

THE RANK GROUP

Deregulation Presentation

by

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History

- 1968 - Gaming Act
- 1978 - Rothschild review
- April 2000 - Budd committee
- March 2001 - Budd publication
- October 2001 - Consultation period ended
- March 2002 - White Paper



Gaming act 34 years old, served its purpose

Permitted areas enacted 1971 reduced casinos from over 1000 to 120 overnight currently c 120, 30 + years later

Royal commission in 1978 proposed changes to 1968 act including intro on National Lottery

Identified 1968 act has served its purpose but was already out of date

No Government action was taken.

Sir Alan Budd committee was formed in April 2000, committee researched the industry thoroughly,

March 2001 produced 176 recommendations in the Budd Report (on schedule)

Consultation period ended on schedule October 2001 having received 1500+ responses from interested parties and the Government (DCMS) produced their 'White paper' (statement of intention) for future gaming legislation . The Government agreed almost entirely with Budd with the exception of a few minor changes in a few areas of detail were left to be confirmed with the industry.

White paper was also produced on schedule

Recommendations - Overall

- Gambling commission
- Tiered licensing
- Local Authority licensing
- Four categories of gaming machines
- 24 hour rule / membership
- Credit cards



Major proposal for the gambling industry was the formation of a single regulator to cover all aspects of gaming and betting excluding National Lottery.

Rank's proposal for a tiered licensing structure was accepted facilitating in particular casinos operators who have cleared the highest probity checks to offer the full range of gambling products.

Both the 24 hour rule and membership criteria should also be abolished facilitating greater ease of entry for new customers.

Credit cards for the first time ever in the UK should be allowed to purchase gambling products.

Recommendations - Casinos

- Permitted areas
- Demand criteria
- Slot machines
- Advertising
- Alcohol on gaming floor / live music



Proposed that the concept of permitted areas was outdated and eventually these should be abolished. This however, will follow the formation of the gambling commission which in itself requires primary legislation.

The current practise of unstimulated demand and the 'demand criteria test' should be abolished.

Casino style slot machines with unlimited stakes and prizes including linked jackpots can be installed within casino operations although the combination of table gaming and slot installation is yet to be agreed.

The current restrictions in advertising should be completely removed subject to satisfactory code of conduct being agreed.

The provision of ancillary activity including alcohol on the gaming floor and the provision on live entertainment should now be permitted.

Recommendations - Bingo

- Unlimited stakes and prizes
- Frequency of multiple game
- Rollovers
- Jackpot machines



Current constraints in Bingo stakes and prizes should be removed with a prize ceiling be potentially unlimited (including multiple game)

The current restriction of only 3 multiple games per day with a maximum prize of £500,000 should be abolished.

The facility for operators to introduce 'rollover' jackpots should be allowed.

Bingo clubs also receive the ability to mix both amusement with prize machines alongside 4 jackpot gaming machines.

Timing

- Consultation committee - November 2002
- Draft Bill content - March 2003
- Bill to parliament - November 2003
- Queen's speech - November 2003
- Enactment - ?



A working party between the DCMS and a representative from each part of the industry will meet monthly between now and November 2002 to debate the outstanding issues.

The content for a draft bill will be agreed within the DCMS prior to being handed over to parliamentary draftsmen by 2003.

The bill will then be included in the Queen's speech in November 2003 with a view to getting parliamentary time in the 2003/4 calendar. With enactment of the Act last 2004/early 2005?

Rank Gaming Division

- **Mecca Bingo** - market leading position
 - 124 UK clubs
 - 7 in Spain
- **Grosvenor Casinos** - market leading position
 - 34 UK licenses
- **RLMS**
 - 36,000 machines
- **Rank.com**
 - launched November 2001
 - casino site due July 2002



Self explanatory.

The story so far

- Estate enhancement
 - relocations / acquisitions / new licences
- Product development
 - Auto Roulette / multiple Game / paperless Bingo
- Hard Rock branding initiatives
- Extended opening hours
- Substantial growth in profit and ROCE



Across the Mecca and Grosvenor estate over a sustained period of time a number of relocations, acquisitions and new licenses have significantly improved both the physical size and quality of the estate.

Numerous new products have been introduced including Automated Roulette, the granting of Mecca's multiple gaming license (the only multiple gaming license outside the National Game) and the launch of state of the art 'paperless' Bingo product including opening of a fully electronic 'club within a club' in Glasgow in June.

Utilising the Hard Rock brand two fully themed and market differentiated casinos will be launched in Manchester and London in 2002. Rank.com casinos site will be branded Hard Rock.

Significant benefits now being received from the extended operational hours, particularly across the entire provincial estate and more recently our London casinos.

70% increase in profit over 3 years and almost doubled ROCE to 18%.

The next 2-3 years

- More of the same ...
- Short term deregulation benefits
- Membership development
- Duty changes



The recent strategy has delivered substantially increased results and this strategy will be continued.

The introduction of some deregulation benefits over the next 12 months will take effect including credit card acceptance, alcohol on the gaming floor, live entertainment and payment by means of other than cash on slot machines and of course jackpot machines in bingo which have just been approved.

Gaming division new membership system goes live in June which puts members of Mecca, Grosvenor and Rank.com all on a common platform, ultimately creating a single membership database.

The recently announced removal of Bingo Duty and the likely amendments to casino gaming duty have yet to be agreed with both the Customs and Excise and Treasury.

The Future

- Machines
- Branding
- Advertising
- Estate development
- Portfolio expansion



The big single win from the new legislation will be the introduction of casino style slots with unlimited stakes and prizes. These machines will only be available in premises with the appropriate casino license.

Strong and established brands including Mecca, Grosvenor, Hard Rock and Rank can be fully exploited to cross marketing activity to the existing users.

Unrestricted advertising will facilitate both National branding and more importantly the opening up of the offer to a much larger audience fully confirming Gaming as a main stream leisure and entertainment offer.

Continued estate development including not only stand alone Bingo clubs and casinos with an enhanced offer but also the conversion of current properties into multi-gaming premises.

Furthermore the opportunity to develop a number of additional substantial gaming operations within both existing and new permitted areas.

Our competitive advantages

- Market leading position
- Quality and track record of management
- Relationship with the Gaming Board
- Quality and breadth of property portfolio
- Rank Group financial position



Rank's current operations both in terms of geography and quality of offer provides a very strong platform for 'first mover' advantage.

Knowledge of both casino and bingo operations and the track record of successful management will provide a huge competitive advantage.

Rank's existing relationship with the Gaming Regulator is exceptionally strong. Historical investment into the property portfolio will facilitate early adoption of any changes as and when they are enacted.

The Gaming Division is well supported by The Rank Group which is now in a very healthy financial position.

Summary

- Biggest ever change in UK Gambling
- Growth dynamic already exists
- Further development underway
- Excellent long term growth prospects



Rank welcomes the most significant changes in over 30 years to the UK gambling industry and is well positioned for the challenges ahead.

Recent results have shown a growth dynamic already exists.

Further expansion and improvements consistent with recent developments will continue this dynamic up to and beyond the new gaming bill in 2005.

Rank has demonstrated through its recent performance its ability to continually develop the performance of its gaming businesses in a highly regulated environment. The advent of both immediate deregulation and soon to come full new legislation supported by many of the initiatives we have discussed today give Rank Gaming excellent growth prospects in the short, medium and longer term.

Gaming Division					
Financial Summary					
		1998	1999	2000	2001
Grosvenor Casinos					
No of Clubs	London	4	4	5	8
	Provinces	26	27	27	27
	Belgium	2	2	2	2
	Total	32	33	34	34
Turnover	London	50.5	53.3	85.2	70.8
	Provinces	51.7	56.5	61.7	69.8
	Belgium	12.2	12.7	10.7	9.5
	Total	114.4	122.5	157.6	150.1
Club Operating Profit	London	8.6	11.0	15.9	14.6
	Provinces	9.3	9.6	12.7	16.5
	Belgium	0.9	0.8	0.7	0.7
	Overheads	-4.8	-3.9	-7.6	-7.7
	Total	14.0	17.5	21.7	24.1
Admissions (000s)	London	607	631	668	676
	Provinces	2,340	2,401	2,478	2,473
	Belgium	211	247	223	186
	Total	3,158	3,279	3,369	3,344
Handle per Head	London	443	476	630	538
	Provinces	108	117	126	141
	Belgium	183	174	171	208
	Total	178	190	233	226
Mecca Bingo					
No of Clubs	UK	127	124	124	123
	Spain	8	7	6	6
	Total	135	131	130	129
Turnover	UK	216.8	216.3	219.9	226.0
	Spain	13.5	13.5	12.6	13.5
	Total	230.3	229.8	232.5	239.5
Operating Profit	UK	40.6	47.2	54.9	67.6
	Spain	2.4	3.0	3.6	3.5
	Total	43.0	50.2	58.5	71.1
Admissions	UK	30,272	27,326	25,694	23,679
	Spain	2,124	2,088	2,009	1,983
	Total	32,396	29,414	27,903	25,662
Spend per Head	UK	7.16	7.92	8.48	9.45
	Spain	5.91	6.09	6.49	6.85

