



Work positively with governments and regulators

Positive engagement

Gaming is generally subject to a far higher degree of regulation and political influence than other sectors of the leisure industry.

Rank recognises that it has a responsibility to its shareholders, employees and customers to maintain an active and open programme of engagement with regulators, governments and other interested parties in order to promote fairness, responsibility and sustainability.

Despite a heightened programme of engagement in 2009, the year brought mixed results for Rank with positive regulatory developments undermined by generally negative changes to taxation.

Regulation

Britain

During the year, Mecca Bingo benefited from a number of progressive changes to gaming machine entitlements for licensed bingo clubs, following a campaign by Rank and the Bingo Association.

In February, the maximum number of Category B3 machines permitted in bingo clubs was increased from four to eight; and in June the maximum stakes and prizes on Category C machines were raised from 50p to £1 and from £35 to £70 respectively.

Rank estimates that the aggregate benefit of these changes was approximately £3.0m in revenue on an annualised basis.

Spain

In October, changes to gaming machine regulations in the autonomous region of Madrid (where Rank operates three bingo clubs) allowed licensed bingo clubs to offer an expanded range of gaming machines. Under the new system, the maximum jackpot available on machines in these clubs increased from €120 to €18,000.

Taxation

Britain

In April 2009, regressive new regimes of taxation were brought into effect for bingo played in licensed clubs and card room games played in casinos.

The rate of bingo duty was increased from 15% to 22%; card room games such as poker and mah jong (previously subject to VAT at the standard rate) were

brought into the casino gaming duty regime at rates of up to 50%.

In aggregate the changes resulted in £5.7m of unbudgeted taxation costs for Rank in 2009.

Following lobbying from Rank and the Bingo Association, HM Government agreed to ameliorate the tax increase on bingo to 20% from the time of the 2010 Budget. The Conservative Party, Liberal Democrats and Scottish National Party have all called for the rate to be reduced further.

The net full-year effect of all the changes is estimated to be approximately.

Spain

In January 2010, the bingo clubs trade association, the Confederación Española de Organizaciones de Empresarios del Juego del Bingo (CEJ) achieved a modest reduction in bingo duty in the autonomous region of Catalonia (where Rank operates five clubs). Rank estimates that the change will benefit Top Rank España's annual operating profit by approximately €0.6m.

Responsibility, fairness and sustainability

We accept that our right to operate gaming and betting businesses comes with certain responsibilities; and we understand that our long-term commercial success rests on how society perceives the value of what we contribute to the communities within which we operate.

We believe that our contribution to society is overwhelmingly positive, through the enjoyment we give to our customers and the wide economic benefits that arise from our operations. We are also proud of our record with regard to upholding the principles of the Gambling Act – to protect young people and the vulnerable, to keep crime out and to ensure fairness.

We have a vision for the gaming industry, involving operators, regulators and governments, and built around three principles:

- Responsibility – for all parties to act with consideration for the welfare of customers, employees and the wider communities;
- Fairness – fairness and transparency should be fundamental to the way that gaming and betting businesses are run, regulated and taxed;

- Sustainability – any industry's ability to contribute to society via job creation and tax generation requires an environment where long-term commercial success and stability are encouraged.

These principles form the basis for Rank's engagement with the governments and regulators in Britain, Spain and Belgium.

Taxation – fair, simple, sustainable

As part of this approach, Rank has published 'Responsible taxation: Fairness, Simplicity, Sustainability', calling for a comprehensive review of the taxation system for betting and gaming in the UK. Under the Group's proposals, the current patchwork regime of taxation would be replaced by a single rate of duty for all activities governed by the Gambling Act.

We consider that this system offers a number of benefits in terms of the economy, social policy and the safeguarding of employment in the British gaming and betting industry.

Fairness – removal of arbitrary distinctions, particularly those which penalise UK-domiciled companies and benefit offshore companies;

Economic contribution – generates greater and more sustainable revenues for the Exchequer and stimulates job creation in Britain;

Lower administration costs – less onerous to administer, enabling both gaming companies and HM Revenue and Customs to achieve cost savings;

Support social policy – achieves alignment with the aims of the Gambling Act by ending the current discrimination against those forms of betting and gaming which offer the highest levels of customer protection.

In Spain, Rank is supporting the CEJ in making a similar submission, calling for online gambling to be made subject to the country's regulatory and tax frameworks and the harmonisation of taxation across all forms of gaming and betting.