



Rank Group



Full-year results 2009

25 February 2010



Rank Group



Peter Johnson, chairman



Rank Group



Paddy Gallagher, finance director

Changes to disclosure



- Segmental reporting (IFRS 8)
 - Reallocation of shared services
- Tax changes in HM Government's Budget 2009
 - Like-for-like revenue adjusted for bingo and poker VAT exemptions
- Change to revenue recognition
 - Financial accounts now reported on a net basis deducting free bets and added prize money
 - Gross revenue used on slides for consistency

Financial headlines



- Gross revenue: £540.0m (2008: £522.2m)
- Operating profit: £58.0m (2008: £60.3m)
- Adjusted profit before tax: £48.5m (2008: £40.5m)
- Adjusted EPS: 8.9p (2008: 7.3p)
- Operating cash flow: £87.3m (2008: £90.2m)
- Net debt: £186.8m (2008: £226.5m)
- DPS: 1.35p (2008: Nil)

Adjusted profit*



£m	2009	2008
Revenue - Gross	<u>540.0</u>	<u>522.2</u>
Operating profit	58.0	60.3
Interest	<u>(9.5)</u>	<u>(19.8)</u>
Profit before tax	<u>48.5</u>	<u>40.5</u>
Effective tax rate	29.0%	29.9%
Adjusted earnings per share	<u>8.9p</u>	<u>7.3p</u>
Memo: Cash tax rate	(8.9)%	7.2%

* Profits and earnings before discontinued operations, exceptional items, unwinding of discount in disposal provisions, other financial gains or losses, net return on defined benefit pension asset and amortisation of equity component of convertible bond

Revenue & operating profit



£m	Revenue		Operating profit	
	2009	2008	2009	2008
Mecca Bingo	233.0	227.6	32.3	37.9
Top Rank España	36.2	35.8	5.6	6.9
Grosvenor Casinos	220.0	206.2	30.9	25.9
Rank Interactive	50.8	52.6	7.5	7.6
Central Costs			(18.3)	(18.0)
Group	<u>540.0</u>	<u>522.2</u>	<u>58.0</u>	<u>60.3</u>

Operating costs



£m	2009	2008	change
Employment	177.8	168.2	5.7%
Taxes & duties	85.2	74.7	14.1%
Direct costs	49.7	48.2	3.1%
Property costs	46.9	47.1	(0.4)%
Marketing	45.4	46.4	(2.2)%
Depreciation	25.9	26.3	(1.5)%
Other	51.1	51.0	0.2%
Total	482.0	461.9	4.4%

- Like-for-like costs held in line with 2008 (excluding portfolio, FX and taxation changes)



£m	2009	2008
Revenue	233.0	227.6
Operating profit	32.3	37.9
KPIs		
Visits (000s)	14,933	15,358
Spend per visit (£)	15.60	14.82

- Strong growth from gaming machines
- £4.4m additional taxation in period as result of HM Government Budget 2009

Top Rank España



£m	2009	2008
Revenue	36.2	35.8
Operating profit	5.6	6.9
KPIs		
Visits (000s)	2,310	2,410
Spend per visit (£)	15.67	14.85

- 8.9% revenue decline in euros
- Continued gains in market share
- Profitability stabilised in the second half year

Grosvenor Casinos



£m	Revenue		Operating profit	
	2009	2008	2009	2008
London	86.9	88.5	13.2	12.5
Provinces	115.9	101.8	16.8	11.7
Belgium	17.2	15.9	0.9	1.7
	<u>220.0</u>	<u>206.2</u>	<u>30.9</u>	<u>25.9</u>
UK KPIs				
Visits (000s)	4,519	3,965		
Spend per visit (£)	44.88	47.98		

- Growth in customer visits - London and provinces
- Strong growth from gaming machines
- London win margin lower than 2008

Rank Interactive



£m	Revenue	
	2009	2008
Bingo / Games	34.3	29.7
Casino	5.1	5.5
Poker	2.9	3.8
Sportsbook	8.5	13.6
	<u>50.8</u>	<u>52.6</u>
Operating profit	<u>7.5</u>	<u>7.6</u>

- Strong growth from meccabingo.com
- Casino returned to growth in Q4

Statutory profit & loss



£m	2009	2008
Adjusted profit before tax	48.5	40.5
Net return on defined benefit pension asset	-	3.6
Amortisation of equity component of convertible bond	(0.3)	(3.6)
Other*	1.0	(2.3)
Profit before tax and exceptional items	<u>49.2</u>	<u>38.2</u>
Exceptional items	2.8	(64.3)
Profit (loss) before tax	<u>52.0</u>	<u>(26.1)</u>
Taxation	(14.1)	6.2
Discontinued operations	0.6	15.0
Profit (loss) for the period	<u><u>38.5</u></u>	<u><u>(4.9)</u></u>

* Includes unwinding of discount in disposal provisions and other financial gains and losses

Cash flow



£m	2009	2008
Continuing operations		
Cash inflow from operations	<u>87.3</u>	<u>90.2</u>
Capital expenditure	(34.3)	(28.2)
Fixed assets disposals	<u>1.6</u>	<u>5.6</u>
Operating cash inflow	<u>54.6</u>	<u>67.6</u>
Acquisitions	(0.3)	(3.8)
(Payments) receipt - exceptional costs and provisions	<u>(17.6)</u>	<u>32.3</u>
	<u>36.7</u>	<u>96.1</u>
Interest, hedging and tax payments	(4.4)	(28.9)
Transfer of defined benefit pension asset	-	28.0
Other (including foreign exchange translation)	<u>7.4</u>	<u>(4.8)</u>
Decrease in net debt	<u>39.7</u>	<u>90.4</u>
Opening net debt	<u>(226.5)</u>	<u>(316.9)</u>
Closing net debt	<u>(186.8)</u>	<u>(226.5)</u>

Capital investment to support growth



£m	2010F FY	2009	2008
Mecca Bingo	17.0 - 20.0	13.0	10.8
Top Rank España	2.0 - 2.0	1.5	2.2
Grosvenor Casinos	16.0 - 18.0	15.8	9.9
Rank Interactive	3.0 - 3.0	3.3	4.7
Other	2.0 - 2.0	0.7	0.6
Total	<u><u>40.0 - 45.0</u></u>	<u><u>34.3</u></u>	<u><u>28.2</u></u>

- Grosvenor Casinos - G Casino expansion
- Mecca Bingo - new concept rollout

Capital structure



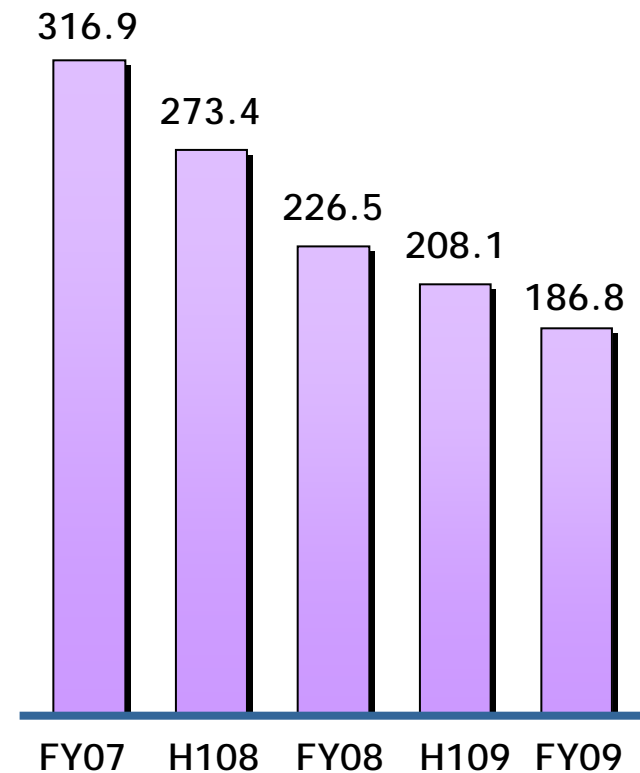
- Previous structure
 - Net debt to EBITDA 3.5x - 4.0x
- Revised structure
 - Target approximately 2.5x over the medium term
- No change to banking covenants
- Current debt 2.2x EBITDA & business stable
- Dividend
 - Final dividend of 1.35p per share recommended for 2009
 - Progressive dividend policy
 - Cover of c.3.0x over the medium term

Strengthened balance sheet



- Sustained reduction in net debt
- Positive developments on VAT claims
 - Favourable High Court ruling
 - Slots Tribunal win
 - Mainstage claim now part of same case
- Significant headroom against £400m+ debt facilities
 - £150m term loan (2012)
 - £250m revolver (2012)
 - \$14m Yankee bond (2018)

Group net debt (£m)





Rank Group



Ian Burke, chief executive

2010 - market assessment



- Economic recession has impacted most forms of gaming and betting
- Economic recovery likely to be slow and gradual
 - Interest rates likely to rise during 2010
 - UK unemployment to peak at 9.1% in 2011*
 - Personal taxes may rise
- Regulatory and tax framework still fluid
- General Election likely to influence landscape for gaming and betting
- Limited investment in British gaming market in 2009/10

* Economist Intelligence Unit

2010 - where we are



Rank represents an attractive equity investment opportunity in British land-based gaming

- Fundamental attractiveness of land-based gaming
 - Significant demand growth potential
 - High barriers to entry
- Proven ability to stimulate demand by broadening appeal
- Strong market position in Britain with footholds in continental Europe
- Opportunity to provide seamless online/offline gaming solution
- Licensing and balance sheet strength to grow in supply-restricted markets

Strategic priorities



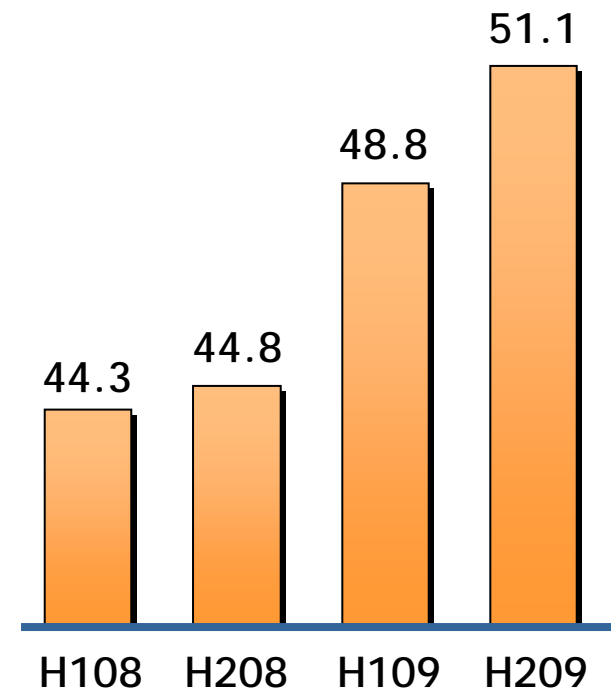
- Customer insight to drive product and service innovation
- Selective investment to strengthen UK position and exploration of overseas development potential
- Work positively with governments and regulators to shape operating environment

Customer insight - electronic gaming



- Investment in leading games, offered online and offline
- Continued evolution of electronic roulette, electronic bingo and video bingo
- Continued investment in server-based gaming
- Investment in environment and service to create leading amusements experience

Gaming machines revenue - Mecca Bingo and Grosvenor Casinos* (£m)



* Britain only

Customer insight - food and drink



- Significantly improved standards of food and drink across Mecca and Grosvenor
 - good quality, good value
- 16 Mecca Bingo clubs now cook-to-order; six provide table service
 - increase in spend per visit
- Extension of cook-to-order to at least 30 more Mecca Bingo clubs in 2010

Customer insight - games development



- After Dark Bingle and Rock and Roll Bingo launched, May 2009
- Successful in reaching out to non-bingo customers
- Enables clubs to trade for longer
- Uplift on bar sales
- Extension of After Dark brand in 2010
 - Poker Factory, Quiz Night, Film Club

More accessible - open all hours



- 24-hour opening introduced into two casinos in 2008
- Extended to a total of 17 clubs in 2009
- Since 2008, aggregate opening hours increased by 13% (like-for-like)
- Licensing permission gained to extend 24-hour opening across the estate
- Extension of 24-hour opening in 2010
- Lobbying to extend hours in Mecca Bingo

More rewarding - customer loyalty



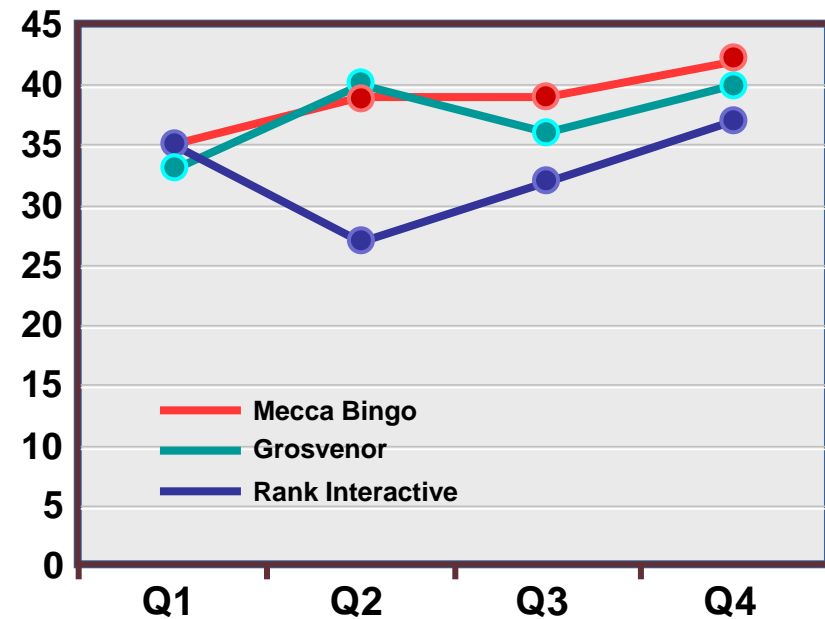
- Play Points launched in 2008; now in eight casinos
- Plans to roll-out to further ten casinos in 2010
- Provides data on customer spending and preferences
- Enables greater marketing efficiency
- Performance premium for clubs with Play Points
- Opportunity to extend across Group

More satisfying - NPS scores improving



- Forward looking performance indicator
- Improvements across Group in 2009
- Target 45% in 2010

Net promoter scores 2009 (%)



Strengthen UK position - where we are



- 138 venues licensed for gaming
 - #1 in casinos
 - #2 in bingo clubs
- >1.8 million customers
- >19 million customer visits/year
- National distribution - presence in 30 largest cities in Britain

-
- Mecca Bingo
● Grosvenor / G Casinos
- A map of the United Kingdom is shown in a light pink color. It is populated with numerous small dots representing gaming venues. Green dots represent Mecca Bingo locations, and blue dots represent Grosvenor / G Casinos locations. The dots are distributed across the country, with a higher concentration in the central and southern regions.

Strengthen UK position - winning formats



'Traditional'



Locations

secondary

high profile

Buildings

anonymous

exciting

Experience

gaming

entertainment

Service

compliance

hospitality

First visit

intimidating

welcoming



Strengthen UK position - G Casino



- Develop six unutilised licences
- Relocate existing casinos and convert to G Casino
 - up to four licences to be relocated
 - c.£4.5m capital investment
- Convert larger existing casinos to G Casino
 - up to eight casinos to be converted
 - c.£1.5m capital investment
- 15% minimum pre-tax ROIC targeted
- Online
 - more effective cross-marketing of gcasino.com

Strengthen UK position - Mecca



- Assess performances of 'Full House Destination' conversions
 - Catford, Oldbury & Aberdeen
- Scope out roll-out plans
- c.50% of estate may be suitable for conversion to Full House Destination
- c.£0.8m to £1.5m capital investment
- Remaining clubs may be suitable for conversion to Full House Local
- 15% minimum pre-tax ROIC targeted
- Online
 - more effective cross-marketing to meccabingo.com

Explore overseas opportunities



- Opening up of European markets presents opportunity for Rank Interactive
 - Games rather than sports-led
- Priority to stabilise and recover Top Rank España
 - challenging economic situation
 - threat of full smoking ban
- Greater diversification of political and economic risk

Shape political and fiscal environment



- Stepped-up programme of engagement
- Positive regulatory changes achieved
 - Gaming machines in British and Spanish bingo clubs
- Damaging taxation policies . . . then some progress
 - Budget 2009 cost Rank £9m*
 - Changes in PBR clawed back £2.5m*

* Annualised figures

Shape political and fiscal environment



A new agenda

- Responsibility
 - Closer alignment of regulation with aims of the Gambling Act
 - Closer alignment of fiscal policy with social policy
- Fairness
 - Single rate of taxation across all forms of gaming and betting
- Sustainability
 - Shared vision to create gaming industry which is socially responsible, economically valuable and commercially successful

Current trading



- Positive start to 2010
- Growth in Group customer visits
- High win margin in London casinos

Summary



- Management of political risk
- Balance sheet strength
- Stronger leadership in depth
- Momentum building
 - Operational improvements
 - Concept development



Rank Group



Appendices

Mecca Bingo



data sheet

	FY 2009	H1 2009	FY 2008	H1 2008
Clubs	103	103	102	102
Revenue (£m)	233.0	116.3	227.6	116.9
EBIT (£m)	32.3	19.0	37.9	22.7
Operating margin	13.9%	16.3%	16.7%	19.4%
Customers MAT (000s)	881	912	898	984
Customer visits (000s)	14,933	7,491	15,358	7,893
Spend per visit (£)	15.60	15.53	14.82	14.82
Electronic gaming				
B3 / B4 machines	971*	1,043*	711*	524
C/D machines	4,508	4,552	4,623	4,816

* includes B3 machines located in adult gaming centres, operated by Rank and located adjacent to Mecca Bingo clubs

Top Rank España



data sheet

	FY 2009	H1 2009	FY 2008	H1 2008
Clubs	11	11	11	11
Revenue (£m)	36.2	18.1	35.8	17.7
EBIT (£m)	5.6	2.7	6.9	4.1
Operating margin	15.5%	14.9%	19.3%	23.2%
Customers MAT(000s)	314	316	323	330
Customer visits (000s)	2,310	1,130	2,410	1,203
Spend per visit (£)	15.67	16.02	14.85	14.71

Grosvenor Casinos



data sheet

	FY 2009	H1 2009	FY 2008	H1 2008
Casinos				
London	5	5	5	5
Provinces	30	28	27	27
Belgium	2	2	2	2
Total	37	35	34	34
Unused licences	12	13	13	13
Revenue (£m)	220.0	106.7	206.2	102.2
EBIT (£m)	30.9	14.7	25.9	12.5
Operating margin	14.0%	13.8%	12.6%	12.2%
Customers MAT (000s)	918	842	775	806
Customer visits (000s)	4,825	2,270	4,264	2,098
Spend per visit (£)	45.60	47.00	48.36	48.72
Electronic gaming (UK only)				
B1 machines	648	613	593	588
B3 machines*	20	16	16	-
Electronic casino terminals	933	862	822	848

* 20 B3 machines located in adult gaming centres, operated by Rank and located adjacent to casinos

Rank Interactive



data sheet

	FY 2009	H1 2009	FY 2008	H1 2008
Bingo/games	34.3	16.4	29.7	14.7
Casino	5.1	2.4	5.5	2.6
Poker	2.9	1.7	3.8	2.0
Sportsbook	8.5	4.4	13.6	7.7
Revenue (£m)	<u>50.8</u>	<u>24.9</u>	<u>52.6</u>	<u>27.0</u>
EBIT (£m)	7.5	3.0	7.6	3.5
Operating margin	14.8%	12.0%	14.4%	13.0%

Casinos market supply (February 2010)



Operator	Operating clubs	Non-operating licences	Total licences
Genting Stanley	44	11*	55
Grosvenor Casinos	35	12	47
Gala	27	4	31
Caesar's/London Clubs	9	2	12
A&S Leisure	6	0	6
Aspers/Aspinall's	4	1	5
Club 36	3	0	3
Clockfair	2	0	2
Guoco	1	5	6
Independents	10	11	21
Total	141	46	187

* Includes one poker club acquired by Genting Stanley and subsequently closed during 2009

Bingo clubs market supply (February 2010)



Operator	Clubs
Gala Bingo	145*
Mecca Bingo	103
Top Ten Bingo	27
Carlton Clubs	14
Riva Bingo	11
Buckingham Bingo	11
Others	<u>253*</u>
Total	564

* Includes clubs closing February 2010