

25 February 2010

The Rank Group Plc
Annual results for the 12 months ended 31 December 2009

Financial highlights

- Group revenue* up 3.4% to £540.0m (2008: £522.2m)
- Statutory revenue up 3.0% to £520.5m (2008: £505.4m)
- Group operating profit before exceptional items down 3.8% to £58.0m (2008: £60.3m) as a result of higher gaming taxes
- Group operating profit after exceptional items of £60.8m (2008: £(9.1)m)
- Adjusted profit before tax up 19.8% to £48.5m (2008: £40.5m)
- Adjusted earnings per share up 21.9% to 8.9p (2008: 7.3p)
- Basic earnings per share before exceptional items up 38.5% to 9.0p (2008: 6.5p)
- Net debt of £187m at 31 December 2009 (£227m at 31 December 2008)
- Resumption of dividend payments - dividend per share of 1.35p (2008: nil)

Review of key events

- Strong performance in challenging market conditions
- Revenue growth in two largest businesses – Mecca Bingo and Grosvenor Casinos
- Like-for-like operating costs held in line with 2008**
- Review of capital structure carried out
- Capital investment stepped up to support growth strategy
- G Casino brand extended from six to ten properties
- Launch of Mecca 'Full House' club concepts
- High Court upholds VAT reclaims on bingo and amusement machines
- Strong start to 2010 despite adverse weather conditions

* before adjustment for free bets, promotions and customer bonuses

** like-for-like operating costs excludes the effects of club openings, closures, changes to gambling taxation and foreign exchange movements

Ian Burke, chief executive of The Rank Group said: "Our financial performance in 2009 was principally a result of the actions we have taken over a number of years to reposition the Group. During a period of considerable economic uncertainty, Rank has achieved revenue growth by improving the quality of product and service offered to customers and at the same time has maintained effective control of operating costs.

“We are stepping up investment to support our expansion strategy having strengthened our financial position through a substantial reduction in net debt.

“Whilst consumer conditions remain challenging, we have stabilised our businesses and we remain confident in our long-term growth strategy. Consequently, the board has determined to recommend the reinstatement of dividend payments from May 2010.”

Enquiries

The Rank Group Plc

Dan Waugh, director of investor relations

Tel: 01628 504053

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Ben Foster/Marc Cohen

Tel: 020 7831 3113

Photographs available from www.rank.com

Analyst meeting, webcast and dial-in details:

Thursday 25 February 2010

There will be an analyst meeting at King Edward’s Hall, Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ, starting at 9.30am. There will be a simultaneous webcast of the meeting.

For the live webcast, please register at www.rank.com. A replay of the webcast and a copy of the slide presentation will be made available on the website later. The webcast will be available for a period of six months.

Forward-looking statements

This announcement includes ‘forward-looking statements’. These statements contain the words “anticipate”, “believe”, “intend”, “estimate”, “expect” and words of similar meaning. All statements, other than statements of historical facts included in this announcement, including, without limitation, those regarding the Group’s financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group’s products and services) are forward-looking statements that are based on current expectations. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance, achievements or financial position of the Group to be materially different from future results, performance, achievements or financial position expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s operating performance, present and future business strategies, and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this announcement. Subject to the Listing Rules of the UK Listing Authority, the Group expressly disclaims any obligation or undertaking, to disseminate any updates or revisions to any forward-looking statements, contained herein to reflect any change in the Group’s expectations, with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Past performance cannot be relied upon as a guide to future performance.

Chief executive's review

Summary of results

During 2009, the Group achieved 21.9% growth in adjusted earnings per share, despite the effects of the global economic recession. This resulted largely from an improved operational performance and lower financing costs which offset higher UK gaming taxes.

| | Revenue (£m) | | Operating profit (£m) | |
|------------------|--------------|--------------|-----------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| H1 | 266.0 | 263.8 | 30.2 | 31.8 |
| H2 | 274.0 | 258.4 | 27.8 | 28.5 |
| Full-year | 540.0 | 522.2 | 58.0 | 60.3 |

Note: All references to revenue within the chief executive's review and the operating review are before the adjustment for free bets, promotions and customer bonuses; all references to operating profit are before exceptional items.

Group revenue grew by 3.4% to £540.0m reflecting the contribution from new casinos and bingo clubs and a 0.8% like-for-like increase. Operating profit of £58.0m was 3.8% lower than in 2008 as increases in UK gaming taxation introduced in HM Government's 2009 Budget outweighed the benefit of a temporary reduction in the standard rate of VAT.

Taxation accounted for more than 50% of operating cost increases in the year. Excluding the effects of tax changes, foreign exchange movements and changes to our estate of bingo clubs and casinos, the Group maintained operating costs in line with 2008 levels.

Across the Group, our businesses served a total number of 2.4 million customers, representing a 4.4% increase over the prior year. Customer visits (land-based only) of 22.1 million were slightly ahead of 2008 levels.

| | Revenue (£m) | | Operating profit* (£m) | |
|-------------------|--------------|--------------|------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Mecca Bingo | 233.0 | 227.6 | 32.3 | 37.9 |
| Top Rank Espana | 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 | 540.0 | 522.2 | 58.0 | 60.3 |

* Operating profit by segment has been reallocated following the implementation of IFRS 8 ('Operating segments'). See note 2 to the Group financial information.

Our two largest businesses, Grosvenor Casinos and Mecca Bingo each delivered revenue growth. In Grosvenor Casinos, this performance was driven by a significant increase in both customers and customer visits; in Mecca Bingo, growth in average spend per visit offset a modest decline in customer visits.

Grosvenor Casinos grew operating profit by 19.3% to £30.9m, even after incurring £1.3m in additional taxation on player-to-player card room games. Despite the growth in revenue, operating profit of £32.3m from Mecca Bingo was 14.8% lower than in 2008, largely as a result of increased taxation.

Top Rank Espana grew revenue by 1.1%, benefiting from the strength of the euro against Sterling. In euros, revenue declined by 8.9%, with customer visits and spend per visit both down as Spain's severe economic conditions continued to impact trading. Operating profit declined by 18.8% to £5.6m.

Revenue from Rank Interactive declined by 3.4% to £50.8m with continued growth from meccabingo.com outweighed by lower revenue from sports betting, casino and poker. Operating profit of £7.5m was in line with 2008, principally as a result of reduced marketing expenditure.

Central costs of £18.3m were slightly higher than in 2008 due to an increase in share-based payments.

Current trading

During the eight weeks to 21 February 2010, Group revenue grew by 11% and like-for-like revenue increased by 5%.

| | Like-for-like revenue* | Total revenue |
|-------------------|------------------------|---------------|
| Mecca Bingo | (3)% | 6% |
| Top Rank Espana** | 1% | 1% |
| Grosvenor Casinos | 14% | 20% |
| Rank Interactive | 9% | 9% |
| Group | 5% | 11% |

* excludes club openings, closures and relocations; and changes to gaming taxation.

** Top Rank Espana performance not adjusted for currency movement. In euros, revenue increased by 3% compared with the first eight weeks in 2009.

Grosvenor Casinos continued to be the main driver of growth with like-for-like revenue up by 14% on increased customer visits and an above average win margin in our London casinos.

Like-for-like revenue from Mecca Bingo declined by 3% as a result of lower customer visits. This performance was adversely affected by the unusually cold weather at the start of January.

Top Rank Espana generated 1% growth in revenue from an increase in customer visits.

Rank Interactive achieved a 9% revenue increase as a result of continued improvements from its bingo and casino websites.

Capital structure policy

During 2009, the Group carried out a review of its capital structure and dividend policy, against a background of operational improvements, significant growth in earnings per share and a sustained reduction in net debt. As a result of this review, Rank intends to adjust its capital structure to target a level of around 2.5 times net debt to EBITDA over the medium-term.

In addition, the board has determined to recommend a resumption of dividend payments, beginning with a 1.35p per share final dividend for 2009. The dividend will be paid on 5 May 2010 to shareholders on the register at 6 April 2010.

We plan to adopt a progressive dividend policy, taking into consideration the Group's capital investment requirements and the stability of the wider operating and economic environment. Within this context, the board intends to set dividends such that Rank achieves a dividend cover of around 3.0 times over the medium-term.

Outlook

While the board is pleased with the progress achieved in 2009, opportunities and challenges lie ahead. The current year is forecast to be a period of gradual, if fragile, economic recovery in Britain, Rank's key market; whilst the outcome of the forthcoming general election is likely to influence the regulatory and tax landscape for gaming and betting in Britain.

Rank's primary focus remains on delivering service excellence to our customers as a means of generating value for our shareholders. The board believes that Rank's customer propositions, its standards of service and insight and the in-depth strength of its management team give the Group a platform for sustainable growth.

Strategic update

The Group is focused on generating positive returns for shareholders based upon sustainable growth in earnings per share. We will do this by creating a gaming-based leisure business with leading standards of customer service and entertainment.

In this way the Group aims to benefit from growth in consumer demand in markets where regulatory conditions often serve to restrict competitor supply growth.

Strategic aims: The attainment of our goal is built on three strategic aims.

1. To deepen our understanding of customer preferences to shape product innovation, create service differentiation and build enduring relationships.
2. To strengthen our position in the UK whilst assessing longer term growth opportunities overseas.
3. To work positively with governments, regulators and other relevant stakeholders to create an environment which supports both responsible operation and commercial success.

1. Deepen our understanding of customer preferences

It is our success in understanding and anticipating what our customers want from their leisure experiences that will give our businesses a competitive advantage in the markets where they operate.

As a result of our investment in enhanced management information systems and the creation of insight teams, we have gained a deeper understanding of consumer motivations.

Everything that we do – from the development of concepts like G Casino and Mecca Full House to everyday operational improvements – is built around qualitative and quantitative research into customer preferences and behaviours.

Product and service improvements

Electronic gaming

Progress - Across the Group we have made improvements to the quality of both the product and the service levels applied to electronic gaming. In 2009, we introduced amusements service teams into Mecca Bingo, increased the number of Category B3 'jackpot' machines deployed across the Group from 727 to 991 and continued to invest in server-based gaming technology.

Priorities – During 2010, we will continue to invest in the quality of our electronic gaming product, with particular focus on upgrading gaming machines and electronic roulette in our British casinos and introducing enhanced electronic bingo and video bingo terminals in Mecca Bingo.

Food & drink

Progress - We made substantial improvements to both the quality of our food and drink and the manner of its delivery. In 16 Mecca Bingo clubs we replaced servery-style catering with cook-to-order meals; and in six of these clubs we introduced waiter table service. In these clubs we have seen improvements in average spend per visit on food and drink.

Priorities – We will continue to invest in the quality of the dining and drinking experience in our bingo clubs and casinos. In particular, we will extend cook-to-order and table service to at least another 30 Mecca clubs.

Entertainment

Progress – We have introduced a number of industry-leading innovations to make our customer experiences more entertaining. In Mecca ‘Full House’ clubs, we fused music with gaming to develop After Dark Bingo and Rock and Roll Bingo – both of which have been instrumental in helping these clubs to reach out to a broader range of customers and extend operational hours.

Priorities – During 2010, we will expand Mecca’s After Dark branded suite of late night games, adding poker, quizzes and other forms of entertainment.

Accessibility

Progress - We have continued to seek ways to make the customer experience more flexible and to generate more value from our venues. During the year, we offered 24-hour opening in 17 of our British casinos and we gained licensing approval to do likewise in the remainder of the estate. The move has proved popular with customers and has been a driver of incremental revenue and profit.

Priorities – During 2010, we will extend 24-hour opening to a number of additional casinos and seek to gain extended opening hours for our bingo clubs in tandem with the roll-out of our After Dark brand and our enhanced amusement machines offer.

Customer rewards

Progress - During 2009, we extended our Play Points customer rewards programme to a total of eight of our Grosvenor Casinos and G Casinos, following tests in 2008. At 31 December 2009, more than 75,000 customers were members of Play Points and in excess of £0.4m worth of rewards had been redeemed via the programme.

Play Points provides us with extensive empirical data regarding spending and behavioural patterns, enables us to target our marketing expenditure more efficiently and has proved popular with customers. In the clubs where Play Points has been introduced we have experienced enhanced levels of operating performance and higher net promoter scores (see below).

Priorities – During 2010, we will introduce Play Points to a further ten casinos at a combined cost of approximately £2.0m. We are continuing to assess opportunities to extend this approach to player rewards across the Group’s businesses.

Key performance indicators

Ultimately, we believe that the success of our insight-led approach to business will be reflected in growth in customers and customer visits, which will in turn give rise to enhanced earnings per share. During 2009, total Group customer visits of 22.1 million was slightly ahead of 2008, following a number of years of decline.

As a forward-looking indicator, we use the net promoter score system to assess our effectiveness in meeting and exceeding customer expectations. Net promoter score tracks the net propensity of our customers to recommend (or otherwise) our businesses to their friends. It is based upon quarterly feedback from more than 12,000 customers and the results form a key component of how our management teams are rewarded.

The net promoter scores for Rank's businesses in 2009 are set out in the table below. They are derived by subtracting negative ('detractor') customer feedback scores from positive ('promoter') customer scores.

Net promoter score

| | 2008 | 2009 | 2010 target |
|-------------------|-------|--------------|--------------|
| Mecca Bingo | 30.1% | 38.6% | 45.0% |
| Grosvenor Casinos | - | 37.3% | 45.0% |
| Rank Interactive | - | 32.8% | 45.0% |
| Top Rank Espana* | - | - | 40.0% |
| Group | - | 36.9% | 45.0% |

* Net promoter score for Top Rank Espana was not measured in 2009; it will be measured from 2010 onwards. The lower target for 2010 reflects this circumstance.

2. Selective investment to strengthen our position in Britain and to explore growth opportunities overseas

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, Britain 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.

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 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 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:

| | |
|---------------------|---|
| Bolton | Conversion 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 – December 2009 |
| Capital investment: | £4.8m |

Note: capital investments figures may include prior year expenditure.

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 established an estate 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 (see above) 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. 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 our 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 concepts following a combined investment of £0.5m. Early trading in both clubs has 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 through 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 campaigns. 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 Espana where severe economic conditions and the threat of a full smoking ban present challenges.

3. Work positively with governments and regulators

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 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 (£1 maximum stake; £500 maximum prize) gaming machines permitted in licensed 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 the aggregate benefit of these changes is 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 £6.0m.

Spain – In January 2010, the bingo clubs trade association, the Confederacion des Empresarios del Juegos (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 Espana annual operating profit by around €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 that 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 is encouraged.

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

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 distortions, 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 cost of administration** – less onerous to administer, enabling both gaming companies and HM Revenue & Customs to achieve cost savings.
- **Supports social policy** – achieves alignment with the aims of the Gambling Act by ending the current discrimination against those forms of gaming and betting 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 framework and the harmonisation of taxation across all forms of gaming and betting.

Operating review

Mecca Bingo

Mecca Bingo delivered a positive revenue performance in the year although operating profit was lower than in 2008, largely as a result of changes in taxation.

| | Revenue (£m) | | Operating profit (£m) | |
|------------------|--------------|--------------|-----------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| H1 | 116.3 | 116.9 | 19.0 | 22.7 |
| H2 | 116.7 | 110.7 | 13.3 | 15.2 |
| Full-year | 233.0 | 227.6 | 32.3 | 37.9 |

Revenue of £233.0m was 2.4% higher than in 2008, although this was due in large part to the change in bingo taxation which had the effect of magnifying revenue and reducing operating profit. On a like-for-like basis, revenue was in line with 2008.

Operating profit of £32.3m was 14.8% lower than in 2008, due in large part to the increase in bingo taxation, which cost £4.4m in the year and to the non-recurrence of a £2.1m VAT refund (received in 2008).

Mecca Bingo added one club to its estate, the new Mecca 'Full House Destination' club at Beeston in Nottingham. At 31 December 2009, Mecca Bingo operated 103 licensed bingo clubs across Great Britain, comprising more than 13,000 electronic gaming positions.

| Customer visits (000s) | | Spend per visit (£) | |
|------------------------|--------|---------------------|-------|
| 2009 | 2008 | 2009 | 2008 |
| 14,933 | 15,358 | 15.60 | 14.82 |

A 2.8% reduction in customer visits (a 3.6% reduction on a like-for-like basis) represented a lower rate of decline than in 2007 and 2008. During the year, the business served more than 881,000 customers, 1.9% fewer than in 2008.

Like-for-like spend per visit increased by 5.0% principally as a result of the improved performance from the business's amusement machines.

Revenue analysis

| | 2009 £m | 2008 £m |
|--------------------|--------------|--------------|
| Main stage bingo | 40.0 | 36.3 |
| Interval games | 105.0 | 108.4 |
| Amusement machines | 65.6 | 60.7 |
| Food & drink/other | 22.4 | 22.2 |
| Total | 233.0 | 227.6 |

Main stage bingo – revenue from main stage bingo increased by 10.2% to £40.0m, due to changes in taxation. Like-for-like revenue was 0.1% lower than in 2008.

Interval games – revenue from interval games declined by 3.1% to £105.0m as a result of lower customer visits.

Amusement machines – revenue from our amusement machines grew by 8.1% to £65.6m as a result of the deployment of a higher number of B3 jackpot machines and a range of improvements to the quality of our product and service offer.

Food & drink/other – revenue from food and drink and ancillary items grew by 0.9% to £22.4m reflecting a strong contribution from the new Mecca Full House Destination club at Beeston and modest growth in spend per visit across the rest of the estate.

Top Rank Espana

Top Rank Espana delivered a credible performance against the backdrop of rising unemployment and declining consumer confidence in Spain.

| | Revenue (£m) | | Operating profit (£m) | |
|------------------|--------------|-------------|-----------------------|------------|
| | 2009 | 2008 | 2009 | 2008 |
| H1 | 18.1 | 17.7 | 2.7 | 4.1 |
| H2 | 18.1 | 18.1 | 2.9 | 2.8 |
| Full-year | 36.2 | 35.8 | 5.6 | 6.9 |

Revenue increased by 1.1% to £36.2m, benefiting from the strength of the euro against Sterling. In euros, revenue declined by 8.9% with customer visits 4.2% lower than in 2008 and spend per visit 4.9% lower.

During the year, our clubs served more than 314,000 customers, 2.8% fewer than in 2008.

| Customer visits (000s) | | Spend per visit (£) | |
|------------------------|-------|---------------------|-------|
| 2009 | 2008 | 2009 | 2008 |
| 2,310 | 2,410 | 15.67 | 14.85 |

There were no changes to the Top Rank Espana estate during the year and at 31 December 2009, the business operated 11 bingo clubs in Catalonia, Madrid, Andalucia and Galicia.

The business's amusement machines performed well during the year despite the decline in customer visits.

Revenue analysis

| | 2009 £m | 2008 £m |
|--------------------|-------------|-------------|
| Bingo | 24.0 | 24.2 |
| Amusement machines | 8.4 | 7.8 |
| Food & drink/other | 3.8 | 3.8 |
| Total | 36.2 | 35.8 |

Grosvenor Casinos

Grosvenor Casinos achieved strong growth in revenue and operating profit in the year as a result of significant increases in customers and customer visits.

| | Revenue (£m) | | Operating profit (£m) | |
|------------------|--------------|--------------|-----------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| H1 | 106.7 | 102.2 | 14.7 | 12.5 |
| H2 | 113.3 | 104.0 | 16.2 | 13.4 |
| Full-year | 220.0 | 206.2 | 30.9 | 25.9 |

Revenue increased by 6.7% to £220.0m principally as a result of new additions to the G Casino estate in 2008 and 2009. Customer visits increased by 13.2%, offsetting a 5.7% decline in spend per visit.

On a like-for-like basis revenue grew by 3.0%, driven by strong growth in customer visits as the business started to reap the benefits of a range of management initiatives, including 24-hour opening and our Play Points rewards programme.

Spend per visit declined in our casinos both in London and the provinces as a result of a lower win margin on table games.

Operating profit increased by 19.3% to £30.9m despite the business incurring £1.3m of additional tax costs arising from changes to the taxation of card room games, announced in the Budget.

During the year, our casinos served more than 918,000 customers, an increase of 18.5% compared with 2008.

We added three casinos to our estate with new G Casinos at Coventry and Dundee and the first of our fully electronic casinos, at Leeds. At 31 December 2009, we operated 35 casinos in Britain and two in Belgium. In addition, we held 12 non-operating casino licences in Britain that we plan to develop over the medium-term.

Revenue & operating profit

| | Revenue (£m) | | Operating profit (£m) | |
|--------------|--------------|--------------|-----------------------|-------------|
| | 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 |
| Total | 220.0 | 206.2 | 30.9 | 25.9 |

London – Revenue from our five London casinos was 1.8% lower than in 2008 with 6.8% growth in customer visits only partially offsetting an 8.0% decline in spend per visit. Operating profit of £13.2m was 5.6% higher than in 2008 as a result of the non-recurrence of certain legal fees.

Provinces – Revenue from our casinos outside London grew by 13.9% to £115.9m as 16.1% growth in customer visits offset a 1.9% decline in spend per visit. Like-for-like revenue increased by 6.8% with like-for-like customer visits and spend per visit up by 4.7% and 2.0% respectively. Operating profit of £16.8m was 43.6% higher than in 2008.

Belgium – Our two casinos in Belgium grew revenue by 8.2% to £17.2m. Operating profit of £0.9m was £0.8m lower than in 2008 as a result of inflationary cost pressures.

Key performance indicators

| | Customer visits (000s) | | Spend per visit (£) | |
|--------------|------------------------|--------------|---------------------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| London | 959 | 898 | 90.62 | 98.55 |
| Provinces | 3,560 | 3,067 | 32.56 | 33.19 |
| Belgium | 306 | 299 | 56.21 | 53.18 |
| Total | 4,825 | 4,264 | 45.60 | 48.36 |

Within Grosvenor's casinos in Britain, gaming machines and card room games were the major drivers of growth.

Revenue analysis - Britain

| | 2009 £m | 2008 £m |
|--------------------|--------------|--------------|
| Casino table games | 145.4 | 144.6 |
| Gaming machines | 34.3 | 28.4 |
| Card room games | 8.8 | 5.1 |
| Food & drink/other | 14.3 | 12.2 |
| Total | 202.8 | 190.3 |

Casino table games – revenue of £145.4m from table games was slightly ahead of 2008 despite changes in customer mix causing a dilution in win margin.

Gaming machines – revenue from gaming machines grew by 20.8% to £34.3m. This performance reflects improvements to product and service levels, like-for-like growth in customer visits and the expansion of our casinos portfolio.

Card room games - revenue from player-to-player card room games, such as poker and mah jong grew by 72.5% to £8.8m. This was due in part to the change in taxation introduced in the Budget, which increased reported revenue but reduced profit. Excluding the tax changes, card room revenue grew by 55.8% reflecting the expansion of our card room network.

Food & drink - revenue from food and drink of £14.3m was 17.2% higher than in 2008, reflecting both the growth in customer visits and the success of our actions to improve the quality of our product and service.

Rank Interactive

Rank Interactive had a mixed year with continued revenue growth from our bingo sites being outweighed by a decline in sports betting. The business finished the year strongly after a difficult first half.

During the year, Rank Interactive served more than 271,000 customers, 6.2% fewer than in 2008.

| | Revenue (£m) | | Operating profit (£m) | |
|------------------|--------------|-------------|-----------------------|------------|
| | 2009 | 2008 | 2009 | 2008 |
| H1 | 24.9 | 27.0 | 3.0 | 3.5 |
| H2 | 25.9 | 25.6 | 4.5 | 4.1 |
| Full-year | 50.8 | 52.6 | 7.5 | 7.6 |

Revenue declined by 3.4% to £50.8m but operating profit was held in line with 2008 as a result of effective cost management.

Revenue analysis

| | 2009 £m | 2008 £m |
|---------------|-------------|-------------|
| Bingo & games | 34.3 | 29.7 |
| Casino | 5.1 | 5.5 |
| Poker | 2.9 | 3.8 |
| Sportsbook | 8.5 | 13.6 |
| Total | 50.8 | 52.6 |

Our bingo & games sites grew revenue by 15.5% to £34.3m as our decision to put more emphasis and marketing support behind our re-launched meccabingo.com site resulted in growth in customers.

Revenue from our Blue Square sportsbook declined by 37.5% to £8.5m as a result of lower staking levels and a substantial reduction in win margin.

Revenue both from casino games and poker declined during the year. However, a renewed focus on casino games – particularly the launch of gcasino.com – caused online casino revenue to grow during the final quarter of the year.

KEY RESULTS
(from continuing operations)

| | <u>2009</u> | <u>2008</u> |
|--|----------------|-------------|
| Group revenue * | £540.0m | £522.2m |
| Operating profit (loss): | | |
| - before exceptionals | £58.0m | £60.3m |
| - after exceptionals | £60.8m | £(9.1)m |
| Adjusted interest payable ** | £(9.5)m | £(19.8)m |
| Adjusted profit before taxation | £48.5m | £40.5m |
| Profit (loss) before taxation: | | |
| - before exceptionals | £49.2m | £38.2m |
| - after exceptionals | £52.0m | £(26.1)m |
| Profit (loss) after taxation: | | |
| - before exceptionals | £34.9m | £25.5m |
| - after exceptionals | £37.9m | £(19.9)m |
| Adjusted earnings per share (note 7) | 8.9p | 7.3p |
| Basic earnings (loss) per share: | | |
| - before exceptionals | 9.0p | 6.5p |
| - after exceptionals | 9.7p | (5.1)p |
| Dividend per share | 1.35p | - |
| EBITDA | £83.9m | £86.6m |
| Net debt | £186.8m | £226.5m |
| Weighted average number of ordinary shares in issue | 389.5m | 389.5m |

* Revenue is stated before adjustment for free bets, promotions and customer bonuses (see note 1(c) and note 2).

** Adjusted interest payable is total net financing charge before amortisation of the equity component of the convertible bond, unwinding of discount in disposal provisions, net return on defined benefit pension asset and other financial gains or losses (see note 4).

Group revenue from continuing operations rose by £17.8m, resulting from the improvements in Mecca Bingo, Top Rank España and Grosvenor Casinos, partially offset by the decrease at Rank Interactive.

Group operating profit before exceptional items was £2.3m lower than in 2008. This was largely driven by changes to bingo and poker taxation and the impact of the worldwide economic recession, particularly in Spain. These have been partially offset by the benefit from cost saving actions taken in 2008/09 and operational improvements in a number of areas as outlined in the business review above.

Adjusted net interest payable of £9.5m was £10.3m lower than in 2008, which reflects substantially lower interest rates and lower net debt.

Adjusted Group profit before tax and exceptionals of £48.5m was £8.0m higher than in 2008. The effective tax rate on adjusted profits was 29.0% (2008: 29.9%).

Adjusted earnings per share of 8.9p (2008: 7.3p) reflects the higher adjusted pre-tax profit on an unchanged weighted average number of ordinary shares.

Effective tax rate

The Group's effective corporation tax rate is 29.0% (2008: 29.9%) based on a tax charge of £14.0m on adjusted profit before taxation and exceptionals of £48.5m. This is lower than the anticipated effective tax rate of 30% to 33% as a result of prior year adjustments arising in the UK and Spain following the successful resolution of a number of historical issues. The effective tax rate is expected to increase to around 30% in 2010. Further details on the taxation charge are provided in note 5 to the Group financial information.

Cash tax rate

The Group had a number of tax refunds in the year, resulting in an effective cash tax rate of -8.9% on adjusted profit. A refund was received in the Netherlands as a result of the carry-back of losses which arose on the liquidation of a subsidiary. Tax refunds were also received in the UK and US following the successful resolution of historical issues. The Group is expected to have a cash tax rate of around 5% in 2010, excluding any tax payable on the resolution of a number of legacy or exceptional issues.

Exceptional items

In order to give a full understanding of the Group's financial performance and aid comparability between periods, the Group reports certain items as exceptional to normal trading.

| | 2009 £m | 2008 £m |
|--|------------|---------------|
| Mecca Bingo | 4.3 | 40.6 |
| Top Rank Espana | - | (8.4) |
| Grosvenor Casinos | (1.5) | (2.4) |
| Rank Interactive | - | (2.3) |
| Central costs | - | (96.9) |
| Continuing operations | 2.8 | (69.4) |
| Discontinued operations | 0.8 | 15.0 |
| Total exceptional profit (loss) before financing and taxation | 3.6 | (54.4) |

The key 2009 exceptional items are detailed below:

Mecca Bingo sold one non-trading freehold property for £1.5m and the profit on disposal, net of disposal costs, totalled £1.4m; HMRC refunded £1.9m in bingo gross profits tax relating to the output VAT refund received in 2008 and £1.0m was released from onerous lease provisions following an increase in the risk free discount rate.

Grosvenor Casinos impaired a non-operating casino licence by £1.5m following a re-evaluation of its planned use and the associated cash flows.

Exceptional items relating to discontinued businesses comprise the release of £5.0m following the expiration of an environmental warranty given at the time of sale of Deluxe Film and £4.2m additional cost in settling the Paramount legal claim.

Further details on exceptional items, including 2008 exceptionals, are provided in note 3 to the Group financial information.

Disposal provisions

At 31 December 2009 the Group held £12.4m in provisions for disposed businesses. These costs predominantly relate to outstanding insurance claims, onerous leases and costs of winding up the tax and legal affairs, where Rank remains responsible, of former Deluxe and Hard Rock companies. The timing and exact amounts of the expenditure are uncertain as it is taking longer than originally anticipated to agree the settlement of remaining liabilities, particularly in the area of taxation.

The major expenditures in the period comprised:

- £1.6m on property related costs;
- £5.7m on settlement of the Paramount legal claim (including related legal and professional costs);
- £0.7m on professional support with tax investigations by a number of regulatory authorities in Europe and North America; and
- £0.5m on insurance claims.

A provision was only held for legal costs on the Paramount claim and an additional £4.2m charge was made to increase the amount of the provision up to the level of the final settlement.

As noted in exceptional items above, the Group has also released £5.0m of provisions following the expiry of an environmental warranty.

VAT reclaims

Rank has invested large amounts of time and money over the past two years pursuing litigation at the VAT Tribunal and High Court seeking recovery of overpaid VAT (Linneweber claims). Rank's success in the courts means that it is able to reclaim VAT prior to the final determination of these cases, which has an obvious cashflow benefit. These claims are being vigorously defended by HMRC and will take a number of years to settle as the decisions could be appealed to the European Court of Justice.

The Group has lodged a claim that machine income should not be liable to VAT, as it was not consistent with the VAT treatment of other machines at the time. The VAT and Duties Tribunal has ruled that the claim is valid for the entire period under dispute (2002-2005). This claim could be worth as much as £26m plus interest.

The Group has also lodged a claim that main stage bingo is essentially the same as interval bingo and should also have been exempt from VAT. HMRC issued guidance in December 2009 that claims for VAT overpaid on main stage bingo will be treated in the same way as VAT exempt interval bingo claims. This claim could be worth as much as £16m plus interest.

One of the Conde Nast / Fleming claims is for the repayment of output VAT on interval bingo covering the period from 1996 back to 1980, when interval bingo was introduced. HMRC issued guidance in January 2010 that this type of claim could be paid once the amount has been verified. The Group anticipates receiving as much as £35m during 2010, excluding interest. This claim relies on the court ruling that the inconsistent application of VAT to interval bingo breached the rules on fiscal neutrality and will therefore drop away should HMRC's appeal against this ruling be successful.

The potential benefits from the other claims being made under the Conde Nast/Fleming principles cannot be estimated as they depend upon the outcome of other litigation and the validation of the calculations by HMRC. In common with all claims of this type, the number of assumptions made in the calculations are large and the impact of any challenges to those assumptions by HMRC so significant that it is impossible to provide any meaningful range of outcomes at this time.

The table below sets out the current position on the claims (all amounts exclude interest):

| Claim | Period | Amount | Status |
|--|-----------|----------------------|--|
| Overpayment of output VAT on interval bingo | 2003-2008 | £59.1m | Money received but HMRC is appealing. Court of Appeal case to be heard in April 2010. |
| Overpayment of output VAT on machine income | 2002-2005 | as much as £26m | Tribunal ruling in Rank's favour and repayment requested from HMRC. Appeal by HMRC to be heard at Court of Appeal in April 2010. |
| Incorrect introduction of 3 year cap on VAT reclaims | various | not known at present | Claim lodged awaiting HMRC validation of calculations. |
| Overpayment of output VAT on interval bingo impacted by 3 year cap on VAT reclaims | 1980-1996 | as much as £35m | Claim lodged awaiting HMRC validation of calculations. |
| Overpayment of output VAT on main stage bingo | 2004-2009 | as much as £16m | Claim lodged awaiting HMRC validation of calculations. |

Details on the claims are also set out in note 12 (Contingent assets) and the Group believes it has a reasonable chance of success with each claim.

Cash flow and net debt

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

At the end of December 2009, net debt was £186.8m compared with £226.5m at the end of December 2008. The net debt comprised syndicated loan facilities of £222.0m, £8.9m in fixed rate Yankee bonds, £12.7m in finance leases and £7.3m in overdrafts, partially offset by cash and cash equivalents of £64.1m.

Financial structure and liquidity

The Group banking facilities comprise a syndicated £150.0m term loan and £250.0m multi-currency revolving credit facility, which were arranged in April 2007 and mature in April 2012. These facilities require the maintenance of a minimum ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) to net interest payable and a maximum ratio of net debt to EBITDA, both of which are tested bi-annually at June and December. The Group fully complied with all covenants in 2009 and 2008.

In addition, the Group has uncommitted borrowing facilities of £28.0m, repayable on demand but which are available for general use.

In January 2009, the Group repaid its remaining £158.2m convertible bonds from cash and existing bank facilities, without recourse to the capital markets.

The Group's facilities are provided by a panel of banks with no single bank providing more than 10% of the facility. The Group treasury function sets counterparty limits for the lending banks with which it trades and regularly monitors their credit ratings to minimise risk of financial loss.

The Group has carried out a capital structure review during 2009 and now expects, over the medium-term, to operate at around 2.5 times net debt to EBITDA.

Capital expenditure

| | 2009 | 2008 |
|-------------------|-------------|-------------|
| | £m | £m |
| Mecca Bingo | 13.0 | 10.8 |
| Top Rank Espana | 1.5 | 2.2 |
| Grosvenor Casinos | 15.8 | 9.9 |
| Rank Interactive | 3.3 | 4.7 |
| Central | 0.7 | 0.6 |
| Total | 34.3 | 28.2 |

Capital expenditure for Mecca Bingo comprised £5.7m on the development of the first Full House Destination clubs in Beeston, Catford and Oldbury, £1.3m on amusement machines and electronic gaming, £0.6m on smoking shelters, £2.1m on club refurbishment and the balance on minor capital works.

Grosvenor Casinos spent £4.7m on re-branding to G Casinos (Sheffield and Bolton), £4.6m on new G Casinos at Dundee and Aberdeen, £1.7m on the acquisition and re-branding of Coventry to G Casino, £0.3m on the new Electric Casino in Leeds and £1.0m on the Play Points loyalty scheme programme. The balance of the expenditure was on minor capital works.

Rank Interactive spent £2.2m on website development and Top Rank Espana £0.6m on amusement machines and electronic gaming.

The only significant capital commitments and accruals at 31 December 2009 were £3.4m on amusement machine purchases in Mecca, £0.6m on the conversion of Sheffield to a G Casino and £0.9m on completing the conversion of Mecca Oldbury to the Full House Destination concept.

In light of the challenging economic conditions, the Group continues to maintain strict control over committing expenditure to capital projects. Although we anticipate 2010 capital investment to be in the order of £40-45m, expenditure will be phased and dependent on operating performance and the success of the Mecca Full House conversions. This will allow quick reductions in the overall level of capital expenditure should business conditions deteriorate. The commitments to the 2010 G Casino conversions at Newcastle and Brighton and the Mecca Full House conversions at Aberdeen and Oldbury are not affected by this policy.

Financial risk

The Group's financial risk management strategy focuses on the minimisation of risks for the Group. The Group's funding, foreign exchange, liquidity, counterparty and interest rate risks are managed by the Group's treasury department in accordance with approved policies and are subject to internal audit review. All significant financing transactions and treasury policies are authorised by the board of directors. Implementation of these policies is closely managed by the finance director and the group treasury manager. The treasury function is not run as a profit centre.

The key financial risks impacting the Group are liquidity risk, interest rate risk and credit risk. In addition, the Group hedges its material exposures to foreign currency translation risk through the use of foreign currency borrowings.

i) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Quarterly cash flow forecasts are prepared that identify the requirements of the Group and these are regularly updated to ensure sufficient financial headroom exists for at least 12 months. This is coupled with a regular review of medium-term funding requirements which, in particular, are updated alongside the Group's strategic plan process. The Group negotiated new medium-term facilities in 2007, as noted above, which mitigate the liquidity risk it may face.

ii) Interest rate risk

The Group primarily finances itself through syndicated bank facilities and the public debt market. The bank facilities are multi-currency although borrowings are typically drawn in Sterling and Euros at floating interest rates. The Group currently has only \$14.3m of public bonds outstanding, which mature in 2018. The Group normally uses interest rate swaps, caps and collars to manage its exposure to interest rate fluctuations and at the end of December 9% of the Group's borrowings were at fixed rates. Group policy is to maintain between 40% and 60% of its borrowing at fixed rates. The current low interest rates combined with the high cost of moving to fixed rates have led the Group to operate outside of this policy for the time being.

iii) Credit risk

Credit risk is the risk that a counterparty may not be able to settle amounts owing in full, when due. Surplus cash is invested in short-term financial instruments using a limited number of financial institutions with strong credit ratings. Counterparty credit ratings are reviewed regularly and credit limits set to avoid significant concentration of risk with any one counterparty.

Principal risks

The principal risks and uncertainties facing the Group are:

- i) Consumer weakness
 - The effect of macro-economic conditions on consumer confidence may lead to a decline in customer visits and spending.
 - Any failure of our businesses to provide an engaging experience may result in a decline in customer visits and spending.
- ii) Competitive threats
 - The attractiveness of Rank's businesses may be undermined by superior or better value propositions from direct and indirect competitors.
- iii) Taxation
 - Reversal of rulings on VAT reclaims.
 - Increases in gaming taxation.
- iv) Regulation
 - Regressive changes in regulations, such as restrictions to advertise or to offer certain games.
 - A serious breach of gambling regulations may result in the partial or complete loss of Rank's licences to operate.
- v) Financing
 - Absence of or withdrawal of financing facilities adequate to meet the Group's requirements.
 - Significant increases in the cost of financing.

Going Concern

In adopting the going concern basis for preparing the financial statements the directors have considered the issues impacting the Group during 2009 as detailed in the business review above and have reviewed the Group's projected compliance with its banking covenants detailed above. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from current levels, the directors believe that the Group will generate sufficient cash to meet its requirements for at least the next 12 months and comply with its banking covenants. Accordingly the adoption of the going concern basis remains appropriate.

Group Financial Information
Group Income Statement
For the year ended 31 December 2009

| | 2009 | | | 2008 (restated)* | | |
|--|--------------------------------------|--|--------------|--------------------------------------|--|-------------|
| | Before exceptional items £m | Exceptional items (note 3) £m | Total £m | Before exceptional items £m | Exceptional items (note 3) £m | Total £m |
| Continuing operations | | | | | | |
| Revenue before adjustment for free bets, promotions and customer bonuses | 540.0 | - | 540.0 | 522.2 | - | 522.2 |
| Free bets, promotions and customer bonuses | (19.5) | - | (19.5) | (16.8) | - | (16.8) |
| Revenue | 520.5 | - | 520.5 | 505.4 | - | 505.4 |
| Cost of sales | (278.4) | - | (278.4) | (259.8) | - | (259.8) |
| Gross profit | 242.1 | - | 242.1 | 245.6 | - | 245.6 |
| Other operating costs | (184.1) | 2.8 | (181.3) | (185.3) | (69.4) | (254.7) |
| Group operating profit (loss) | 58.0 | 2.8 | 60.8 | 60.3 | (69.4) | (9.1) |
| Financing: | | | | | | |
| – finance costs | (10.9) | - | (10.9) | (29.3) | - | (29.3) |
| – finance income | 0.9 | - | 0.9 | 8.3 | 5.1 | 13.4 |
| – other financial gains (losses) | 1.2 | - | 1.2 | (1.1) | - | (1.1) |
| Total net financing (charge) income | (8.8) | - | (8.8) | (22.1) | 5.1 | (17.0) |
| Profit (loss) before taxation | 49.2 | 2.8 | 52.0 | 38.2 | (64.3) | (26.1) |
| Taxation | (14.3) | 0.2 | (14.1) | (12.7) | 18.9 | 6.2 |
| Profit (loss) for the year from continuing operations | 34.9 | 3.0 | 37.9 | 25.5 | (45.4) | (19.9) |
| Discontinued operations | - | 0.6 | 0.6 | - | 15.0 | 15.0 |
| Profit (loss) for the year | 34.9 | 3.6 | 38.5 | 25.5 | (30.4) | (4.9) |
| Earnings (loss) per share attributable to equity shareholders | | | | | | |
| – basic | 9.0p | 0.9p | 9.9p | 6.5p | (7.8)p | (1.3)p |
| – diluted | 9.0p | 0.9p | 9.9p | 6.5p | (7.8)p | (1.3)p |
| Earnings (loss) per share – continuing operations | | | | | | |
| – basic | 9.0p | 0.7p | 9.7p | 6.5p | (11.6)p | (5.1)p |
| – diluted | 9.0p | 0.7p | 9.7p | 6.5p | (11.6)p | (5.1)p |
| Earnings per share – discontinued operations | | | | | | |
| – basic | - | 0.2p | 0.2p | - | 3.8p | 3.8p |
| – diluted | - | 0.2p | 0.2p | - | 3.8p | 3.8p |

*Further details of the changes made to the disclosure of free bets, promotions and customer bonuses are disclosed in note 1.

**Group Statement of Comprehensive Income
For the year ended 31 December 2009**

| | 2009 £m | 2008 £m |
|---|-------------|------------|
| Comprehensive income: | | |
| Profit (loss) for the year | 38.5 | (4.9) |
| Other comprehensive income: | | |
| Currency translation net of tax and hedging | (3.3) | 18.7 |
| Actuarial loss on retirement benefits net of tax | (0.4) | (5.5) |
| Revaluation of available-for-sale securities recycled within net profit | - | 0.6 |
| Total comprehensive income for the year | 34.8 | 8.9 |

**Group Statement of Changes in Equity
For the year ended 31 December 2009**

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Exchange translation reserve £m | Other* £m | Total £m |
|---|------------------------|------------------------|--|--|----------------|--------------|
| At 1 January 2008 | 54.2 | 98.2 | 33.4 | (0.3) | (198.8) | (13.3) |
| Comprehensive income: | | | | | | |
| Loss for the year | - | - | - | - | (4.9) | (4.9) |
| Other comprehensive income: | | | | | | |
| Exchange adjustments net of tax | - | - | - | 18.7 | - | 18.7 |
| Actuarial loss on retirement benefits net of tax | - | - | - | - | (5.5) | (5.5) |
| Revaluation of available-for-sale securities recycled within net profit | - | - | - | - | 0.6 | 0.6 |
| Total comprehensive income (expense) for the year | - | - | - | 18.7 | (9.8) | 8.9 |
| At 31 December 2008 | 54.2 | 98.2 | 33.4 | 18.4 | (208.6) | (4.4) |
| Comprehensive income: | | | | | | |
| Profit for the year | - | - | - | - | 38.5 | 38.5 |
| Other comprehensive income: | | | | | | |
| Exchange adjustments net of tax | - | - | - | (3.3) | - | (3.3) |
| Actuarial loss on retirement benefits net of tax | - | - | - | - | (0.4) | (0.4) |
| Total comprehensive income (expense) for the year | - | - | - | (3.3) | 38.1 | 34.8 |
| Transactions with owners: | | | | | | |
| Credit in respect of employee share schemes | - | - | - | - | 1.0 | 1.0 |
| At 31 December 2009 | 54.2 | 98.2 | 33.4 | 15.1 | (169.5) | 31.4 |

*Other reserves at 31 December 2009 comprise retained losses of £169.5m. At 31 December 2008 other reserves comprised retained losses of £208.9m and the equity component of the convertible bond of £0.3m.

**Group Balance Sheet
At 31 December 2009**

| | 2009 £m | 2008 £m |
|---|----------------|----------------|
| Assets | | |
| Non-current assets | | |
| Intangible assets | 178.0 | 183.2 |
| Property, plant and equipment | 187.5 | 179.6 |
| Deferred tax assets | 23.5 | 43.3 |
| Trade and other receivables | 2.1 | 1.9 |
| | 391.1 | 408.0 |
| Current assets | | |
| Inventories | 3.7 | 3.8 |
| Trade and other receivables | 26.0 | 34.3 |
| Income tax receivable | 0.4 | 3.9 |
| Derivative financial instruments | - | 11.2 |
| Cash and cash equivalents | 64.1 | 111.7 |
| | 94.2 | 164.9 |
| Total assets | 485.3 | 572.9 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | (105.9) | (111.9) |
| Income tax payable | (26.3) | (6.6) |
| Financial liabilities | | |
| – borrowings | (7.8) | (168.9) |
| – derivative financial instruments | - | (14.5) |
| Provisions for other liabilities and charges | (9.0) | (13.0) |
| | (149.0) | (314.9) |
| Net current liabilities | (54.8) | (150.0) |
| Non-current liabilities | | |
| Financial liabilities | | |
| – borrowings | (242.3) | (170.9) |
| Deferred tax liabilities | (6.3) | (6.9) |
| Other non-current liabilities | (18.8) | (38.8) |
| Provisions for other liabilities and charges | (34.6) | (43.3) |
| Retirement benefit obligations | (2.9) | (2.5) |
| | (304.9) | (262.4) |
| Total liabilities | (453.9) | (577.3) |
| Net assets (liabilities) | 31.4 | (4.4) |
| Capital and reserves attributable to the Company's equity shareholders | | |
| Share capital | 54.2 | 54.2 |
| Share premium | 98.2 | 98.2 |
| Capital redemption reserve | 33.4 | 33.4 |
| Exchange translation reserve | 15.1 | 18.4 |
| Equity component of convertible bond | - | 0.3 |
| Retained losses | (169.5) | (208.9) |
| Total shareholders' equity (deficit) | 31.4 | (4.4) |

Group Cash Flow Statement
For the year ended 31 December 2009

| | 2009 £m | 2008 £m |
|--|---------------|---------------|
| Cash flows from operating activities | | |
| Cash generated from operations | 69.7 | 122.5 |
| Interest received | 7.9 | 2.6 |
| Interest paid | (11.4) | (23.8) |
| Tax received (paid) | 4.3 | (2.9) |
| Net cash from operating activities | 70.5 | 98.4 |
| Cash flows from investing activities | | |
| Acquisition of businesses including deferred consideration | (0.3) | (3.8) |
| Net payments in respect of hedges | (5.2) | (4.8) |
| Net proceeds from transfer of defined benefit pension asset | - | 28.0 |
| Purchase of intangible assets | (3.6) | (5.4) |
| Purchase of property, plant and equipment | (30.7) | (22.8) |
| Proceeds from sale of property, plant and equipment | 1.6 | 5.6 |
| Net cash used in investing activities | (38.2) | (3.2) |
| Cash flows from financing activities | | |
| Repayment of Sterling borrowings | (158.2) | (9.1) |
| Repayment of US Dollar borrowings | - | (50.8) |
| Repayment of syndicated facilities | (21.8) | (140.0) |
| Repayment of other facilities | (2.0) | - |
| Drawdown on syndicated facilities | 101.2 | 140.0 |
| Drawdown on other facilities | 2.0 | - |
| Finance lease principal payments | (0.7) | (1.2) |
| Net cash used in financing activities | (79.5) | (61.1) |
| Effect of exchange rate changes | (0.8) | 2.1 |
| Net (decrease) increase in cash, cash equivalents and bank overdrafts | (48.0) | 36.2 |
| Cash, cash equivalents and bank overdrafts at 1 January | 104.8 | 68.6 |
| Cash, cash equivalents and bank overdrafts at 31 December | 56.8 | 104.8 |

Notes to the Group Financial Information For the year ended 31 December 2009

1. General information, basis of preparation and accounting policies

General information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Statesman House, Stafferton Way, Maidenhead SL6 1AY. The Company is listed on the London Stock Exchange.

This condensed consolidated financial information was approved for issue on 24 February 2010.

This condensed consolidated financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 were approved by the board of directors on 24 February 2010, but have not yet been delivered to the Registrar of Companies. The auditor's report on the financial statements for the year ended 31 December 2009 was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The auditor's report on the financial statements for the year ended 31 December 2008 was unqualified and did not contain a statement under Section 237 of the Companies Act 1985. The financial statements for 2008 have been delivered to the Registrar.

Basis of preparation

The financial information attached has been extracted from the audited financial statements for the year ended 31 December 2009, and has been prepared in accordance with IFRS as adopted by the EU and IFRIC interpretations issued and effective at the time of preparing those financial statements.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

(a) Standards, amendments and interpretations to existing standards adopted by the Group

The Group has adopted the following standards, amendments and interpretations to existing standards as of 1 January 2009:

- IFRS 2 Share-based payment (amendment) - Vesting conditions and cancellations
- IFRS 7 Financial instruments (amendments) - Disclosures
- IFRS 8 Operating segments
- IAS 1 Presentation of financial statements (revised)
- IAS 23 Borrowing costs (revised)
- IAS 27 Consolidated and separate financial statements (amendments) – Cost of an investment in a subsidiary, jointly controlled entity or associate
- IAS 32 Financial instruments: Presentation and IAS 1 Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation (amendments)
- IFRIC 9 Reassessment of embedded derivatives and IAS 39 Financial instruments: Recognition and measurement (amendments)
- IFRIC 13 Customer loyalty programmes

1. General information, basis of preparation and accounting policies (continued)

- IFRIC 14 The limit on a defined benefit pension asset, minimum funding requirements and their interaction
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation
- Improvements to IFRSs (issued May 2008)

Where the adoption of the standard, amendment or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

- IAS 1 Presentation of financial statements (revised). The revised standard prohibits the presentation of items of income and expense (that is, 'non-owner changes in equity') in the statement of changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements; an income statement and a statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. As the change in accounting policy only impacts presentational aspects, there is no impact on earnings per share.
- IAS 23 Borrowing costs (revised). The revised standard requires borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 to be capitalised. The Group previously recognised all borrowing costs as an expense immediately. In accordance with the transition provisions of the standard comparative figures have not been restated. The change in accounting policy had no impact on earnings per share. The Group had no qualifying assets in 2009.
- IFRS 2 Share-based payment (amendment). The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment also requires that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group or Company's financial statements.
- IFRS 7 Financial instruments – Disclosures (amendments). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy, although this has not had a significant impact on the Group.
- IFRS 8 Operating segments. IFRS 8 replaces IAS 14 Segment reporting. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision maker. Further details of the policy are disclosed in note 2. Although there is no overall impact on operating profit, it has resulted in a reduction in the number of reportable segments presented. The previously reported gaming shared service segment has been allocated to operating divisions and central costs on the same basis as that used for internal reporting purposes. Costs that can be allocated on a reasonable basis are now included in the operating divisions. Unallocated costs are combined into central costs.

1. General information, basis of preparation and accounting policies (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning after 1 January 2009 or later periods, but they have not been early adopted by the Group:

- IFRIC 17 Distribution of non-cash assets to owners – Effective 1 July 2009
- IFRIC 18 Transfer of assets from customers – Effective 31 October 2009
- IFRIC 19 Extinguishing financial liabilities with equity instruments – Effective 1 July 2010
- IFRS 2 Share-based payment (amendment) – Effective 1 January 2010
- IFRS 3 Business combinations (revised) – Effective 1 July 2009
- IFRS 9 Financial instruments – Effective 1 January 2013
- IAS 27 Consolidated and separate financial statements (revised) – Effective 1 July 2009
- Improvements to IFRS (issued April 2009) – Effective 1 January 2010

It is not anticipated that the adoption of the above standards, amendments and interpretations of existing standards will have a material impact on the Group or Company financial statements in the period of initial application.

(c) Change to revenue reporting

In previous years, the Group has reported revenue as gaming win net of VAT where applicable. This is consistent with internal information reviewed by the chief operating decision maker. However, an alternative definition of revenue has become more widely reported among betting and gaming companies. This revised definition makes a further deduction for the fair value of free bets, promotions and customer bonuses. The Group previously reported the fair value of these items as an expense in the income statement. To bring the Group in line with this revised definition of revenue, the Group has restated its 2008 comparatives. The Group continues to report internal information based on the previous definition of revenue, and therefore in accordance with IFRS 8 Operating segments, has presented a reconciliation between revenue reported internally and the revised basis disclosed in the income statement. The restatement has no impact on Group operating profit.

The following table provides a reconciliation of the impact of the change in definition on the income statement.

| | 2009 | | | 2008 (restated) | | |
|-------------------------------|-----------------|------------|----------------|-----------------|------------|----------------|
| | Previous policy | Adjustment | Revised policy | Previous policy | Adjustment | Revised policy |
| | £m | £m | £m | £m | £m | £m |
| Revenue | 540.0 | (19.5) | 520.5 | 522.2 | (16.8) | 505.4 |
| Cost of sales | (291.8) | 13.4 | (278.4) | (271.0) | 11.2 | (259.8) |
| Gross profit | 248.2 | (6.1) | 242.1 | 251.2 | (5.6) | 245.6 |
| Other operating costs | (187.4) | 6.1 | (181.3) | (260.3) | 5.6 | (254.7) |
| Group operating profit (loss) | 60.8 | - | 60.8 | (9.1) | - | (9.1) |

2. Segment information – continuing operations

| For the year ended 31 December 2009 | | | | | | |
|---|----------------|--------------------|----------------------|---------------------|------------------|---------------|
| | Mecca Bingo | Top Rank España | Grosvenor Casinos | Rank Interactive | Central costs | Total |
| | £m | £m | £m | £m | £m | £m |
| Continuing operations | | | | | | |
| Revenue reported in internal information | 233.0 | 36.2 | 220.0 | 50.8 | - | 540.0 |
| Free bets, promotions and customer bonuses | (12.3) | - | (1.2) | (6.0) | - | (19.5) |
| Segment revenue | 220.7 | 36.2 | 218.8 | 44.8 | - | 520.5 |
| Operating profit (loss) before exceptional items | 32.3 | 5.6 | 30.9 | 7.5 | (18.3) | 58.0 |
| Exceptional operating profit (loss) | 4.3 | - | (1.5) | - | - | 2.8 |
| Segment result | 36.6 | 5.6 | 29.4 | 7.5 | (18.3) | 60.8 |
| Finance costs | | | | | | (10.9) |
| Finance income | | | | | | 0.9 |
| Other financial gains | | | | | | 1.2 |
| Profit before taxation | | | | | | 52.0 |
| Taxation | | | | | | (14.1) |
| Profit for the year from continuing operations | | | | | | 37.9 |
| For the year ended 31 December 2008 (reallocated) | | | | | | |
| | Mecca Bingo | Top Rank España | Grosvenor Casinos | Rank Interactive | Central costs | Total |
| | £m | £m | £m | £m | £m | £m |
| Continuing operations | | | | | | |
| Revenue reported in internal information | 227.6 | 35.8 | 206.2 | 52.6 | - | 522.2 |
| Free bets, promotions and customer bonuses | (10.6) | - | (0.6) | (5.6) | - | (16.8) |
| Segment revenue | 217.0 | 35.8 | 205.6 | 47.0 | - | 505.4 |
| Operating profit (loss) before exceptional items | 37.9 | 6.9 | 25.9 | 7.6 | (18.0) | 60.3 |
| Exceptional operating (loss) profit | 40.6 | (8.4) | (2.4) | (2.3) | (96.9) | (69.4) |
| Segment result | 78.5 | (1.5) | 23.5 | 5.3 | (114.9) | (9.1) |
| Finance costs | | | | | | (29.3) |
| Finance income | | | | | | 13.4 |
| Other financial losses | | | | | | (1.1) |
| Loss before taxation | | | | | | (26.1) |
| Taxation | | | | | | 6.2 |
| Loss for the year from continuing operations | | | | | | (19.9) |

2. Segment information – continuing operations (continued)

To increase transparency, the Group has decided to include additional disclosure analysing total costs by type and segment. A reconciliation of total costs, before exceptional items, by type and segment is as follows:

| | 2009 | | | | | |
|--------------------------------------|----------------------|--------------------------|----------------------------|---------------------------|------------------------|-------------|
| | Mecca Bingo £m | Top Rank Espana £m | Grosvenor Casinos £m | Rank Interactive £m | Central costs £m | Total £m |
| Employment and related costs | 56.7 | 15.4 | 85.9 | 8.6 | 11.2 | 177.8 |
| Taxes and duties | 36.7 | 1.6 | 45.9 | 0.3 | 0.7 | 85.2 |
| Direct costs | 23.4 | 3.6 | 8.8 | 13.9 | - | 49.7 |
| Property costs | 26.4 | 2.0 | 16.9 | 0.7 | 0.9 | 46.9 |
| Marketing | 10.2 | 0.8 | 6.1 | 8.8 | - | 25.9 |
| Depreciation and amortisation | 10.1 | 2.8 | 8.3 | 3.9 | 0.8 | 25.9 |
| Other | 24.9 | 4.4 | 16.0 | 1.1 | 4.7 | 51.1 |
| Total costs before exceptional items | 188.4 | 30.6 | 187.9 | 37.3 | 18.3 | 462.5 |
| Cost of sales | | | | | | 278.4 |
| Operating costs | | | | | | 184.1 |
| Total costs before exceptional items | | | | | | 462.5 |

| | 2008 | | | | | |
|--------------------------------------|----------------------|--------------------------|----------------------------|---------------------------|------------------------|-------------|
| | Mecca Bingo £m | Top Rank Espana £m | Grosvenor Casinos £m | Rank Interactive £m | Central costs £m | Total £m |
| Employment and related costs | 55.2 | 13.9 | 78.9 | 8.1 | 12.1 | 168.2 |
| Taxes and duties | 28.2 | 1.5 | 43.6 | 0.3 | 1.1 | 74.7 |
| Direct costs | 22.1 | 3.5 | 7.3 | 15.3 | - | 48.2 |
| Property costs | 26.9 | 1.9 | 16.7 | 0.7 | 0.9 | 47.1 |
| Marketing | 12.7 | 0.9 | 6.2 | 9.8 | - | 29.6 |
| Depreciation and amortisation | 10.2 | 2.7 | 8.7 | 3.8 | 0.9 | 26.3 |
| Other | 23.8 | 4.5 | 18.3 | 1.4 | 3.0 | 51.0 |
| Total costs before exceptional items | 179.1 | 28.9 | 179.7 | 39.4 | 18.0 | 445.1 |
| Cost of sales | | | | | | 259.8 |
| Operating costs | | | | | | 185.3 |
| Total costs before exceptional items | | | | | | 445.1 |

2. Segment information – continuing operations (continued)

As detailed in note 1, the analysis of 2008 operating profit by segment has been reallocated following the implementation of IFRS 8 Operating segments. Although there is no overall impact on operating profit, the 2008 comparatives have been reallocated to be consistent with the internal information reviewed by the executive management team, with costs from the previously reported gaming shared service segment being allocated to operating divisions wherever possible. Costs that cannot be allocated on a reasonable basis are combined within Central costs.

A reconciliation from the segment result before exceptional items reported in 2008 to the reallocated 2008 comparatives, included above in the primary segmental reporting, is set out below.

| | Mecca Bingo £m | Top Rank Espana £m | Grosvenor Casinos £m | Rank Interactive £m | Gaming shared services £m | Central costs £m | Total £m |
|---------------------------------------|----------------------|-----------------------------|----------------------------|---------------------------|------------------------------------|------------------------|-------------|
| 2008 segment result as reported | 41.8 | 6.9 | 29.5 | 11.4 | (20.8) | (8.5) | 60.3 |
| Reallocate gaming shared services | (3.9) | - | (3.6) | (3.8) | 20.8 | (9.5) | - |
| 2008 segment result as reallocated | 37.9 | 6.9 | 25.9 | 7.6 | - | (18.0) | 60.3 |

3. Exceptional items

| | 2009 £m | 2008 £m |
|---|------------|---------------|
| Exceptional items relating to continuing operations | | |
| Loss on transfer of defined benefit pension asset | - | (99.2) |
| VAT refund net of gross profits tax and associated costs | 1.9 | 42.8 |
| Impairment charge | (1.5) | (14.5) |
| Net release (charge) to provision for onerous leases | 1.0 | (1.7) |
| Net profit on sale of property less associated closure costs | 1.4 | 4.1 |
| Other | - | (0.9) |
| Exceptional items before financing and taxation relating to continuing operations | 2.8 | (69.4) |
| Finance income | - | 5.1 |
| Taxation | 0.2 | 18.9 |
| Exceptional items relating to continuing operations | 3.0 | (45.4) |
| Exceptional items relating to discontinued operations | | |
| Release from disposal provisions | 5.0 | 15.0 |
| Charge to disposal provisions | (4.2) | - |
| Taxation | (0.2) | - |
| Exceptional items relating to discontinued operations | 0.6 | 15.0 |
| Total exceptional items | 3.6 | (30.4) |

Continuing operations

During 2009, the Group disposed of one previously closed Mecca Bingo property at Welling. The resulting profit on disposal of the property, net of costs, was £1.4m.

The Group also recognised an impairment charge of £1.5m against a non-operating casino licence at Liverpool. The Group continues to explore opportunities for the licence, however the directors consider that, following a prolonged period of non-operation and a re-evaluation of the planned use for the licence, an impairment of the licence is appropriate.

The increase in the discount rate used in the calculation of the onerous property lease provision resulted in a £1.0m release to the income statement.

An exceptional profit of £1.9m also arose following the partial refund of bingo gross profits tax accrued in 2008 and previously paid during 2009 in relation to the £59.1m VAT refund in 2008.

Discontinued operations

A provision of £5.0m for an environmental warranty given at the time of the sale of Deluxe Film was released as no subsequent claim was received and the warranty period has now expired.

In addition, a charge of £4.2m was made in relation to the settlement, and associated costs, of legal proceedings in the US brought by Paramount Home Entertainment. At the end of 2008, the Group provided for the legal costs associated with defending the claim but no provision was made for the damages claimed, which were a maximum of US\$29m. On 21 August 2009 the Group agreed to pay \$5.8m to Paramount Home Entertainment in full and final settlement of the claim, which together with the associated costs, resulted in the additional charge of £4.2m.

4. Financing

| | 2009 £m | 2008 £m |
|--|---------------|---------------|
| Continuing operations: | | |
| Finance costs: | | |
| Interest payable on bank borrowings (current and non-current) | (1.1) | (1.7) |
| Amortisation of issue costs on borrowings | (1.0) | (1.6) |
| Interest payable on other loans | (6.1) | (18.6) |
| Interest payable on finance leases | (0.9) | (1.0) |
| Unwinding of discount in onerous leases provisions | (1.3) | (1.6) |
| Unwinding of discount in disposal provisions | (0.2) | (1.2) |
| Amortisation of equity component of convertible bond | (0.3) | (3.6) |
| Total finance costs | (10.9) | (29.3) |
| Finance income: | | |
| Interest income on short term bank deposits | 0.9 | 4.7 |
| Net return on defined benefit pension asset | - | 3.6 |
| Finance income | 0.9 | 8.3 |
| Other financial gains (losses) | 1.2 | (1.1) |
| Total net financing cost for continuing operations before exceptional items | (8.8) | (22.1) |
| Exceptional finance income | - | 5.1 |
| Total net financing cost for continuing operations | (8.8) | (17.0) |

A reconciliation of total net financing costs to adjusted net interest included in adjusted profit is disclosed below:

| | 2009 £m | 2008 £m |
|---|--------------|---------------|
| Total net financing cost for continuing operations before exceptional items | (8.8) | (22.1) |
| Adjust for : | | |
| Unwinding of discount in disposal provisions | 0.2 | 1.2 |
| Amortisation of equity component of convertible bond | 0.3 | 3.6 |
| Net return on defined benefit pension asset | - | (3.6) |
| Other financial (gains) losses (including foreign exchange) | (1.2) | 1.1 |
| Adjusted net interest payable | (9.5) | (19.8) |

5. Taxation

| | 2009 | | |
|---|-----------------------------|-------------------------------|---------------|
| | Continuing operations £m | Discontinued operations £m | Total £m |
| Current income tax | | | |
| Current income tax – UK | 3.1 | - | 3.1 |
| Current income tax – overseas | (1.7) | - | (1.7) |
| Current income tax credit | 1.4 | - | 1.4 |
| Current income tax on exceptional items | (0.8) | 1.2 | 0.4 |
| Amounts over provided in previous year | 1.3 | - | 1.3 |
| Amounts over provided in previous year on exceptional items | 0.6 | - | 0.6 |
| Total current income tax credit | 2.5 | 1.2 | 3.7 |
| Deferred tax | | | |
| Deferred tax – UK | (18.7) | - | (18.7) |
| Deferred tax – overseas | (0.3) | - | (0.3) |
| Deferred tax on exceptional items | 0.4 | (1.4) | (1.0) |
| Amounts over provided in previous year | 2.0 | - | 2.0 |
| Total deferred tax charge | (16.6) | (1.4) | (18.0) |
| Tax charge in the income statement | (14.1) | (0.2) | (14.3) |
| | | | |
| | 2008 | | |
| | Continuing operations £m | Discontinued operations £m | Total £m |
| Current income tax | | | |
| Current income tax – UK | (4.0) | - | (4.0) |
| Current income tax – overseas | (2.4) | - | (2.4) |
| Current income tax charge | (6.4) | - | (6.4) |
| Current income tax on exceptional items | (20.1) | - | (20.1) |
| Amounts over provided in previous year | 2.4 | - | 2.4 |
| Total current income tax charge | (24.1) | - | (24.1) |
| Deferred tax | | | |
| Deferred tax – UK | (6.0) | - | (6.0) |
| Deferred tax on exceptional items | 39.0 | - | 39.0 |
| Amounts under provided in previous year | (2.7) | - | (2.7) |
| Total deferred tax credit | 30.3 | - | 30.3 |
| Tax credit in the income statement | 6.2 | - | 6.2 |

The tax effect of items within other comprehensive income was as follows:

| | 2009 £m | 2008 £m |
|---|--------------|-------------|
| Current income tax (charge) credit on exchange movements offset in reserves | (1.9) | 17.3 |
| Deferred tax charge on exchange movements offset in reserves | (1.9) | - |
| Deferred tax credit on actuarial movement on retirement benefits | 0.1 | 2.2 |
| Total tax (charge) credit on items within other comprehensive income | (3.7) | 19.5 |

6. Dividends

There were no dividends paid in either year. A dividend in respect of the year ended 31 December 2009 of 1.35p per share, amounting to a total dividend of £5.3m, is to be proposed at the annual general meeting on 22 April 2010. The financial information does not reflect this dividend payable.

7. Earnings (loss) per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares, as defined by IAS 32.

| | 2009 | | |
|--|--------------------------------|----------------------|----------------|
| | Before exceptional items | Exceptional items | Total |
| Profit attributable to equity shareholders | | | |
| Continuing operations | £34.9m | £3.0m | £37.9m |
| Discontinued operations | - | £0.6m | £0.6m |
| Total | £34.9m | £3.6m | £38.5m |
| Weighted average number of ordinary shares in issue | 389.5m | 389.5m | 389.5m |
| Basic earnings per share | | | |
| Continuing operations | 9.0p | 0.7p | 9.7p |
| Discontinued operations | - | 0.2p | 0.2p |
| Total | 9.0p | 0.9p | 9.9p |
| | | | |
| | 2008 | | |
| | Before exceptional items | Exceptional items | Total |
| Profit (loss) attributable to equity shareholders | | | |
| Continuing operations | £25.5m | £(45.4)m | £(19.9)m |
| Discontinued operations | - | £15.0m | £15.0m |
| Total | £25.5m | £(30.4)m | £(4.9)m |
| Weighted average number of ordinary shares in issue | 389.5m | 389.5m | 389.5m |
| Basic earnings (loss) per share | | | |
| Continuing operations | 6.5p | (11.6)p | (5.1)p |
| Discontinued operations | - | 3.8p | 3.8p |
| Total | 6.5p | (7.8)p | (1.3)p |

7. Earnings (loss) per share (continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. Following the redemption of the convertible debt in 2009, share options are the only remaining category of dilutive potential ordinary shares. For share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming exercise of the share options. The convertible debt was not dilutive in 2008.

There is no difference in the profit (loss) or the weighted average number of shares used to determine diluted earnings per share from that used to determine basic earnings per share. Accordingly, there is no difference between diluted earnings per share and basic earnings per share disclosed above in either year.

(c) Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, the net return on the defined benefit pension asset, unwinding of the discount in disposal provisions, amortisation of the equity component of the convertible bond and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

Adjusted net earnings attributable to equity shareholders is derived as follows:

| | 2009 | 2008 |
|---|---------------|---------------|
| | £m | £m |
| Profit (loss) attributable to equity shareholders | 38.5 | (4.9) |
| Adjust for: | | |
| Discontinued operations (net of taxation) | (0.6) | (15.0) |
| Exceptional items after tax on continuing operations | (3.0) | 45.4 |
| Other financial (gains) losses | (1.2) | 1.1 |
| Net return on defined benefit pension asset | - | (3.6) |
| Amortisation of equity component of convertible bond | 0.3 | 3.6 |
| Unwinding of discount in disposal provisions | 0.2 | 1.2 |
| Taxation on adjusted items | 0.3 | 0.6 |
| Adjusted net earnings attributable to equity shareholders (£m) | 34.5 | 28.4 |
| Weighted average number of ordinary shares in issue (m) | 389.5m | 389.5m |
| Adjusted earnings per share (p) | 8.9p | 7.3p |

8. Provisions for other liabilities and charges

| Group | Onerous leases £m | Disposal provisions £m | Total £m |
|--|-------------------------|------------------------------|---------------------|
| At 1 January 2009 | 34.1 | 22.2 | 56.3 |
| Exchange adjustments | - | (0.7) | (0.7) |
| Unwinding of discount | 1.3 | 0.2 | 1.5 |
| Impact of change in discount rate charged to the income statement - exceptional | (1.0) | - | (1.0) |
| Charged to the income statement - discontinued exceptional | - | 4.2 | 4.2 |
| Released to the income statement - discontinued exceptional | - | (5.0) | (5.0) |
| Utilised in year | (3.2) | (8.5) | (11.7) |
| At 31 December 2009 | 31.2 | 12.4 | 43.6 |
| Current | 2.9 | 6.1 | 9.0 |
| Non-current | 28.3 | 6.3 | 34.6 |
| Total | 31.2 | 12.4 | 43.6 |

Further details of the exceptional movements on provisions are provided in note 3.

9. Borrowings to net debt reconciliation

Under IFRS, accrued interest and unamortised facility fees are classified as borrowings. A reconciliation of borrowings disclosed in the balance sheet to the Group's net debt position is provided below:

| | 2009 £m | 2008 £m |
|---------------------------------|--------------------|------------|
| Total borrowings | (250.1) | (339.8) |
| Less: accrued interest | 0.6 | 4.0 |
| Less: unamortised facility fees | (1.4) | (2.4) |
| | (250.9) | (338.2) |
| Add: Cash and cash equivalents | 64.1 | 111.7 |
| Net debt | (186.8) | (226.5) |

In January 2009, the Group repaid £158.2m of convertible bonds at par from cash and existing bank facilities, without recourse to the capital markets.

10. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

| | 2009 £m | 2008 £m |
|---|-------------|--------------|
| Continuing operations | | |
| Operating profit (loss) | 60.8 | (9.1) |
| Exceptional items | (2.8) | 69.4 |
| Operating profit before exceptional items | 58.0 | 60.3 |
| Depreciation and amortisation | 25.9 | 26.3 |
| Decrease in working capital | 2.5 | 4.2 |
| Other | 0.9 | (0.6) |
| | 87.3 | 90.2 |
| Net cash (payments) receipts in respect of exceptional items and provisions | (17.6) | 32.3 |
| Cash generated from operations | 69.7 | 122.5 |

11. Acquisitions

| | 2009 £m | 2008 £m |
|---|------------|------------|
| Purchase consideration | 0.7 | - |
| Less: deferred consideration | (0.4) | - |
| Less: cash and cash equivalents acquired | (0.1) | - |
| Acquisition of casino | 0.2 | - |
| Deferred consideration paid in respect of acquisitions in prior years | 0.1 | 3.8 |
| Acquisition of businesses including deferred consideration | 0.3 | 3.8 |

On 23 April 2009, the Group completed the acquisition of the casino at the Ricoh Arena in Coventry from Isle of Capri for a purchase consideration of £0.7m. No goodwill arose on the acquisition.

12. Contingent assets

The Group has lodged a claim for the repayment of VAT alleging that the tax treatment of gaming machines was inconsistently applied and therefore breached the European Union's principle of fiscal neutrality. In August 2008, the VAT and Duties Tribunal ruled that, from November 2003 at least, the UK's VAT treatment of certain types of gaming machine was inconsistent with the European Union's principle of fiscal neutrality. This was an interim decision and a second stage was heard at the VAT and Duties Tribunal in October 2009. The latest ruling was also in favour of the Group. Consequently, the Group's claim is valid for the entire period under dispute (2002-2005). The Group has requested payment of the claim, although HMRC have appealed and final resolution may take a number of years. The claim is estimated to be worth as much as £26m plus interest.

In December 2009, HMRC issued guidance that claims for VAT overpaid on main stage bingo will be treated in the same way as the Group's successful claim for overpaid VAT on interval bingo received in November 2008. The Group has submitted a claim for VAT overpaid on main stage bingo for periods from July 2004. If successful, the Group estimates the net cash benefit to be as much as £16m plus interest. HMRC are continuing to appeal the ruling of the VAT and Duties Tribunal that the application of VAT on some games of interval bingo contravened the European Union principal of fiscal neutrality and its appeal will be heard at the Court of Appeal in April 2010. In the event of an adverse ruling on the interval bingo claim, the Group's main stage bingo claim will not be paid and the interval bingo claim will have to be repaid (see note 13).

The Group has lodged a number of claims following the House of Lords decision in the Conde Nast/Fleming cases on the applicability of the three year cap that HMRC introduced to limit VAT reclaims. These claims, which had to be submitted by March 2009, are based on management's best estimates from the information available and the Group expects the valuation of each claim to be reviewed by HMRC before settlement. In a number of cases, the Conde Nast claims are subject to successful outcomes of other claims for the repayment of VAT (including the claims in the preceding paragraphs), the outcome of which is not certain.

One of the claims identified above is for the repayment of VAT on some games of interval bingo covering the period from 1996 back to 1980, when the interval bingo product was introduced. This claim has been made under the Conde Nast/Fleming ruling detailed above and HMRC issued guidance in January 2010 that this type of claim could be paid once the amount has been verified. As a result, the Group anticipates receiving as much as £35m plus interest during 2010.

The Group has not recognised any gain in its financial statements at 31 December 2009 in respect of the above items.

13. Contingent liabilities

On 10 November 2008, the Group received £59.1m in overpaid VAT from HMRC, following the VAT and Duties Tribunal's ruling in May 2008 that the application of VAT to some games of interval bingo contravened the European Union's principle of fiscal neutrality. HMRC appealed the ruling of the Tribunal at a High Court hearing in March 2009, but the judgement found in favour of the Group. The benefit from the ruling on interval bingo continued to be recognised in the accounts for the first 17 weeks of 2009, covering the period to 26 April 2009, when bingo became exempt from VAT. HMRC lodged an appeal to the Court of Appeal on 6 July 2009, but the hearing is not due to be held until April 2010. In the event of an adverse ruling, Rank would be required to repay the £59.1m and amounts not paid over for the period from July 2008 to 26 April 2009 plus interest.