6        |
| Operating margin        | 21%        | 21%        | 20%        | 17%        | 4%         | 2%         | 20%        | 20%        |
| Active customers (000s) | 321        | 320        | 285        | 261        | 232        | 224        | 195        | 198        |