



Strengthen our position



Our core market

Great Britain is Rank's principal market. Our bingo clubs and casinos in England, Scotland and Wales account for more than 80% of Group revenue and operating profit (before central costs). In addition, the majority of Rank Interactive's customers are based in Britain.

Despite the volatility of recent years, our core market has provided a relatively stable environment for gaming and betting by comparison with many other jurisdictions around the world. This is built upon the following characteristics:

- Cultural acceptance – Regulated gaming and betting have a long history within Britain and there is a widespread cultural acceptance of the individual's right to 'have a flutter' as a means of entertainment. According to the 2007 Gambling Prevalence Survey, 68% of British adults participate in at least one form of gaming or betting.
- Cautiously enlightened regulation – British governments have in general adopted a cautiously enlightened approach to the regulation of gambling. While at times overly conservative operating restrictions have held back development, they have also prevented over-supply and the regulatory volatility witnessed in certain other jurisdictions.
- Opportunity to integrate with mainstream leisure – Britain's willingness to modernise regulations in line with changing social attitudes is in itself a catalyst for controlled growth. Over time, the rescinding of some of the more repressive gaming regulations (e.g. permitting casino advertising and customer rewards programmes, withdrawing the 24-hour cooling-off periods for bingo club and casino membership) has gradually allowed the industry to move from the margins towards the mainstream of leisure retail.

New to the G Casino estate in 2009

Bolton – conversion from Grosvenor Casino to G Casino – April 2009

Capital investment £1.3m

Coventry – acquisition and conversion to G Casino – April and September 2009

Capital investment £1.7m to acquire and convert

Dundee – new G Casino – October 2009

Capital investment £5.0m

Sheffield – relocation of existing licence to new site – December 2009

Capital investment £4.8m

Note: capital investment figures may include prior year expenditure.

Selective investment

During 2009, Rank's capital investment programme totalled £34.3m, roughly half of which was deployed in expanding the Group's reach or developing new concepts.

The majority of this investment was focused on our two largest businesses, Grosvenor Casinos and Mecca Bingo. In both businesses we have used customer insight to define innovative modern leisure venues – G Casino and Mecca 'Full House' – delivered within the scope of the licensing regime for gaming in Britain.

We have budgeted to invest between £40.0m and £45.0m of capital in 2010, with a large part directed towards the expansion and enhancement of our British land-based gaming businesses.

G Casino

G Casino combines traditional casino gaming with good quality food and drink, entertainment and community games such as card room poker offered in large and high profile venues. Launched in Manchester in 2006, the G Casino brand had grown to ten casinos by the end of 2009. G Casino's success in reaching out to a broader base of British adult consumers is reflected in average levels of weekly customer visits more than 50% higher than the average for a provincial casino in Britain.

During the year, we added four new casinos to the G Casino estate at a cost of £12.8m (see table above).

During the current year, we will open at least two G Casinos, converting the Grosvenor Casinos at Brighton and Newcastle-upon-Tyne.

Our target is to have built a portfolio of 20 G Casinos in Britain by the end of 2012, developing new casinos and re-branding existing casinos to the G Casino format. Despite the cap on

casino licences in Britain, we have ample scope to develop our business beyond this medium-term target, with 12 non-operating (unutilised) casino licences and the opportunity to upgrade or relocate a large number of our existing casinos.

Electric Casino

As announced previously, we are developing a number of smaller format casinos for those locations which do not yet support investment in a full G Casino. These formats will typically generate a higher proportion of revenue from electronic gaming and require lower levels of capital and operating expenditure than G Casinos.

In July 2009 we launched the Grosvenor Electric Casino, a fully electronic gaming venue co-located with our traditional Grosvenor Casino in Leeds. Capital investment in the casino was £0.3m.

We plan to develop six of our 12 non-operating casino licences under similar smaller formats.

Mecca 'Full House'

During 2009, Rank launched the Mecca 'Full House' concepts with the ambition of offering female-friendly gaming-based entertainment within the framework of the bingo licensing regime.

Mecca 'Full House Destination' clubs combine affordable social gaming (e.g. bingo) with good value food and drink, live entertainment, After Dark events and an extensive electronic gaming offer.

The format is designed to appeal to bingo players and non-bingo players alike, accommodating the key strengths of bingo within a modern leisure venue.

The first 'Full House Destination' club was opened in Beeston, Nottingham in May 2009 after a £5.0m investment.

Visit G Casino: 
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Trading to date has been encouraging, with average weekly customer visits two-thirds higher than the estate average for Mecca Bingo.

In December 2009, an existing Mecca Bingo club at Catford in London was converted to the Full House Destination format at a cost of £1.0m.

In January 2010, we re-opened our club in Oldbury, West Midlands following a £1.6m conversion to the Full House Destination format; and in April we will complete a similar project at Aberdeen. We will determine the further roll-out of this format based upon the success of the Catford, Oldbury and Aberdeen conversions but estimate that approximately 50% of our Mecca Bingo clubs may in time be suitable.

For the remainder of the estate, we developed Mecca 'Full House Local', targeted at the traditional bingo market and based around product and service improvements supported by modest capital investment.

In December 2009, we converted our Eltham Hill and Hackney Road clubs in London to the Full House Local concept, following a combined investment of £0.5m. Early results in both clubs have been encouraging and we plan to convert our Chester club to the format in the first half of 2010.

Rank Interactive

During 2009, the Group's remote gaming business (previously reported under our Blue Square sports betting brand) was renamed Rank Interactive. The move signalled a shift in focus for our strategy in remote gaming and betting, with a greater emphasis on leveraging our brand strengths in bingo and casino games.

In April, we carried out a major redevelopment of meccabingo.com and in September we launched gcasino.com

to support the G Casino brand building strategy. During the year, 46% of Rank Interactive's marketing expenditure supported its bingo and casino websites, a significantly higher proportion than in previous years.

Of particular note was the launch of a TV advertising campaign for meccabingo.com, which was aired during October and November.

As a consequence of these actions, we generated significant revenue growth from meccabingo.com, while online casino revenue returned to growth in the final quarter of the year after seven consecutive quarters of year-on-year decline.

During the current year, we will maintain brand support for meccabingo.com including a second TV advertising campaign. In addition, we will continue to support gcasino.com, migrating customers from grosvenorcasinos.co.uk and continuing our in-club marketing campaign. In the second half of the year, we will launch poker on gcasino.com, leveraging the strength of our land-based card room business.

Overseas development

Rank has an established track record operating land-based gaming businesses outside Britain, through our bingo clubs in Spain and our casinos in Belgium. As part of the Group's strategic development, we aim to expand the scale of our overseas operations over the medium term, opening up wider growth opportunities and gradually redistributing the Group's regulatory and economic risk weighting.

In the near term, we see overseas growth potential for Rank Interactive with opportunities to enter other European markets as governments establish regulatory frameworks for remote betting and gaming.

Our priority market is Spain, which is moving gradually towards the establishment of a regulated regime for online gaming. Our position in Spain, where we have operated as a gaming company since 1994, gives us a sound understanding of the market and would provide a firm base upon which to develop an online business.

The Group remains interested in expanding its land-based gaming operations within Europe. However, in the immediate term our focus will be on stabilising Top Rank España where severe economic conditions and the threat of a full smoking ban present challenges.

Footprint by number of licensed venues

