THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guoco Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares in Guoco Group Limited or any other company.

國浩集團有限公司
Guoco Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 53)

MAJOR TRANSACTION

Mandatory Cash Offer
by
All Global Investments Limited
for
The Rank Group Plc

A letter from the Board is set out on pages 4 to 8 of this circular.

Hong Kong, 13 June 2011

CONTENTS

In this Circular, the following expressions have the following meanings unless the context requires otherwise:

"Acceptance Condition"	has the meaning ascribed to it under the paragraph headed "Acceptance Condition" of the letter from the Board contained in this Circular
"Acquisition"	the acquisition of 45,251,203 Rank Shares by the Offeror on 6 May 2011 from members of the Genting Berhad group at a price of 150p for each Rank Share. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, members of the Genting Berhad group are third parties independent of Guoco and its connected persons (as defined under Chapter 14 of the HK Listing Rules)
"Announcement"	the announcement made by Guoco on 9 May 2011 in connection with the Acquisition and the Offer
"Board"	the board of Directors
"Circular"	this circular issued by Guoco to the Shareholders in respect of the Major Transaction
"Closing Price"	the closing middle-market price of a Rank Share on a particular day as derived from the daily official list of the United Kingdom Listing Authority
"Concert Group"	the Offeror and its Concert Parties
"Concert Parties"	in respect of a person, means parties acting in concert (within the meaning as ascribed to that term under the UK Takeover Code) with such person in relation to voting of Rank Shares
"Directors"	the directors of Guoco
"Financial Adviser"	Evercore Partners Limited
"First Closing Date"	1:00 p.m. (London time) on 7 June 2011
"Form of Acceptance"	the form of acceptance and authority relating to the Offer which (in the case of Rank Shareholders who hold their Rank Shares in certificated form) accompanied the Offer Document
"GOL"	GuoLine Overseas Limited, a Shareholder which owns 235,198,529 Guoco Shares, representing 71.48% of the total issued share capital of Guoco as at the Latest Practicable Date
"Guoco" or the "Company"	Guoco Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the HK Stock Exchange
"Guoco Group"	Guoco and its subsidiaries from time to time

"Guoco Shares"	ordinary shares of US$0.50 each in the issued share capital of Guoco
"HK Listing Rules"	the Rules Governing the Listing of Securities on the HK Stock Exchange
"HK Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	7 June 2011, being the latest practicable date before the printing of this Circular for ascertaining certain information for the purpose of inclusion in this Circular
"London Stock Exchange"	London Stock Exchange Plc
"Major Transaction"	the Offer which constitutes a major transaction for Guoco under Chapter 14 of the HK Listing Rules
"Offer"	the mandatory cash offer made pursuant to Rule 9 of the UK Takeover Code to acquire all of the Rank Shares not already owned by the Guoco Group on the terms and subject to the condition set out in the Offer Document and (where applicable) the Form of Acceptance and including, where the context admits, any subsequent revision, variation, extension or renewal of such offer
"Offer Document"	the formal document dated 17 May 2011, setting out the terms and Acceptance Condition of the Offer and enclosing the Form of Acceptance
"Offer Price"	150p per Offer Share in cash
"Offer Shares"	all the issued and to be issued Rank Shares which are not owned by the Guoco Group
"Offeror"	All Global Investments Limited, a company incorporated in the Cayman Islands with limited liability and a wholly owned subsidiary of Guoco
"PHP"	Philippine Pesos, the lawful currency of Republic of the Philippines
"PRC"	The People's Republic of China
"Rank"	The Rank Group Plc, a company incorporated in England and Wales, the shares of which are listed on the London Stock Exchange (Stock code: RNK)
"Rank Group"	Rank and its subsidiaries from time to time

"Rank Share Schemes"	The Rank Group Plc 2010 Long-Term Incentive Plan, The Rank Group Plc 2005 Long-Term Incentive Plan, The Rank Group Plc 2002 Executive Share Option Scheme and The Rank Group Plc Save-As-You-Earn Share Option Scheme
"Rank Shareholders"	holders of Rank Shares from time to time
"Rank Shares"	ordinary shares of $13^{8/9}$p each in the share capital of Rank
"Rmb"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shareholders"	holders of Guoco Shares from time to time
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Takeover Code"	the City Code on Takeovers and Mergers of the UK
"UK Takeover Panel"	the Panel on Takeovers and Mergers of the UK
"US$"	United States dollar, the lawful currency of the United States of America
"£" & "p"	Great British pound and pence, the lawful currencies of the UK
"%"	per cent.

For reference only, the exchange rate of £:HK$, US$:HK$, PHP:HK$ and Rmb:HK$ as referred to in this Circular is £1:HK$12.7130; US$1:HK$7.7789; PHP1:HK$0.1798 and Rmb1:HK$1.2015 respectively as at the Latest Practicable Date.

國浩集團有限公司
Guoco Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 53)

Executive Directors:
Quek Leng Chan *(Executive Chairman)*
Kwek Leng Hai *(President, CEO)*
Tan Lim Heng
Ding Wai Chuen

Non-executive Director:
Kwek Leng San

Independent Non-executive Directors:
Sat Pal Khattar
Volker Stoeckel
Roderic N. A. Sage

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal office:
50th Floor, The Center
99 Queen's Road Central
Hong Kong

13 June 2011

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

Mandatory Cash Offer
By
All Global Investments Limited
For
The Rank Group Plc

INTRODUCTION

The purpose of this Circular is to provide the Shareholders with further details of the Major Transaction.

The Acquisition

On 6 May 2011, the Offeror agreed to acquire from members of the Genting Berhad group an aggregate of 45,251,203 Rank Shares, representing approximately 11.59% in the issued share capital in Rank, at a consideration of 150p (approximately HK$19.07) per share, totalling £67.9 million (approximately HK$863.2 million). The consideration was arrived at after arm's length negotiations between the parties involved with reference to the then prevailing market price of Rank Shares.

Immediately following the Acquisition, the Guoco Group owns a total of 159,486,902 Rank Shares, representing approximately 40.84% of the issued share capital of Rank.

UK Takeover Code

In accordance with Rule 9 of the UK Takeover Code, the Offeror is required to make the Offer and has announced the Offer in the UK on 6 May 2011.

THE OFFER

Terms

The Offer Price is 150p (approximately HK$19.07) in cash per Rank Share, representing a premium of approximately 2.11% to the Closing Price of 146.9p (approximately HK$18.68) per Rank Share on 5 May 2011 (the trading day immediately preceding the date the Offer was announced in UK). The Offer Price is the same as the consideration per share for the Acquisition. The Offer Price is final and will not be increased.

The Offer extends to all Rank Shares unconditionally allotted or issued and fully paid on the date of the Offer and any Rank Shares which are unconditionally allotted or issued and fully paid (including to satisfy the exercise of options and/or vesting of awards under the Rank Share Schemes) before the date on which the Offer ceases to be open to acceptances or such earlier date as the Offeror may, subject to the UK Takeover Code and in accordance with further terms of the Offer, decide.

The Offer Shares will be acquired by the Offeror fully paid with full title guarantee and free from all liens, charges, encumbrances, equitable interests, pre-emption rights and other third party interests and rights of any nature whatsoever and together with all rights now or hereafter attaching to them, including, without limitation, the right to receive and retain all dividends and other distributions (if any) declared, paid or made after 6 May 2011.

Acceptance Condition

The Offer was subject to valid acceptances being received by the First Closing Date of the Offer (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the UK Takeover Code or with the consent of the UK Takeover Panel, decide) in respect of such number of Rank Shares which, when aggregated with the Rank Shares acquired or agreed to be acquired by the Concert Group carry more than 50% of the voting rights then normally exercisable at a general meeting of Rank.

Rank Share Schemes

With the Offer becoming unconditional, the Offeror will be making appropriate proposals to the holders of awards and options under the Rank Share Schemes to the extent that such awards have not vested and/or such options have not been exercised.

Overseas Shareholders

The availability of the Offer to persons not resident in the UK may be affected by the laws of the relevant jurisdictions.

Value of the Offer

On the basis of the Offer Price, the entire share capital of Rank in issue as at the Latest Practicable Date is valued at approximately £585.9 million (approximately HK$7.4 billion) and the Offer Shares in issue as at the Latest Practicable Date in aggregate is valued at approximately £346.7 million (approximately HK$4.4 billion). The cash consideration would be paid out of the internal working capital of the Guoco Group.

The Financial Adviser is satisfied that sufficient financial resources are available to the Offeror to satisfy the cash consideration payable to Rank Shareholders in the event of full acceptance of the Offer.

Offer Document

The Offer Document enclosing the Form of Acceptance was despatched to Rank Shareholders of the Offer Shares on 17 May 2011.

Offer Becoming Unconditional

As at 1:00 p.m. (London time) on 7 June 2011, being the First Closing Date, the Offeror had received valid acceptances from Rank Shareholders in respect of 60,738,410 Rank Shares representing approximately 15.55% of the existing issued share capital of Rank. The Offeror may count 220,225,312 Rank Shares (representing approximately 56.38% of the existing issued share capital of Rank) towards the satisfaction of the Acceptance Condition.

The Acceptance Condition has been satisfied as at the First Closing Date and the Offer is therefore unconditional in all respects.

The Offer will remain open for acceptance until further notice, and at least 14 days' notice will be given of the closing of the Offer.

Others

The Acquisition and the subsequent Offer have been notified to the UK's competition authority, the Office of Fair Trading ("OFT"), pursuant to the relevant UK anti-trust rules and are currently being considered by the OFT. The OFT is due to issue a decision by 27 June 2011 on whether to clear the Acquisition and the Offer or refer the same to the Competition Commission of the UK for further review.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company for the purposes of the Acquisition and making the Offer.

INFORMATION ON THE GUOCO GROUP

Guoco is an investment holding and investment management company. The principal activities of its subsidiaries and associated companies encompass principal investment, property development and investment, hospitality and leisure business, stock and commodity broking, investment advisory, banking and financing, insurance, fund management as well as merchant banking.

INFORMATION ON RANK

Rank is a European gaming company with a primary focus on casinos and bingo clubs in the UK. It also operates in Spain and Belgium.

The audited consolidated net profits before tax of Rank for the years ended 31 December 2010 and 31 December 2009 were approximately £74.5 million (approximately HK$947.1 million) and £52.8 million (approximately HK$671.2 million) respectively. The audited consolidated net profits after tax of Rank for the years ended 31 December 2010 and 31 December 2009 were approximately £53.2 million (approximately HK$676.3 million) and £38.5 million (approximately HK$489.5 million) respectively.

The consolidated net assets of Rank as at 31 December 2010 was approximately £77.7 million (approximately HK$987.8 million).

REASONS FOR THE OFFER

Prior to the Acquisition, the Guoco Group was already beneficially interested in aggregate in approximately 29.25% of the issued share capital of Rank. As the Guoco Group believes that Rank represents an attractive investment opportunity, the Guoco Group (through the Offeror) undertook the Acquisition to increase its interests in Rank.

The Acquisition resulted in the Offeror and the Concert Parties owning more than 30% of the issued and paid-up share capital of Rank. Accordingly, the Offeror is required under Rule 9 of the UK Takeover Code to make the Offer.

The Board (including the independent non-executive Directors) is of the view that the terms of the Offer are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GUOCO GROUP

Upon Rank becoming a subsidiary of Guoco, all the earnings, assets and liabilities of Rank would be consolidated into the consolidated financial statements of the Guoco Group.

As at 31 December 2010, the unaudited consolidated total assets and consolidated total liabilities of the Guoco Group prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") were approximately US$10.9 billion (approximately HK$84.8 billion) and US$3.6 billion (approximately HK$28.0 billion) respectively. As at 31 December 2010, the audited consolidated total assets and consolidated total liabilities of Rank prepared in accordance with the International Financial Reporting Standards ("IFRS") were approximately £499.2 million (approximately HK$6.3 billion) and £421.5 million (approximately HK$5.4 billion) respectively. With the consolidation of Rank's assets and liabilities into the consolidated financial statements of the Guoco Group, the consolidated total assets and consolidated total liabilities of the Guoco Group would be expected to increase respectively.

As extracted from the 2010 annual report and financial statements of Rank, the audited consolidated net profit (after income tax) of Rank for the year ended 31 December 2010 was approximately £53.2 million (approximately HK$676.3 million). On this basis, and in light of the potential future prospects of Rank, it is expected that the consolidation of the financial results of Rank into the Guoco Group would have a positive impact on the Guoco Group's earnings.

HK LISTING RULES IMPLICATIONS

The Acquisition does not constitute a notifiable transaction for Guoco under the HK Listing Rules.

The Offer, itself or when aggregated with the Acquisition, constitutes a major transaction for Guoco under the HK Listing Rules, which requires Shareholders' approval. No Shareholder is required to abstain from voting if Guoco were to convene a general meeting for the approval of the Offer. A written shareholder's approval has been obtained from GOL which holds 235,198,529 Guoco Shares, representing more than 50% in nominal value of the Guoco Shares giving the right to attend and vote at the general meeting to approve the Offer. As a result, no general meeting is required to be convened for the approval of the Offer pursuant to Rule 14.44 of the HK Listing Rules. The purpose of this Circular is for Shareholders' information only.

Rank is listed on the London Stock Exchange and is restricted under relevant UK laws, rules and regulations from providing to Guoco non-public information concerning Rank for preparing the Circular for the purpose of complying with the disclosure requirements under the HK Listing Rules in respect of Rank and the enlarged group. This Circular contains information required under, among other rules, Rule 14.67A(2) of the HK Listing Rules. In accordance with Rule 14.41(a) of the HK Listing Rules, Guoco is required to despatch this Circular to the Shareholders within 15 business days from the date of publication of the Announcement (i.e. on or before 31 May 2011). As additional time is required to finalise this Circular, Guoco has applied to the HK Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the HK Listing Rules and an extension of time for the despatch of this Circular to a date no later than 24 June 2011. A supplemental circular containing information required under Rule 14.67A(3) of the HK Listing Rules will be despatched to the Shareholders within 45 days of the earlier of (1) Guoco being able to gain access to Rank's books and records for the purpose of complying with the disclosure requirements under the HK Listing Rules in respect of Rank and the enlarged group; and (2) Guoco being able to exercise control over Rank.

Guoco will issue announcement(s) on the progress of the Offer as appropriate in due course.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the following appendices of this Circular:

(i) financial information of the Guoco Group;

(ii) financial information of the Rank Group; and

(iii) general information.

Yours faithfully,
By Order of the Board
Kwek Leng Hai
President, CEO

PUBLISHED FINANCIAL INFORMATION

Please note that the unaudited interim report of Guoco for the six months ended 31 December 2010, the Guoco annual report and accounts 2010, the Guoco annual report and accounts 2009 and the Guoco annual report and accounts 2008 are available free of charge, in read-only, printable format on the Guoco website at the following addresses:

(a) in respect of the Guoco unaudited interim report for the six months ended 31 December 2010 at:

http://www.irasia.com/listco/hk/guoco/interim/ir69547-e_53.pdf

(b) in respect of the Guoco annual report and accounts 2010 at:

http://202.66.146.82/listco/hk/guoco/annual/2010/ar2010.pdf

(c) in respect of the Guoco annual report and accounts 2009 at:

http://202.66.146.82/listco/hk/guoco/annual/2009/ar2009.pdf

(d) in respect of the Guoco annual report and accounts 2008 at:

http://202.66.146.82/listco/hk/guoco/annual/2008/ar2008.pdf

STATEMENT OF INDEBTEDNESS

1 Borrowings

As at the close of business on 30 April 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Guoco Group had the following outstanding borrowings:

	US$' million
Bank loans	
— Secured	2,418
— Unsecured	1,404
	3,822
Secured other loans	882
Unsecured short term notes	41
Unsecured medium term notes	393
Secured mortgage debenture stock	407
Convertible bonds	303
	5,848

Note:

The bank loans, other loans and mortgage debenture stock are secured by the legal mortgages on certain development properties, fixed assets and trading financial assets with an aggregate book value of US$5.6 billion (approximately HK$43.6 billion).

2 Contingent Liabilities

(i) A subsidiary of the Guoco Group, GuocoLeisure Limited ("GL") has given a guarantee to the buyer of various hotel businesses sold in 2002 that the aggregate Earnings before Interest, Tax, Depreciation and Amortisation of the businesses will not be less than US$46.2 million (approximately HK$359.4 million) per calendar year thereafter until 4 April 2012. The maximum liability for any one year under the guarantee is US$46.2 million (approximately HK$359.4 million) and the guarantee expires in April 2012.

(ii) For other contingent liabilities of the Guoco Group, please refer to information set out under the section headed "Litigation" of Appendix III to this Circular.

3 Save as disclosed above, and apart from intra-group liabilities, the Guoco Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at 30 April 2011.

The Directors have confirmed that, up to the Latest Practicable Date, there have been no material changes in the Guoco Group's indebtedness and contingent liabilities since 30 April 2011.

STATEMENT OF SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, based on the internal resources and the available banking facilities of the Guoco Group and taking into account the Acquisition and the Offer, the Guoco Group has sufficient working capital for its present requirements for the next 12 months from the date of this Circular.

FINANCIAL AND TRADING PROSPECTS

The economic environment for Guoco's businesses remains mixed, with the combination of economic stimuli and the need to contain inflation likely to result in some volatility. Market conditions in Singapore and China remain broadly supportive, but the outlook in the UK is more challenging.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Guoco Group since 30 June 2010, being the date to which the latest published audited consolidated financial statements of the Guoco Group were made up to.

PUBLISHED AUDITED FINANCIAL INFORMATION

The following is an extract of the audited financial statements of Rank for the year ended 31 December 2010, which were prepared in accordance with IFRS, from the 2010 annual report and financial statements of Rank.

Specific page/section references mentioned in the audited financial statements of Rank for the year ended 31 December 2010 are referred to in Rank's 2010 annual report and financial statements which is available free of charge, in read-only, printable format on Rank website at http://www.rank.com/downloads/annual_reports/2010/annual_report_and_financial_statements_2010.pdf.

GROUP INCOME STATEMENT

for the year ended 31 December 2010

		2010			2009		
		Before exceptional items	Exceptional items *(note 4)*	Total	Before exceptional items	Exceptional items *(note 4)*	Total
	Note	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
Continuing operations							
Revenue before adjustment for free bets, promotions and customer bonuses	2	567.8	—	567.8	540.0	—	540.0
Free bets, promotions and customer bonuses	2	(23.3)	—	(23.3)	(19.5)	—	(19.5)
Revenue	2	544.5	—	544.5	520.5	—	520.5
Cost of sales	2	(296.1)	—	(296.1)	(278.4)	—	(278.4)
Gross profit		248.4	—	248.4	242.1	—	242.1
Other operating costs	2	(186.4)	(25.1)	(211.5)	(184.1)	(0.5)	(184.6)
Other operating income	4	—	38.5	38.5	—	3.3	3.3
Group operating profit	2, 3	62.0	13.4	75.4	58.0	2.8	60.8
Financing:							
— finance costs		(7.5)	—	(7.5)	(10.9)	—	(10.9)
— finance income		0.5	5.6	6.1	0.9	—	0.9
— other financial (losses) gains		(0.5)	—	(0.5)	1.2	—	1.2
Total net financing (charge) income	5	(7.5)	5.6	(1.9)	(8.8)	—	(8.8)
Profit before taxation		54.5	19.0	73.5	49.2	2.8	52.0
Taxation	6	(16.3)	(8.3)	(24.6)	(14.3)	0.2	(14.1)
Profit for the year from continuing operations		38.2	10.7	48.9	34.9	3.0	37.9
Discontinued operations		—	4.3	4.3	—	0.6	0.6
Profit for the year		38.2	15.0	53.2	34.9	3.6	38.5
Attributable to:							
Equity holders of the parent		38.2	15.0	53.2	34.9	3.6	38.5
Earnings per share attributable to equity shareholders							
— basic	9	9.8p	3.9p	13.7p	9.0p	0.9p	9.9p
— diluted	9	9.8p	3.8p	13.6p	9.0p	0.9p	9.9p
Earnings per share — continuing operations							
— basic	9	9.8p	2.8p	12.6p	9.0p	0.7p	9.7p
— diluted	9	9.8p	2.7p	12.5p	9.0p	0.7p	9.7p
Earnings per share — discontinued operations							
— basic	9	—	1.1p	1.1p	—	0.2p	0.2p
— diluted	9	—	1.1p	1.1p	—	0.2p	0.2p

Details of dividends paid and payable to equity shareholders are disclosed in note 8.

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

	Note	**2010** *£m*	**2009** *£m*
Comprehensive income:			
Profit for the year		53.2	38.5
Other comprehensive income:			
Exchange adjustments net of tax		(0.6)	(3.3)
Actuarial loss on retirement benefits net of tax	28	—	(0.4)
Total comprehensive income for the year		52.6	34.8
Attributable to:			
Equity holders of the parent		52.6	34.8

The tax effect of items of comprehensive income are disclosed in note 6.

BALANCE SHEETS
at 31 December 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*£m*	*£m*	*£m*	*£m*
Assets					
Non-current assets					
Intangible assets	10	167.4	178.0	—	—
Property, plant and equipment	11	203.0	187.5	—	—
Investments in subsidiaries	13	—	—	1,027.6	1,026.3
Deferred tax assets	20	22.1	23.5	0.4	—
Trade and other receivables	15	2.1	2.1	—	—
		394.6	391.1	1,028.0	1,026.3
Current assets					
Inventories	14	3.4	3.7	—	—
Trade and other receivables	15	27.0	26.0	43.6	43.6
Income tax receivable	17	0.2	0.4	—	—
Cash and short-term deposits	25	74.0	64.1	—	—
		104.6	94.2	43.6	43.6
Total assets		499.2	485.3	1,071.6	1,069.9
Liabilities					
Current liabilities					
Trade and other payables	16	(98.0)	(105.9)	(707.1)	(752.7)
Income tax payable	17	(28.5)	(26.3)	—	—
Financial liabilities					
— financial guarantees	29	—	—	(0.1)	(1.4)
— loans and borrowings	18	(8.1)	(7.8)	—	—
Provisions	21	(6.8)	(9.0)	—	—
		(141.4)	(149.0)	(707.2)	(754.1)
Net current liabilities		(36.8)	(54.8)	(663.6)	(710.5)

		Group		Company	
		2010	2009	2010	2009
	Note	*£m*	*£m*	*£m*	*£m*
Non-current liabilities					
Trade and other payables	16	(0.2)	(0.3)	—	—
Income tax payable	17	(35.6)	(18.5)	—	—
Financial liabilities					
— loans and borrowings	18	(189.4)	(242.3)	—	—
Deferred tax liabilities	20	(6.1)	(6.3)	—	—
Provisions	21	(45.8)	(34.6)	—	—
Retirement benefit obligations	28	(3.0)	(2.9)	—	—
		(280.1)	(304.9)	—	—
Total liabilities		(421.5)	(453.9)	(707.2)	(754.1)
Net assets		77.7	31.4	364.4	315.8
Capital and reserves attributable to the Company's equity shareholders					
Share capital	22	54.2	54.2	54.2	54.2
Share premium		98.2	98.2	98.2	98.2
Capital redemption reserve		33.4	33.4	33.4	33.4
Exchange translation reserve		14.5	15.1	—	—
Retained (losses) earnings		(122.6)	(169.5)	178.6	130.0
Total shareholders' equity		77.7	31.4	364.4	315.8

These financial statements were approved by the Board on 24 February 2011 and signed on its behalf by :

Ian Burke
Chief Executive

Paddy Gallagher
Finance Director

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2010

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Equity component of convertible bond £m	Retained losses £m	Total £m
At 1 January 2009	54.2	98.2	33.4	18.4	0.3	(208.9)	(4.4)
Comprehensive income:							
Profit for the year	—	—	—	—	(0.3)	38.8	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 (expense) income for the year	—	—	—	(3.3)	(0.3)	38.4	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
Comprehensive income:							
Profit for the year	—	—	—	—	—	53.2	53.2
Other comprehensive income:							
Exchange adjustments net of tax	—	—	—	(0.6)	—	—	(0.6)
Total comprehensive (expense) income for the year	—	—	—	(0.6)	—	53.2	52.6
Transactions with owners:							
Dividends paid to equity holders *(see note 8)*	—	—	—	—	—	(8.1)	(8.1)
Release of accrual for unclaimed dividends	—	—	—	—	—	0.4	0.4
Credit in respect of employee share schemes	—	—	—	—	—	1.4	1.4
At 31 December 2010	54.2	98.2	33.4	14.5	—	(122.6)	77.7

There were no non-controlling interests in either year.

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Equity component of convertible bond £m	Retained earnings £m	Total £m
At 1 January 2009	54.2	98.2	33.4	0.3	157.3	343.4
Loss and total comprehensive expense for the year	—	—	—	(0.3)	(27.7)	(28.0)
Transactions with owners:						
Credit in respect of employee share schemes	—	—	—	—	0.4	0.4
At 31 December 2009	54.2	98.2	33.4	—	130.0	315.8
Profit and total comprehensive income for the year	—	—	—	—	54.2	54.2
Transactions with owners:						
Dividends paid to equity holders *(see note 8)*	—	—	—	—	(8.1)	(8.1)
Release of accrual for unclaimed dividends	—	—	—	—	0.4	0.4
Credit in respect of employee share schemes	—	—	—	—	2.1	2.1
At 31 December 2010	54.2	98.2	33.4	—	178.6	364.4

STATEMENTS OF CASH FLOW
for the year ended 31 December 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*£m*	*£m*	*£m*	*£m*
Cash flows from operating activities					
Cash generated from operations	23	119.5	69.7	—	0.1
Interest received		6.6	7.9	—	—
Interest paid		(5.1)	(11.4)	—	(3.0)
Dividend received from subsidiary undertaking		—	—	77.5	—
Tax (paid) received		(0.8)	4.3	—	—
Net cash from (used in) operating activities		120.2	70.5	77.5	(2.9)
Cash flows from investing activities					
Acquisition of businesses including deferred consideration	24	(0.1)	(0.3)	—	—
Disposal of business	24	0.9	—	—	—
Net payments in respect of hedges		—	(5.2)	—	—
Purchase of intangible assets		(6.8)	(3.6)	—	—
Purchase of property, plant and equipment		(43.4)	(30.7)	—	—
Proceeds from sale of property, plant and equipment		0.1	1.6	—	—
Net cash used in investing activities		(49.3)	(38.2)	—	—
Cash flows from financing activities					
Dividends paid to equity holders	8	(8.1)	—	(8.1)	—
Repayment of Sterling borrowings		—	(158.2)	—	(158.2)
Repayment of syndicated facilities		(50.9)	(21.8)	—	—
Repayment of other facilities		—	(2.0)	—	—
Drawdown on syndicated facilities		—	101.2	—	—
Drawdown on other facilities		—	2.0	—	—
Finance lease principal payments		(1.0)	(0.7)	—	—
Amounts repaid to subsidiaries		—	—	(77.5)	—
Amounts received from subsidiaries		—	—	8.1	161.1
Net cash (used in) from financing activities		(60.0)	(79.5)	(77.5)	2.9
Net increase (decrease) in cash, cash equivalents and bank overdrafts		10.9	(47.2)	—	—
Effect of exchange rate changes		(0.2)	(0.8)	—	—
Cash and cash equivalents at 1 January		56.8	104.8	—	—
Cash and cash equivalents at 31 December	25	67.5	56.8	—	—

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND ACCOUNTING POLICIES

General information

The Rank Group Plc ('the Company') and its subsidiaries (together 'the Group') operate gaming and betting services in Great Britain (including the Channel Islands), Spain and Belgium and provide business services to gaming operators in a number of additional markets.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales under registration number 03140769. The address of its registered office is Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated and Company financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

1.1.1 Statement of compliance

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC Interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS.

1.1.2 Going concern

In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the issues impacting the Group during 2010 as detailed in the directors' report on pages 1 to 41 and have reviewed the Group's projected compliance with its banking covenants detailed in the finance review on page 36. 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 borrowing requirements for at least the next 12 months and comply with its banking covenants.

1.1.3 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The resulting accounting estimates will, by definition, seldom equal the actual results. The areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the consolidated financial statements, are set out below.

(a) Estimated impairment of intangible assets and property, plant and equipment

The Group tests annually whether assets that have an indefinite useful life, including goodwill and gaming licences, have suffered any impairment. The Group also reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate the carrying amount of the asset may not be recoverable. Further details of the Group's accounting policy in relation to impairment are disclosed in note 1.14.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of cash-generating units to which the intangible assets and property, plant and equipment are associated. The recoverable amount is the higher of the fair value less costs to sell and value in use. Estimates of fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external estate agents or, if applicable, offers received. Value in use is calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each cash-generating unit. Further details of the assumptions and estimates are disclosed in note 12.

(b) Classification of casino and other gaming licences as intangible assets with an indefinite life

As disclosed in note 1.12 certain casino and other gaming licences have been classified as intangible assets with an indefinite life. This assumption is based on management's belief that there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and that each licence holds a value outside the property in which it resides. As a consequence, each licence is reviewed annually for impairment.

(c) Recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which the temporary differences can be utilised. The key area of judgement is therefore an assessment of whether it is probable that there will be suitable taxable profits against which any deferred tax assets can be utilised. Further details of deferred tax assets recognised are disclosed in note 20.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including jurisdictions from now discontinued operations. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amount recognised, such differences will impact the financial statements in the period such determination is made.

(e) Provisions

Provisions are recognised in accordance with the policy disclosed in note 1.10. In calculating onerous property lease provisions, estimates are made of the discounted cash flows derived from the property and its associated operations including sub-let income. Estimates have also been made in determining the amount and timing of disposal provisions, including legacy industrial disease and personal injury claims. Further details of provisions made are disclosed in note 21.

(f) Contingent assets and liabilities

Management is required to apply judgement in assessing the probability of the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. This judgement is supported by external advice and precedent case law where appropriate and is continually assessed to ensure that developments are appropriately reflected in the financial statements. Further details of contingent assets are disclosed in note 30 and contingent liabilities are disclosed in note 31.

1.1.4 Changes in accounting policy and disclosures

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

— IFRS 2 Share-based Payment (Amended) — The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. Although the adoption of this amendment did not have any impact on the financial position of the Group, it has resulted in an increase in the Company's investments in subsidiary undertakings with a corresponding increase in equity. The impact of the adoption of the standard on prior years was not material.

— IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) — The revisions to the standards apply from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

  IAS 27 Consolidated and Separate Financial Statements (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

  The revisions will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The revisions have been applied prospectively and had no impact during the period.

— IAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items — The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position or performance of the Group.

— IFRIC 17 Distribution of Non-cash Assets to Owners — The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Group.

— IFRIC 18 Transfers of Assets from Customers — The interpretation provides guidance on accounting for transfers of assets received from customers. The interpretation had no effect on the financial position or performance of the Group.

— Improvements to IFRSs (issued April 2009) — In April 2009 the second set of amendments to standards was issued, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the amendments had no effect on the financial position or performance of the Group.

  The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

(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 2010 or later periods, but they have not been early adopted by the Group:

— IAS 24 Related Party Disclosures (Amendment) — Effective 1 January 2011

— IAS 32 Financial Instruments: Presentation, Classification of Rights Issues — Effective 1 February 2010

— IFRIC 14 Prepayments of a Minimum Funding Requirement — Effective 1 January 2011

— IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments — Effective 1 July 2010

— IFRS 9 Financial Instruments — Effective 1 January 2013

— Improvements to IFRSs (issued May 2010) — Effective either 1 July 2010 or 1 January 2011

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) Other future developments

On 17 August 2010, the IASB and FASB released a joint exposure draft that would significantly change lease accounting for both lessees and lessors by requiring balance sheet recognition of all leases.

The majority of the Group's properties are currently classified as operating leases and consequently the proposed changes would have a potential material impact on the balance sheet (with a grossing up of assets and liabilities upon recognition of the intangible asset and lease liability) and the income statement (with an increase in operating profit and finance costs). The Group currently recognises rental expenses under operating leases on a straight line basis within operating profit and provides additional disclosure of future minimum commitments under non-cancellable operating leases.

It is not possible, at this time, to quantify the impact of the proposals as they have not yet been formalised and therefore, while the Group continues to monitor financial reporting developments and start preparations, the internal process for collating and calculating the impact has not commenced.

1.2 Consolidation

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. All subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Prior to 1 January 2010, the cost of acquisition also included costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has no material associates or joint ventures.

1.3 Revenue recognition

Revenue consists of the fair value of sales of goods and services net of VAT, rebates and discounts.

(a) Gaming win

Revenue for casinos includes the gaming win before deduction of gaming duty. Revenue for bingo is net of prizes before deduction of gross profits tax. Revenue for Rank Interactive, including sports betting and interactive games, represents gaming win. All other revenue streams are stated net of VAT where applicable. The fair value of free bets, promotions and customer bonuses are also deducted from all revenue streams.

Although disclosed as revenue, gaming win is accounted for and meets the definition of a gain under IAS 39 Financial Instruments: Recognition and Measurement.

(b) Food and beverage

Revenue from food and beverage sales is recognised at the point of sale.

(c) Finance income

Interest income is recognised on a time proportion basis using the effective interest method.

1.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team (the composition of which is disclosed on page 43) that makes strategic and operational decisions.

1.5 Foreign currency translation

The consolidated financial statements are presented in UK Sterling, which is also the Company's functional currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in finance costs or income, except when deferred in equity where hedging criteria are met.

(b) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate on the balance sheet date. The closing euro rate against UK Sterling was 1.17 (2009: 1.13) and the closing US Dollar rate against UK Sterling was 1.57 (2009: 1.61);

(ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The average euro rate against UK Sterling was 1.17 (2009: 1.12) and the average US Dollar rate against UK Sterling in the year was 1.54 (2009: 1.57); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement, net of hedging, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.6 Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

A financial asset is derecognised when the rights to receive the cash flows from the asset have expired, been transferred or an obligation to pay the cash flows received to a third party without material delay has been assumed, and either:

— Substantially all the risks and rewards of ownership have been transferred; or

— Substantially all the risks and rewards have neither been retained nor transferred, but control has been transferred.

The Group's financial assets include loans and receivables and cash and cash equivalents.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance

account, and the amount of the loss is recognised in the income statement within operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement.

(b) Cash and cash equivalents

Cash and short-term deposits in the balance sheet include cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

1.7 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

The Group's financial liabilities include trade and other payables, loans and borrowings (including bank overdrafts), financial guarantee contracts and onerous contracts.

(a) Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(b) Loans and borrowings

After initial recognition at fair value, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in finance costs in the income statement.

The fair value of the liability portion of the convertible bond, which matured in January 2009, was determined on the date of issue. This amount was recorded as a liability and was held on an amortised cost basis until the redemption or maturity of the bonds. The remaining proceeds were allocated to the conversion option and were recognised in shareholders' funds. This resulted in a higher interest cost over the life of the bond as an equal and opposite amount to the equity component was amortised through the income statement as a financing cost.

(c) Financial guarantee contracts (Company only)

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value by applying the estimated probability of default to the cash outflow should default occur and subsequently amortising over the expected length of the guarantee.

(d) Onerous contracts

Details of the policy in respect of onerous contracts are disclosed in note 1.10.

1.8 Derivative financial instruments and hedging activities

The Group held no derivative financial instruments at either reporting date.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. The gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement. Further details are disclosed in note 19.

1.9 Leases

Leases are tested at inception to determine whether the lease is a finance or operating lease and treated accordingly. For leases entered into prior to 1 January 2005, inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4. Property leases comprising a lease of land and a lease of buildings within a single contract are split into its two component parts before testing.

(a) Finance leases

Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loans and borrowings. Finance charges are recognised in the income statement. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating leases

Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Operating lease payments (including any lease incentives or premiums) are recognised as an expense in the income statement on a straight line basis over the lease term.

1.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the best estimate of the expenditures required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognised as a finance cost.

(a) Onerous contracts

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous.

(b) Provision on disposal

Following the disposal of an operation, provision is made for the estimated future costs attributable to the disposal.

1.11 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment. Such cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on assets using the straight line method to allocate their cost less residual values over their estimated useful lives, as follows:

— freehold and leasehold property	50 years or lease term if less
— refurbishment of property	five to 20 years
— fixtures, fittings, plant and machinery	three to 20 years

Land is not depreciated.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Pre-opening costs are expensed to the income statement as incurred.

1.12 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at amortised cost as at 1 January 2004 plus cost for any acquisition completed after 1 January 2004 less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, except where goodwill has been previously written off directly to reserves under previous GAAP.

Goodwill is allocated to the relevant cash-generating unit or group of cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill arising on acquisitions made before 31 December 1997 has been written off directly to reserves.

(b) Casino and other gaming licences and concessions

The Group capitalises acquired casino and other gaming licences and concessions. The amount capitalised is the difference between the price paid for a property or business and the associated licence, and the fair value of a similar property or business without a licence. Management believes that licences, with the exception of the two casino concessions in Belgium, have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment.

In respect of the two casino concessions in Belgium, the Group has previously treated the concessions as intangible assets with indefinite lives. However, following a change in the anticipated process for concession renewal in Belgium the directors no longer consider this appropriate. This has resulted in an impairment charge in 2010 of £11.2m. The residual carrying value will be amortised over the expected remaining useful life of nine years.

Any costs in renewing licences or concessions are expensed as incurred.

(c) Other

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (three to four years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production and development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for both externally purchased and internally developed software. Direct costs include specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives, estimated at between three to five years.

If acquired, the Group capitalises the costs of other intangible assets such as brands, trademarks and customer relationships. Costs incurred internally to generate these intangible assets are expensed as incurred. For business combinations occurring after 1 January 2004, purchased intangible assets are capitalised on the balance sheet at fair value on acquisition. Purchased intangible assets with finite lives are amortised over their useful economic lives, estimated at three years.

1.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised, where material, as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all qualifying assets where construction was commenced on or after 1 January 2009. The Group expensed borrowing costs relating to construction projects that commenced prior to 1 January 2009.

1.14 Impairment of intangible assets and property, plant and equipment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an exceptional expense in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as exceptional income in the income statement immediately.

1.15 Employee benefit costs

(a) Pension obligations

The Group operates a defined contribution plan under which the Group pays fixed contributions to a separate entity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group also has an unfunded pension commitment relating to three former executives of the Group. The amount recognised in the balance sheet in respect of the commitment is the present value of the obligation at the balance sheet date, together with adjustment for unrecognised actuarial gains or losses. The Group recognises actuarial gains and losses immediately in the statement of comprehensive income. The net cost arising on the commitment is recognised in net finance costs.

(b) Share-based compensation

The cost of equity-settled transactions with employees for awards granted after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 27.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Share-based compensation — Company

The Company operates share-based payment schemes for employees of the Company and its subsidiaries. The fair value of shares awarded to employees of the Company is recognised as an employee expense with a corresponding increase in equity. The Company also makes awards of its own shares to employees of its subsidiaries and as such recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements with the corresponding credit being recognised directly in equity.

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. If the effect of the time value of money is material, benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(e) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where a past practice has created a constructive obligation.

1.16 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a 'first-in first-out' basis.

The cost of finished goods comprises goods purchased for resale.

Net realisable value is the estimated selling price in the ordinary course of business. When necessary, provision is made for obsolete and slow-moving inventories.

1.17 Taxation

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be paid or to be recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current tax relating to items recognised directly in equity is recognised in equity and not the income statement.

Management evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation at each reporting date and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred tax arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

— Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

— Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

1.18 Share capital

Ordinary shares are classified as equity.

Where any Group company purchases the Company's equity share capital (treasury shares as defined by IAS 32), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

1.19 Discontinued operations and non-current assets held for sale

Operations of the Group are recognised as discontinued operations if the operations have been disposed of or meet the criteria to be classified as held for sale. Operations held for sale are held at the lower of their carrying amount on the dates they are classified as held for sale and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.20 Dividends

Dividends proposed by the board of directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the annual general meeting. Interim dividends are recognised when paid.

1.21 Exceptional items

The Group defines exceptional items as those items which, by their size or nature in relation to both the Group and individual segments, are separately disclosed in order to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods. This would include, to the extent they are material, gains or losses on the disposal of assets, impairments (or subsequent reversal) of the carrying value of assets and associated onerous lease provisions, costs of club closures and restructurings, onerous lease provisions on vacant properties, disposal of businesses, changes in disposal provisions and VAT refunds (net of gross profits tax and associated costs) relating to previous periods.

2 SEGMENTAL REPORTING

(a) Segment information — business segments

	Grosvenor Casinos		Mecca Bingo		Top Rank España		Rank Interactive		Central costs		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations												
Group revenue reported in internal information	238.6	220.0	234.5	233.0	37.0	36.2	57.7	50.8	—	—	567.8	540.0
Free bets, promotions and customer bonuses	(1.0)	(1.2)	(13.7)	(12.3)	—	—	(8.6)	(6.0)	—	—	(23.3)	(19.5)
Segment revenue	237.6	218.8	220.8	220.7	37.0	36.2	49.1	44.8	—	—	544.5	520.5
Operating profit (loss) before exceptional items	36.0	30.9	29.7	32.3	6.8	5.6	7.9	7.5	(18.4)	(18.3)	62.0	58.0
Exceptional operating (loss) profit	(3.6)	(1.5)	31.0	4.3	(1.4)	—	—	—	(12.6)	—	13.4	2.8
Segment result	32.4	29.4	60.7	36.6	5.4	5.6	7.9	7.5	(31.0)	(18.3)	75.4	60.8
Finance costs											(7.5)	(10.9)
Finance income											6.1	0.9
Other financial (losses) gains											(0.5)	1.2
Profit before taxation											73.5	52.0
Taxation											(24.6)	(14.1)
Profit for the year from continuing operations											48.9	37.9
Assets and liabilities												
Intangible assets:												
Intangible assets with indefinite useful lives	76.0	94.3	—	—	20.5	21.3	53.4	53.8	—	—	149.9	169.4
Intangible assets with finite useful lives	6.9	0.6	0.9	1.2	—	—	7.7	5.5	2.0	1.3	17.5	8.6
Property, plant and equipment	80.7	71.8	91.3	83.1	27.9	29.7	2.1	2.1	1.0	0.8	203.0	187.5
Other segment assets	9.8	9.4	13.9	13.2	2.4	2.9	3.5	3.0	2.9	3.3	32.5	31.8
Segment assets	173.4	176.1	106.1	97.5	50.8	53.9	66.7	64.4	5.9	5.4	402.9	397.3
Unallocated assets:												
Deferred tax assets											22.1	23.5
Income tax receivable											0.2	0.4
Cash and short-term deposits											74.0	64.1
Total assets											499.2	485.3
Segment liabilities	(38.7)	(42.3)	(51.7)	(56.8)	(5.6)	(5.5)	(12.6)	(11.7)	(45.2)	(36.4)	(153.8)	(152.7)
Unallocated liabilities:												
Income tax payable											(64.1)	(44.8)
Loans and borrowings											(197.5)	(250.1)
Deferred tax liabilities											(6.1)	(6.3)
Total liabilities											(421.5)	(453.9)
Net assets											77.7	31.4
Other segment items — continuing operations												
Capital expenditure	(19.4)	(15.8)	(22.6)	(13.0)	(1.9)	(1.5)	(6.2)	(3.3)	(1.5)	(0.7)	(51.6)	(34.3)
Depreciation and amortisation	10.0	8.3	13.3	10.1	2.7	2.8	3.5	3.9	0.8	0.8	30.3	25.9
Impairment charges *(see note 4)*	11.2	1.5	1.5	—	—	—	—	—	—	—	12.7	1.5
Impairment reversals *(see note 4)*	—	—	(3.2)	—	—	—	—	—	—	—	(3.2)	—
Net charge (release) from provision for onerous leases *(see note 4)*	0.3	—	0.7	(1.0)	—	—	—	—	12.5	—	13.5	(1.0)
Share-based payment charge	0.1	0.2	—	0.1	—	0.1	0.1	—	1.6	0.5	1.8	0.9

At 31 December 2010, the Group's continuing operations are organised into four main business segments: Grosvenor Casinos, Mecca Bingo, Top Rank España and Rank Interactive. The activities of the segments are described in the Group overview section of the directors' report. Costs that cannot be allocated on a reasonable basis are combined within Central costs.

There are immaterial sales between the business segments.

Segment assets include property, plant and equipment, intangible assets, inventories and trade and other receivables. Segment liabilities comprise trade and other payables, deferred consideration, provisions and retirement benefits. Intangible assets with indefinite useful lives include £53.4m (2009: £53.8m) of goodwill relating to Rank Interactive.

Capital expenditure comprises expenditure on property, plant and equipment and other intangible assets, including those acquired under finance leases.

(b) Segment information — geographical segments

The Group's business segments operate in two main geographical areas (UK and Continental Europe). The home country of the Company is the UK. The areas of operation are principally the operation of bingo clubs, casinos and online gaming and bookmaking services.

(i) Segment revenue from external customers by geographical area based on location of customer

	2010	**2009**
	£m	*£m*
UK	491.3	467.1
Continental Europe	53.2	53.4
Total revenue	544.5	520.5

(ii) Segment non-current assets by geographical area based on location of assets

	2010	**2009**
	£m	*£m*
UK	313.9	293.8
Continental Europe	58.6	73.8
Segment non-current assets	372.5	367.6
Unallocated assets:		
Deferred tax assets	22.1	23.5
Total non-current assets	394.6	391.1

With the exception of the UK and Spain, no individual country contributed more than 10% of consolidated sales or assets.

(c) Total revenue and profit from continuing and discontinued operations

		Revenue		**Profit for the year**	
		2010	**2009**	**2010**	**2009**
	Note	*£m*	*£m*	*£m*	*£m*
From continuing operations		544.5	520.5	48.9	37.9
From discontinued operations	4	—	—	4.3	0.6
Total		544.5	520.5	53.2	38.5

(d) Total cost analysis by segment

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:

	2010					
	Grosvenor Casinos	Mecca Bingo	Top Rank España	Rank Interactive	Central costs	Total
	£m	£m	£m	£m	£m	£m
Employment and related costs	90.6	61.5	14.7	9.5	12.4	188.7
Taxes and duties	48.7	37.3	2.0	1.3	0.7	90.0
Direct costs	10.8	21.9	3.2	15.3	—	51.2
Property costs	17.3	26.2	2.0	0.7	0.9	47.1
Marketing	6.9	10.9	0.9	9.9	—	28.6
Depreciation and amortisation	10.0	13.3	2.7	3.5	0.8	30.3
Other	17.3	20.0	4.7	1.0	3.6	46.6
Total costs before exceptional items	201.6	191.1	30.2	41.2	18.4	482.5
Cost of sales						296.1
Operating costs						186.4
Total costs before exceptional items						482.5

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

3 PROFIT FOR THE YEAR — ANALYSIS BY NATURE

The following items have been charged (credited) in arriving at the profit for the year before financing and taxation from continuing operations:

	Note	**2010** *£m*	**2009** *£m*
Employee benefit expense	26	179.8	167.2
Cost of inventories recognised as expense		19.4	20.5
Amortisation of intangibles (including £0.8m (2009: £0.6m) within cost of sales)	10	3.8	4.2
Depreciation of property, plant and equipment	11		
— owned assets (including £21.1m (2009: £19.0m) within cost of sales)		25.6	21.0
— under finance leases (included within cost of sales)		0.9	0.7
Operating lease rentals payable			
— minimum lease payments		44.5	40.4
— sub-lease income		(4.7)	(6.0)
Loss (profit) on sale of property, plant and equipment		0.1	(0.1)
Exceptional operating costs	4	25.1	0.5
Exceptional operating income	4	(38.5)	(3.3)
Auditors' remuneration for audit services		0.3	0.4

In the year, the Group's auditors, Ernst & Young LLP (2009: PricewaterhouseCoopers LLP), including its network firms, earned the following fees:

	2010 *£m*	**2009** *£m*
Audit services		
— Fees payable to the Company's auditor for the parent company and consolidated financial statements	0.1	0.2
Other services		
Fees payable to the Company's auditor and its associates for other services:		
— the audit of the Company's subsidiaries pursuant to legislation	0.2	0.2
— tax services	0.1	0.7
— other services	0.1	—
Total	0.5	1.1

£20,000 (2009: £35,000) of the audit fees related to the parent company.

It is the Group's policy to balance the need to maintain auditor independence with the desirability of taking advice from the leading firm in the area of advice being taken and the desirability of being efficient.

4 EXCEPTIONAL ITEMS

	Note	2010 £m	2009 £m
Exceptional items relating to continuing operations			
Impairment charges	10,11,12	(12.7)	(1.5)
Impairment reversals	11,12	3.2	—
Charge to provision for onerous leases	21	(17.8)	—
Release from provision for onerous leases	21	4.3	1.0
VAT agreement cost	31	(4.6)	—
VAT partial exemption accrual release		4.5	—
Restructuring costs		(2.0)	—
Exceptional operating costs		(25.1)	(0.5)
VAT refund net of gross profits tax and associated costs		38.5	1.9
Net profit on sale of property less associated closure costs		—	1.4
Exceptional operating income		38.5	3.3
Finance income	5	5.6	—
Taxation	6	(8.3)	0.2
Exceptional items relating to continuing operations		10.7	3.0
Exceptional items relating to discontinued operations			
Release from disposal provisions		—	5.0
Charge to disposal provisions		—	(4.2)
Additional profit arising on previously disposed subsidiary		0.6	—
Finance income		0.4	—
Taxation	6	3.3	(0.2)
Exceptional items relating to discontinued operations		4.3	0.6
Total exceptional items		15.0	3.6

The Group's definition of exceptional items is disclosed in note 1.21.

2010 exceptional items

Continuing operations

Impairment charges

The Group recognised an impairment charge of £1.5m against one vacant freehold property following an external market valuation of the Group's freehold properties.

The Group also recognised an impairment charge of £11.2m against the carrying value of its two casino concessions in Belgium. The impairment charge has been recognised due to a reduction in the expected useful life of the concessions following a change in the anticipated process for concession renewal in Belgium. The residual carrying value will be amortised over the remaining expected useful life of nine years.

Impairment reversals

The Group has reversed previous impairment charges of £3.2m in relation to seven Mecca Bingo clubs primarily where performance has seen a sustained improvement from the adverse impact of the smoking bans in the UK and the loss of section 21 gaming terminals in 2007.

Onerous leases

The Group recognised an additional charge of £17.8m in relation to the provision for onerous property leases. This included a charge of £15.9m primarily in relation to vacant sites following a reduction in the expected sub-let income. These sites have proved increasingly difficult to sub-let and a number of tenants have gone into liquidation or have difficulty in paying their rents. Further details are provided in note 21. The reduction in the discount rate used in the calculation of the onerous lease provisions also resulted in a £1.9m charge.

The Group also released £4.3m in relation to two Mecca Bingo leases where the discounted cash flows derived from the property are now expected to exceed the unavoidable lease costs.

VAT agreement cost

Further details of the VAT agreement cost are disclosed in note 31.

VAT partial exemption accrual release

The Group has been in negotiation with HMRC for several years on the means by which it calculates the amount of irrecoverable VAT in Grosvenor Casinos. Since July 2007, the Group has accounted for irrecoverable VAT on the basis that HMRC were correct. As a result, the amount of irrecoverable VAT suffered by Grosvenor Casinos exceeded the amount that the Group believed was due. In 2010, the point of dispute between the Group and HMRC was the subject of litigation by another, similar, taxpayer. In that case, the First-tier Tribunal and the Upper Tribunal have ruled that HMRC's position was incorrect. While HMRC have appealed, precedent case law indicates that the Group's position is correct and on that basis the irrecoverable VAT accrual has been reduced by £4.5m accordingly. However, it remains possible that this decision will be reversed on appeal. In that event the Group would have to pay the VAT in dispute plus interest (see note 31).

Restructuring costs

The Group recognised an exceptional pre tax loss of £2.0m following the restructuring of the Top Rank España business and closure of one Grosvenor Casino at Hove, East Sussex.

VAT refund net of gross profits tax and associated costs

On 21 May 2010, the Group received £42.5m in overpaid VAT from HMRC. The repayment covers VAT paid on games of main stage bingo (between 2004 and 2009) and amusement machines (between 2002 and 2005). On 7 June 2010, the Group received £5.6m of interest in respect of the repayment. The repayment follows successive rulings in the Group's favour in both the First-tier Tribunal's tax chamber (formerly the VAT and Duties Tribunal) and the Upper Tribunal. HMRC has appealed these rulings and the claims will now be considered by the European Court of Justice (ECJ). It is expected that this appeal will be heard in 2011. If HMRC is successful in its appeal, the Group will be required to return the payment with interest (see note 31). The claims concern the inconsistent application of VAT to revenue from Mecca Bingo and Grosvenor Casinos. It is the Group's contention that this practice contravened the European Union principle of fiscal neutrality. Further details of the exceptional gain arising on the VAT refunded are disclosed in the table below:

	Main stage bingo	**Amusement machines**	**Total**
	£m	*£m*	*£m*
Cash repayment received	16.1	26.4	42.5
Increase in gross profits tax payable	(2.5)	—	(2.5)
Costs, including contingent fees	(0.8)	(0.3)	(1.1)
Irrecoverable input VAT	(0.3)	(0.1)	(0.4)
Exceptional gain before financing and taxation	12.5	26.0	38.5
Finance income	1.2	4.4	5.6
Taxation	(3.8)	(8.6)	(12.4)
Total exceptional gain on VAT refund	9.9	21.8	31.7

Discontinued operations

Additional profit arising on previously disposed subsidiary

The Group also recognised an exceptional profit of £0.6m, together with associated interest of £0.4m, following the successful outcome of certain VAT claims relating to a previously disposed subsidiary.

Taxation

Details of exceptional taxation are disclosed in note 6.

2009 exceptional items

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. During 2010, the Group opened an electronic casino in Liverpool using the licence and the directors consider the impaired carrying value of the licence remains 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 had 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.

5 FINANCING

	2010	2009
	£m	*£m*
Continuing operations		
Finance costs:		
Interest on debt and borrowings[1]	(4.3)	(7.2)
Amortisation of issue costs on borrowings	(0.9)	(1.0)
Interest payable on finance leases	(0.9)	(0.9)
Unwinding of the discount in onerous lease provisions	(1.2)	(1.3)
Unwinding of the discount in disposal provisions	(0.2)	(0.2)
Amortisation of the equity component of the convertible bond	—	(0.3)
Total finance costs	(7.5)	(10.9)
Finance income:		
Interest income on short term bank deposits[1]	0.5	0.9
Finance income	0.5	0.9
Other financial (losses) gains	(0.5)	1.2
Total net financing cost for continuing operations before exceptional items	(7.5)	(8.8)
Exceptional finance income	5.6	—
Total net financing cost for continuing operations	(1.9)	(8.8)

[1] calculated using the effective interest method.

Further details of the exceptional finance income are disclosed in note 4.

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

	2010	2009
	£m	*£m*
Total net financing cost for continuing operations before exceptional items	(7.5)	(8.8)
Adjust for:		
Unwinding of the discount in disposal provisions	0.2	0.2
Amortisation of the equity component of the convertible bond	—	0.3
Other financial losses (gains) — including foreign exchange	0.5	(1.2)
Adjusted net interest payable	(6.8)	(9.5)

6 TAXATION

	2010			2009		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£m	£m	£m	£m	£m	£m
Current income tax						
Current income tax — UK	(13.1)	—	(13.1)	3.1	—	3.1
Current income tax — overseas	(1.8)	—	(1.8)	(1.7)	—	(1.7)
Current income tax (charge) credit	(14.9)	—	(14.9)	1.4	—	1.4
Current income tax on exceptional items	(8.0)	—	(8.0)	(0.8)	1.2	0.4
Amounts (under) over provided in previous year	(0.3)	—	(0.3)	1.3	—	1.3
Amounts over provided in previous year on exceptional items	—	2.8	2.8	0.6	—	0.6
Total current income tax (charge) credit	(23.2)	2.8	(20.4)	2.5	1.2	3.7
Deferred tax						
Deferred tax — UK	(1.6)	—	(1.6)	(18.7)	—	(18.7)
Deferred tax — overseas	(0.2)	—	(0.2)	(0.3)	—	(0.3)
Restatement of deferred tax from 28.0% to 27.0%	(0.8)	—	(0.8)	—	—	—
Deferred tax on exceptional items	(0.3)	—	(0.3)	0.4	(1.4)	(1.0)
Amounts over provided in previous year	1.5	—	1.5	2.0	—	2.0
Amounts over provided in previous year on exceptional items	—	0.5	0.5	—	—	—
Total deferred tax (charge) credit *(note 20)*	(1.4)	0.5	(0.9)	(16.6)	(1.4)	(18.0)
Tax (charge) credit in the income statement	(24.6)	3.3	(21.3)	(14.1)	(0.2)	(14.3)

The tax on the Group's profit before taxation on continuing operations differs from the standard rate of UK corporation tax of 28.0% (2009: 28.0%). The differences are explained below:

	2010	2009
	£m	£m
Profit before taxation on continuing operations	73.5	52.0
Tax charge calculated at 28.0% on profit before taxation on continuing operations (2009: 28.0%)	(20.6)	(14.6)
Effects of:		
Expenses not deductible for tax purposes	(5.0)	(1.4)
Difference in overseas tax rates	0.6	(1.9)
Restatement of deferred tax from 28.0% to 27.0%	(0.8)	—
Adjustments relating to prior years	1.2	3.9
Utilisation of previously unrecognised tax losses	—	(0.3)
Deferred tax movement on fair valued assets	—	0.2
Tax charge in the income statement on continuing operations	(24.6)	(14.1)

Tax on exceptional items — continuing operations

The taxation impacts of exceptional items are disclosed below:

	2010			2009		
	Current income tax	Deferred tax	Total	Current income tax	Deferred tax	Total
	£m	£m	£m	£m	£m	£m
Impairment charges	—	—	—	—	0.4	0.4
Impairment reversals	—	(0.3)	(0.3)	—	—	—
Charge to provision for onerous leases	5.0	—	5.0	—	—	—
Release from provision for onerous leases	(1.2)	—	(1.2)	(0.3)	—	(0.3)
VAT agreement cost	1.3	—	1.3	—	—	—
VAT partial exemption accrual release	(1.3)	—	(1.3)	—	—	—
Restructuring costs	0.6	—	0.6	—	—	—
VAT refund net of gross profits tax and associated costs	(12.4)	—	(12.4)	(0.5)	—	(0.5)
Liquidation of overseas subsidiary	—	—	—	0.6	—	0.6
Tax (charge) credit on exceptional items — continuing operations	(8.0)	(0.3)	(8.3)	(0.2)	0.4	0.2

Tax on exceptional items — discontinued operations

The current income tax credit on discontinued exceptional items in 2010 of £2.8m includes a £0.8m US tax refund and £2.0m arising from the reassessment of potential tax liabilities that are attributable to disposed entities.

The deferred tax credit on discontinued exceptional items in 2010 of £0.5m relates to the utilisation of losses attributable to disposed entities in prior years.

Tax effect of items within other comprehensive income

	2010	2009
	£m	£m
Current income tax charge on exchange movements offset in reserves	—	(1.9)
Deferred tax charge on exchange movements offset in reserves	(0.5)	(1.9)
Deferred tax credit on actuarial movement on retirement benefits	—	0.1
Total tax charge on items within other comprehensive income	(0.5)	(3.7)

Factors affecting future taxation

It was announced in the Budget on 22 June 2010 that the UK corporation tax rate will be reduced from 28% to 27% from 1 April 2011, and by a further 1% per annum thereafter until 1 April 2014 when the corporate tax rate will be 24%.

The proposed rate reductions will reduce the amount of future cash tax payments to be made by the Group. Overall the reduction in the corporation tax rate from 28% to 24% is expected to reduce the Group's net deferred tax asset in the future by approximately £1.0m.

The Budget also proposed that from 1 April 2012, the rate of capital allowances applicable to plant and machinery expenditure will be reduced from 20% to 18% on a reducing balancing basis. The rate of capital allowances applicable to long-term assets will be reduced from 10% to 8% on a reducing balancing basis.

These changes to capital allowance rates will reduce the rate that tax relief is given to qualifying capital expenditure, which will advance cash tax payments. This will be offset by the proposed reductions to the rate of corporation tax.

7 RESULTS ATTRIBUTABLE TO THE PARENT COMPANY

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement. The profit for the financial year for the Company was £54.2m (2009: loss of £28.0m) and included a dividend received of £77.5m from a subsidiary undertaking.

8 DIVIDENDS

	2010	2009
	£m	*£m*
Dividends paid to equity holders		
Final for 2009 paid on 5 May 2010 — 1.35p per share	5.3	—
Interim for 2010 paid on 10 September 2010 — 0.74p per share	2.9	—
Refund of unclaimed dividends	(0.1)	—
Total	8.1	—

A final dividend in respect of the year ended 31 December 2010 of 1.66p per share, amounting to a dividend of £6.5m, is to be proposed at the annual general meeting on 14 April 2011. These financial statements do not reflect this dividend.

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit 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 (see note 22).

	2010			2009		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Profit attributable to equity shareholders						
Continuing operations	£38.2m	£10.7m	£48.9m	£34.9m	£3.0m	£37.9m
Discontinued operations	—	£4.3m	£4.3m	—	£0.6m	£0.6m
Total	£38.2m	£15.0m	£53.2m	£34.9m	£3.6m	£38.5m
Weighted average number of ordinary shares in issue	389.5m	389.5m	389.5m	389.5m	389.5m	389.5m
Basic earnings per share						
Continuing operations	9.8p	2.8p	12.6p	9.0p	0.7p	9.7p
Discontinued operations	—	1.1p	1.1p	—	0.2p	0.2p
Total	9.8p	3.9p	13.7p	9.0p	0.9p	9.9p

(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. The only category of dilutive potential ordinary shares are share options. 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.

There is no difference in the profit used to determine diluted earnings per share from that used to determine basic earnings per share. The potential dilutive impact of share options on the weighted average number of ordinary shares in issue and diluted earnings per share is shown below.

	2010			2009		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Weighted average number of ordinary shares in issue	389.5m	389.5m	389.5m	389.5m	389.5m	389.5m
Dilutive potential ordinary shares	2.1m	2.1m	2.1m	—	—	—
Total	391.6m	391.6m	391.6m	389.5m	389.5m	389.5m
Diluted earnings per share						
Continuing operations	9.8p	2.7p	12.5p	9.0p	0.7p	9.7p
Discontinued operations	—	1.1p	1.1p	—	0.2p	0.2p
Total	9.8p	3.8p	13.6p	9.0p	0.9p	9.9p

(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, 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:

	2010	**2009**
	£m	*£m*
Profit attributable to equity shareholders	53.2	38.5
Adjust for:		
Discontinued operations (net of taxation)	(4.3)	(0.6)
Exceptional items after tax on continuing operations	(10.7)	(3.0)
Other financial losses (gains)	0.5	(1.2)
Amortisation of the equity component of the convertible bond	—	0.3
Unwinding of the discount in disposal provisions	0.2	0.2
Taxation on adjusted items and impact of reduction in the tax rate to 27.0%	1.0	0.3
Adjusted net earnings attributable to equity shareholders	39.9	34.5
Adjusted earnings per share (p) — basic	10.2p	8.9p
Adjusted earnings per share (p) — diluted	10.2p	8.9p

10 INTANGIBLE ASSETS

Group	Note	Rank Interactive goodwill £m	Casino and other gaming licences and concessions £m	Other £m	Total £m
Cost					
At 1 January 2009		53.8	127.9	32.8	214.5
Exchange adjustments		—	(3.7)	(0.1)	(3.8)
Acquisition of business	24	—	0.1	—	0.1
Additions		—	0.1	3.5	3.6
At 31 December 2009		53.8	124.4	36.2	214.4
Exchange adjustments		—	(1.7)	—	(1.7)
Disposal of business	24	(0.4)	—	(1.0)	(1.4)
Disposals		—	—	(2.6)	(2.6)
Additions		—	—	6.8	6.8
At 31 December 2010		53.4	122.7	39.4	215.5
Aggregate amortisation and impairment					
At 1 January 2009		—	7.9	23.4	31.3
Exchange adjustments		—	(0.6)	—	(0.6)
Charge for the year		—	—	4.2	4.2
Impairment charge	12	—	1.5	—	1.5
At 31 December 2009		—	8.8	27.6	36.4
Exchange adjustments		—	(0.3)	—	(0.3)
Disposal of business	24	—	—	(0.4)	(0.4)
Charge for the year		—	—	3.8	3.8
Disposals		—	—	(2.6)	(2.6)
Impairment charges	12	—	11.2	—	11.2
At 31 December 2010		—	19.7	28.4	48.1
Net book value at 31 December 2009		53.8	115.6	8.6	178.0
Net book value at 31 December 2010		53.4	103.0	11.0	167.4

Other intangible assets comprise other licences, computer software and development technology and customer lists. These include internally generated computer software and development technology with a net book value of £2.2m (2009: £1.3m).

Indefinite life intangible assets have been reviewed for impairment as set out in note 12.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Total £m
Cost				
At 1 January 2009		142.7	322.1	464.8
Exchange adjustments		(1.0)	(4.1)	(5.1)
Acquisition of business	24	—	0.7	0.7
Reclassification[1]		(9.7)	9.7	—
Additions		2.3	29.8	32.1
Disposals		(0.2)	(1.1)	(1.3)
At 31 December 2009		134.1	357.1	491.2
Exchange adjustments		(0.4)	(1.9)	(2.3)
Additions		2.5	39.5	42.0
Disposals		(0.4)	(2.0)	(2.4)
At 31 December 2010		135.8	392.7	528.5
Accumulated depreciation				
At 1 January 2009		68.5	216.7	285.2
Exchange adjustments		(0.1)	(2.2)	(2.3)
Charge for the year		3.1	18.6	21.7
Reclassification[1]		(0.9)	0.9	—
Disposals		—	(0.9)	(0.9)
At 31 December 2009		70.6	233.1	303.7
Exchange adjustments		—	(1.1)	(1.1)
Charge for the year		3.0	23.5	26.5
Impairment charge		1.5	—	1.5
Impairment reversals		(2.0)	(1.2)	(3.2)
Disposals		(0.2)	(1.7)	(1.9)
At 31 December 2010		72.9	252.6	325.5
Net book value at 31 December 2009		63.5	124.0	187.5
Net book value at 31 December 2010		62.9	140.1	203.0

(1) A review of property, plant and equipment during 2009 resulted in a reallocation of £9.7m of assets at cost, together with associated accumulated depreciation of £0.9m, from land and buildings to fixtures, fittings, plant and machinery.

Finance leases

The net book value of property, plant and equipment held under finance leases was:

	2010	2009
	£m	*£m*
Land and buildings	7.1	7.8
Fixtures, fittings, plant and machinery	1.2	—
Net book value at 31 December	8.3	7.8

There were £1.4m (2009: £nil) of additions under finance leases during the year.

Borrowing costs

There were no qualifying assets in either period and therefore no borrowing costs have been capitalised in either year.

Assets under construction

There were no material assets under construction at either reporting date.

12 IMPAIRMENT REVIEW

The pre-tax discount rate applied to all cash flow projections is 11.0% (2009: 12.2%). The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital. Management believes that the discount rate is appropriate for each cash-generating unit (CGU) as they operate in gaming markets with similar risks as set out below.

(a) Impairment review of intangible assets with indefinite lives

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. In accordance with IAS 36, goodwill is reviewed annually for impairment. In addition, the Group classifies casino licences (with the exception of its concessions in Belgium) and Spanish bingo licences as intangible assets with an indefinite life.

(i) Goodwill

At 31 December 2010, the Group has goodwill with a carrying value of £53.4m (2009: £53.8m) arising from the acquisition of Rank Interactive.

For impairment testing, the whole of Rank Interactive is treated as a single CGU. The recoverable amount has been determined based on a value in use calculation using cash flow projections from the Group's budget for 2011, the Group's strategic plan for the following two years and a growth rate of 2.0% (2009: 2.0%) thereafter. Both the Group's budget and strategic plan have been approved by the board of directors.

The key assumptions in the calculation of value in use are settled stakes, gaming win margins and the discount rate. Settled stakes represent monies placed by customers for betting and interactive games and are estimated taking into account the product mix, major sporting events and industry developments. Gaming win margins are based on values achieved in the past and amended for any anticipated changes in the budget period. The calculation also assumes that revenue from UK domiciled customers is not subject to UK duty or VAT.

As a result of the impairment testing, the directors do not believe that the carrying value of the goodwill was impaired as the value in use significantly exceeded the carrying value of goodwill. However, there are possible changes which could adversely impact the key assumptions and cause the carrying value of the goodwill to exceed its recoverable amount. These include:

Possible change	**Key assumption impacted**
Increased or improved competition	Settled stakes, Gaming win margin
Poor or decreased marketing	Settled stakes
Failure to respond to technological advances	Settled stakes
Deterioration in economic environment	Settled stakes
Changes in regulation	Settled stakes, Gaming win margin
Changes in taxation	Gaming duty
Prolonged period of adverse sporting results	Gaming win margin

Changes in settled stakes and gaming win margin impact gaming win and consequently the cash flow projections used to determine the recoverable amount. Any change resulting in a decrease in excess of 56% (2009: 45%) in projected gaming win would cause the recoverable amount to equal the carrying value of the CGU.

(ii) Casino licences and concessions

The carrying value of indefinite life casino licences and concessions as at 31 December 2010 was £76.0m (2009: £94.3m).

The inherent value of casino licences and concessions is deemed to be an intrinsic part of the value of the operation of casinos as a whole and is therefore not split out from each Grosvenor casino in an impairment review. Each Grosvenor casino has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Grosvenor casino, including the licence or concession, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections from the Group's budget for 2011, the Group's strategic plan for the following two years and a growth rate of 2.0% (2009: 2.0%) thereafter. Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions or, where applicable, offers received.

Any impairment is allocated equally across all assets in a CGU unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets. Casino licences are generally not impaired as they have an indefinite life and a fair market value in excess of their carrying value.

The key assumptions in the calculation of value in use are customer visits, spend per visit, casino duty, competition and the discount rate. Customer visits are the number of discrete visits by members to the casino and have been based on recent trends. Spend per visit comprises the average amount of money (net of winnings) spent per visit on gaming tables, machines and food and beverages. This has also been determined by recent trends. Casino duty is levied in bands of between 15% and 50% depending upon the level of gaming win at each casino. The bands and rates have been assumed to remain at current levels without indexation, details of which are provided on page 41.

As a result of the impairment review, the directors do not believe the carrying value of the UK casino licences to be impaired. However, there are possible changes in key assumptions that could cause the carrying value of individual licences to exceed their recoverable amount. These are:

Possible change	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits, Spend per visit
Deterioration in economic conditions	Customer visits, Spend per visit
Changes in regulation	Customer visits, Spend per visit
Changes in taxation	Casino duty

With the exception of a prolonged non-operation of a UK casino licence arising from one or more of the possible changes outlined above, the directors do not believe that there are any reasonably possible changes to the key assumptions that would result in a material impairment of a UK casino licence.

In respect of the two casino concessions in Belgium, the Group has previously treated the concessions as intangible assets with indefinite lives. However, following a re-evaluation of the anticipated process for concession renewal in Belgium, expected useful lives and the associated cash flows the directors no longer consider this appropriate. This has resulted in an impairment charge of £11.2m. The residual carrying value will be amortised over the expected remaining useful life of nine years.

(iii) Spanish bingo licences

The carrying value of Spanish bingo licences as at 31 December 2010 was £20.5m (2009: £21.3m).

The inherent value of each Spanish bingo licence is deemed to be an intrinsic part of the value of a club as a whole and is not therefore split out from the assets of each individual bingo club in an impairment review. Each individual bingo club has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Spanish bingo club, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections from the Group's budget for 2011, the Group's strategic plan for the following two years and a growth rate of 3.0% (2009: 3.0%) thereafter which reflects the long-term opportunity in Spain, local market conditions and the expected recovery from the short-term impacts of the full smoking ban implemented on 2 January 2011. Both the Group's budget and strategic plan have been approved by the board of directors and take into account the implementation of a full smoking ban in Spain from 2 January 2011.

Any impairment is allocated equally across all assets in a CGU unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets. Bingo licences are generally not impaired as they have an indefinite life and a fair market value in excess of their carrying value.

The key assumptions in the calculation of value in use are customer visits, spend per visit, bingo duty, and the discount rate. Customer visits are the number of discrete visits to the bingo club and have been based on recent trends. Spend per visit comprises the average amount of money (net of winnings) spent by a member on bingo games, machines and food and beverages. This has been determined by recent trends.

As a result of the impairment review, the directors do not believe the carrying value of the bingo licences to be impaired. However, there are possible changes in the key assumptions that could cause further impairments. These are:

Possible change	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits, Spend per visit
Deterioration in economic conditions	Customer visits, Spend per visit
Changes in regulation	Customer visits, Spend per visit
Changes in taxation	Bingo duty

As outlined above, each Spanish bingo licence has been tested for impairment as part of the club as a whole. Accordingly, the sensitivity of each licence to future impairments, arising from changes in the key assumptions, varies at each club. The fall in gaming win required for the recoverable amount to equal the carrying value of the club, ranges between nil and in excess of 100%.

(b) Impairment review of property, plant and equipment

Property, plant and equipment and intangible assets are grouped into CGUs which are defined as individual clubs for Mecca Bingo, Top Rank España and Grosvenor Casinos and the whole operation for Rank Interactive.

The key assumptions and sensitivities in the impairment reviews for Rank Interactive, Casinos and Bingo are the same as outlined above for intangible assets.

The recoverable amount of each CGU, including the licence if applicable, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections from the Group's budget for 2011, the Group's strategic plan for the following two years and a growth rate of 2.0% (2009: 2.0%) thereafter (except for Top Rank España where a growth rate of 3.0% (2009: 3.0%) has been used. Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by an experienced surveyor supported by external estate agent advice or, where applicable, offers received.

Any impairment is allocated equally across all assets in a CGU unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets.

(c) Impairment recognised during the year

Impairments of intangible assets and property, plant and equipment are recognised as an exceptional item in operating costs in the income statement. The impairments recognised during the year were as follows:

2010

Mecca Bingo

The Group recognised an impairment charge of £1.5m against one vacant Mecca Bingo freehold property following an external market valuation of the Group's freehold properties.

The Group also reversed previous impairment charges of £3.2m in relation to seven Mecca Bingo clubs primarily where performance has seen a sustained improvement from the adverse impact of the smoking bans in the UK and the loss of section 21 gaming terminals in 2007.

Grosvenor Casinos

The Group recognised an impairment charge of £11.2m against the carrying value of its two casino concessions in Belgium. The impairment charge has been recognised due to a reduction in the expected useful life of the concessions following a change in the anticipated process for concession renewal in Belgium. The residual carrying value will be amortised over the remaining expected useful life of nine years.

2009

Grosvenor Casinos

An impairment charge of £1.5m was recognised in 2009 in relation to a non-operating casino licence at Liverpool. The licence had been subject to a prolonged period of inactivity, and although the Group continued to investigate uses for the licence, the directors believed it was appropriate to recognise an impairment of £1.5m against the carrying value of £2.0m. During 2010, the Group opened an electronic casino in Liverpool using the licence and the directors consider the impaired carrying value of the licence of £0.5m remains appropriate.

13 INVESTMENTS IN SUBSIDIARIES

Company	**2010**	**2009**
	£m	*£m*
Cost		
At 1 January	1,515.6	1,515.6
Additions	1.3	—
At 31 December	1,516.9	1,515.6
Provision for impairment		
At 1 January and 31 December	489.3	489.3
Net book amount at 31 December	1,027.6	1,026.3

The additions in the year relate to the fair value of services recognised by subsidiary undertakings arising from share options granted by the Company.

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 33.

14 INVENTORIES

	Group	
	2010	**2009**
	£m	*£m*
Raw materials	0.3	0.3
Finished goods	3.1	3.4
Total	3.4	3.7

There were no write downs of inventory in either year.

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Current				
Trade receivables	2.5	2.1	—	—
Less: provisions for impairment of trade receivables	(0.3)	(0.1)	—	—
Trade receivables — net	2.2	2.0	—	—
Prepayments	18.5	17.9	—	—
Other receivables	6.3	6.1	—	—
Amounts owed by subsidiary undertakings repayable on demand	—	—	43.6	43.6
Trade and other receivables — current	27.0	26.0	43.6	43.6
Non-current				
Other receivables	2.1	2.1	—	—
Trade and other receivables — non-current	2.1	2.1	—	—

Group

The carrying values of trade receivables are assumed to approximate to their fair values due to the short-term nature of trade receivables.

As at 31 December 2010, trade receivables of £0.3m (2009: £0.1m) were impaired. The amount of the provision was £0.3m (2009: £0.1m). The ageing of these receivables is as follows:

	2010	2009
	£m	£m
Up to 3 months	—	—
3 to 6 months	0.3	—
Over 6 months	—	0.1
	0.3	0.1

As at 31 December 2010, trade receivables of £0.7m (2009: £0.4m) were past due but not impaired. The ageing of these trade receivables is as follows:

	2010	2009
	£m	£m
Up to 3 months	0.3	0.2
3 to 6 months	0.3	0.2
Over 6 months	0.1	—
	0.7	0.4

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2010	2009
	£m	£m
UK Sterling	2.1	1.9
Euro	0.1	0.1
	2.2	2.0

The movements on the Group's provision for impairment of trade receivables are as follows:

	2010	2009
	£m	£m
At 1 January	(0.1)	(1.0)
Amounts released	0.1	0.1
Provisions created	(0.3)	—
Receivables written off during the year as uncollectible	—	0.8
At 31 December	(0.3)	(0.1)

The creation and release of provisions for impaired receivables have been included in other operating costs in the income statement. Amounts charged to the provision for impairment are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Company

The carrying value of amounts due from subsidiary undertakings are assumed to equate to their fair value as all amounts are repayable on demand. The amounts are denominated in UK Sterling and relate to subsidiary undertakings for which there is no history of default.

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Current				
Trade payables	18.1	16.9	—	—
Social security and other taxation	23.0	26.9	—	—
Other payables	56.9	62.1	1.9	2.0
Amounts owed to subsidiary undertakings repayable on demand	—	—	705.2	750.7
Trade and other payables — current	98.0	105.9	707.1	752.7
Non-current				
Other payables	0.2	0.3	—	—
Trade and other payables — non-current	0.2	0.3	—	—

17 INCOME TAX

	Group	
	2010	**2009**
	£m	*£m*
Income tax receivable	0.2	0.4
Income tax payable — Continuing operations	(34.1)	(12.4)
Income tax payable — Discontinued operations	(30.0)	(32.4)
Income tax payable	(64.1)	(44.8)
Net income tax payable	(63.9)	(44.4)

Income tax payable has been analysed between current and non-current as follows:

Current	(28.5)	(26.3)
Non-current	(35.6)	(18.5)
Total	(64.1)	(44.8)

Income tax payable on discontinued operations relates to potential tax liabilities that are attributable to disposed entities with historic tax audits. The liability represents management's current estimate of the payments that will be required to settle the various issues.

Income tax payable included within non-current liabilities relates to ongoing tax issues in continuing operations that may be challenged by the relevant tax authority and ongoing tax exposure in discontinued operations in overseas jurisdictions.

18 FINANCIAL ASSETS AND LIABILITIES

(a) Interest bearing loans and borrowings

		Group	
		2010	2009
	Maturity	£m	£m
Current interest-bearing loans and borrowings			
Bank overdraft	On demand	6.5	7.3
Obligations under finance leases and hire purchase contracts	Various	1.2	0.7
Other current loans			
Accrued interest	January 2011	0.7	0.6
Unamortised facility fees	March 2011	(0.3)	(0.8)
Total current interest-bearing loans and borrowings		8.1	7.8
Non-current interest-bearing loans and borrowings			
7.125% Yankee bonds	2018	9.1	8.9
Syndicated loan facility	2012	168.6	222.0
Obligations under finance leases and hire purchase contracts	Various	12.0	12.0
Other non-current loans			
Unamortised facility fees	2018	(0.3)	(0.6)
Total non-current interest-bearing loans and borrowings		189.4	242.3
Total interest-bearing loans and borrowings		197.5	250.1
Sterling		119.8	169.2
Euros		68.6	72.0
US Dollars		9.1	8.9
Total interest-bearing loans and borrowings		197.5	250.1

Bank overdrafts

Bank overdrafts are for short-term funding and are repayable on demand.

Syndicated loan facility

The five year facility was signed on 18 April 2007 and currently consists of a £100.0m term loan and a £200.0m multi-currency revolving credit facility. Interest is payable on a monthly or quarterly basis depending on the loan drawn. The facility carries a floating rate of interest which is LIBOR dependant.

On 3 May 2010, the Group voluntarily reduced its multi-currency revolving credit facility by £50.0m to £200.0m and on 20 October 2010 the Group voluntarily repaid £50.0m of its term loan, reducing it to £100.0m.

Yankee bonds

Interest on the Yankee bonds is payable half yearly in January and July at a rate of 7.125%.

Covenant compliance

The Group complied with all its covenants during the period.

Company

The Company did not hold any interest bearing loans or borrowings at 31 December 2010 (2009: £nil).

(b) Hedging activities

The Group uses foreign currency denominated borrowings to manage some of its translation exposure in relation to net investments in foreign operations.

Included in loans at 31 December 2010, was a borrowing of €80.0m (2009: €81.0m), which has been designated as a hedge of the net investment in the subsidiaries in Europe and is being used to hedge the Group's exposure to foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on the translation of the net investments in the subsidiaries. There was no ineffectiveness in either year.

(c) Fair values

The table below is a comparison by class of the carrying amounts and fair value of the Group and Company's financial instruments at 31 December.

	Carrying amount		Fair value	
Group	**2010**	**2009**	**2010**	**2009**
	£m	*£m*	*£m*	*£m*
Financial assets:				
Loans and receivables				
Trade and other receivables	2.5	2.1	2.5	2.1
Cash and short-term deposits	74.0	64.1	74.0	64.1
Total	76.5	66.2	76.5	66.2
Financial liabilities:				
Other financial liabilities				
Interest-bearing loans and borrowings				
Obligations under finance leases and hire purchase contracts	13.2	12.7	13.2	12.7
Floating rate borrowings	168.5	222.0	168.5	222.0
Fixed rate borrowings	9.1	8.9	10.3	8.7
Other	0.1	(0.8)	0.1	(0.8)
Trade and other payables	75.0	79.0	75.0	79.0
Bank overdrafts	6.5	7.3	6.5	7.3
Onerous property leases	41.9	31.2	41.9	31.2
Lease disposal settlements	2.2	3.0	2.2	3.0
Total	316.5	363.3	317.7	363.1

Company	Carrying amount 2010 £m	Carrying amount 2009 £m	Fair value 2010 £m	Fair value 2009 £m
Financial assets:				
Loans and receivables				
Trade and other receivables	43.6	43.6	43.6	43.6
Total	43.6	43.6	43.6	43.6
Financial liabilities:				
Other financial liabilities				
Trade and other payables	707.1	752.7	707.1	752.7
Financial guarantee contracts	0.1	1.4	0.1	1.4
Total	707.2	754.1	707.2	754.1

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

— Cash and short-term deposits, trade receivables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

— The fair value of quoted bonds is based on price quotations at the reporting date.

— The fair value of loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated at amortised cost using the effective interest rate method.

Fair value hierarchy

As at 31 December 2010, the fair value of the $14.3m 7.125% Yankee bonds (2009: $14.3m) is a Level 1 financial instrument and has been throughout the whole of the financial year. Level 1 financial instruments are those valued based on quoted (unadjusted) prices in active markets for identical assets or liabilities.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group, where appropriate, uses financial instruments to hedge certain risk exposures.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by the finance committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The finance committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and the financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite.

The board of directors review and agree policies for managing each of these risks which are summarised below.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the position at 31 December.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating rates of the debt and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group hedges its exposure to fluctuations on the translation of its euro denominated foreign operations by holding euro borrowings. Group policy is to hedge 90% of material, identified exposures.

Foreign currency sensitivity

The following table demonstrates the sensitivity of a possible change in the US dollar, with all other variables held constant, to the Group's profit before tax and the Group's equity. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in US$ rate	Effect on profit before tax *£m*	Effect on equity *£m*
2010	+3.0%	(0.3)	—
	–3.0%	0.3	—
2009	+3.0%	(0.3)	—
	–3.0%	0.3	—

The Group's exposure to un-hedged euro foreign currency changes is not material.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Historically the Group had managed its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Due to the current economic climate the Group has exercised its right to operate outside the Group policy of maintaining between 40% and 60% of its borrowings at fixed rates of interest. At 31 December 2010, 11% of the Group's borrowings were at a fixed rate of interest (2009: 9%).

Interest rate sensitivity

The table below demonstrates the sensitivity to a possible change in interest rates on income and equity for the year when this movement is applied to the carrying value of loans, borrowings and short-term deposits.

	Increase/ decrease in basis points	Effect on profit before tax *£m*
2010		
Sterling	+100	(0.9)
Euro	+100	(0.7)
Sterling	–100	0.9
Euro	–100	0.7
2009		
Sterling	+100	(1.5)
Euro	+100	(0.7)
Sterling	–100	1.5
Euro	–100	0.7

The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

As the Group has no significant interest-bearing assets (excluding cash and short-term deposits), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's only interest-bearing assets are cash and short-term deposits (excluding cash floats), which earn floating rate interest.

The Group did not enter into any fixed-to-floating or floating-to-fixed interest rate swaps in either year.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the finance director, and may be updated throughout the year subject to the approval of the Group's finance committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The creditworthiness of each counterparty is checked against independent credit ratings on at least a weekly basis, with a minimum rating of 'A' required. The Group predominately uses 'AAA' rated Money Market funds when investing its surplus cash. In addition to investing the Group's cash with Money Market funds, the Group invests with lending banks when appropriate.

Sales to retail customers are settled in cash or using major credit cards and therefore the exposure to credit risk is not considered significant.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance of its counterparties.

Analysis of cash and short-term deposits by counterparty credit rating:

	2010	2009
	£m	£m
AAA	40.3	20.4
AA	—	14.0
A	—	1.2
BBB	5.1	—
Other	1.5	1.7
Cash floats	27.1	26.8
Cash and short-term deposits	74.0	64.1

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying the liquidity requirements of the Group are produced quarterly. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly. Forecast financial headroom and debt covenant compliance is reviewed monthly during the month-end process to ensure sufficient financial headroom exists for at least a 12 month period.

Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A four-year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages the Group's financing requirements and the range of maturities on its debt.

The Group's core debt facility is a £300.0m (2009: £400.0m) syndicated bank facility which expires in April 2012. The Group considers the counterparties to this facility to be of high quality and proactively manages its relationships with its lending group.

The funding policy of the Group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand	Less than 12 months	1 to 2 years	2 to 5 years	>5 years	Total
	£m	£m	£m	£m	£m	£m
At 31 December 2010						
Interest bearing loans and borrowings[1]	6.5	4.5	171.7	4.8	18.5	206.0
Trade and other payables	—	75.0	—	—	—	75.0
Onerous lease payments	—	3.6	3.8	9.5	49.9	66.8
Lease disposal settlements	—	0.7	0.7	1.0	—	2.4
Total	6.5	83.8	176.2	15.3	68.4	350.2
At 31 December 2009						
Interest bearing loans and borrowings	7.3	1.6	1.7	227.4	24.0	262.0
Trade and other payables	—	79.0	—	—	—	79.0
Onerous lease payments	—	3.2	2.4	6.9	38.9	51.4
Lease disposal settlements	—	0.9	0.8	1.5	—	3.2
Total	7.3	84.7	4.9	235.8	62.9	395.6

(1) Interest payments on the Yankee bonds and the syndicated facility have been projected until the instruments mature and are based on current LIBOR rates.

Capital management

As a result of the difficult conditions that developed in the global capital markets in recent years, the Group's objectives when managing capital have been to ensure continuing access to existing debt facilities and to manage the borrowing cost of those facilities in order to minimise the Group's interest charge. The Group's leverage in 2010 was lower than its revised medium-term strategy, which was to maintain a leverage ratio of approximately 2.5 times. However, given the recent global financial crisis we have maintained sufficient liquidity that, should we have to repay the VAT claims received, we would operate at our leverage target.

Consistent with others in the gaming industry, the Group monitors capital on the basis of leverage ratio. The ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'loans and borrowings' as shown in the consolidated balance sheet) less cash and short-term deposits, accrued interest and unamortised facility fees. EBITDA is calculated as operating profit before exceptional items plus depreciation and amortisation.

The leverage ratios at 31 December were as follows:

	2010	**2009**
	£m	*£m*
Total loans and borrowings *(note 18)*	197.5	250.1
Less: Cash and short-term deposits	(74.0)	(64.1)
Less: Accrued interest	(0.7)	(0.6)
Less: Unamortised facility fees	0.6	1.4
Net debt	123.4	186.8
Continuing operations		
Operating profit before exceptionals	62.0	58.0
Add: Depreciation and amortisation	30.3	25.9
EBITDA	92.3	83.9
Leverage ratio	1.3	2.2

Taking into consideration both the Group's capital investment requirements and the stability of the wider economic environment the Group considers its progressive dividend policy to be appropriate. The board sets dividends such that the Group achieves a dividend cover of at least 3 times over the medium-term.

Collateral

The Group did not pledge or hold any collateral at 31 December 2010 (2009: £nil).

Company

The Company is exposed to credit risk on amounts owed by related undertakings. The performance of all subsidiary undertakings of the Group are monitored at Group level, including frequent projections of future performance to ensure funding to related undertakings provide a suitable return and remain recoverable. Where losses are forecast actions are taken to mitigate the loss and maximise the recoverability of receivables.

The maximum exposure to credit risk at the reporting date is the fair value of its receivables of £43.6m (2009: £43.6m).

The Company does not have any other significant exposure to financial risks.

20 DEFERRED TAX

The analysis of deferred tax included in the financial statements at the end of the year is as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	£m	£m	£m	£m
Deferred tax assets:				
Accelerated capital allowances	31.0	34.6	—	—
Tax losses carried forward	10.9	10.1	—	—
Other UK temporary differences	—	—	0.4	—
Deferred tax assets	41.9	44.7	0.4	—
Deferred tax liabilities:				
Other overseas temporary differences	(6.2)	(6.3)	—	—
Business combinations — non-qualifying properties	(1.7)	(1.8)	—	—
Other UK temporary differences	(18.0)	(19.4)	—	—
Deferred tax liabilities	(25.9)	(27.5)	—	—
Net deferred tax asset	16.0	17.2	0.4	—

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities of £19.8m (2009: £21.2m) have been offset and disclosed on the balance sheet as follows:

	Group	
	2010	**2009**
	£m	*£m*
Deferred tax assets	22.1	23.5
Deferred tax liabilities	(6.1)	(6.3)
Net deferred tax asset	16.0	17.2

The deferred tax assets recognised are recoverable against future taxable profits that the directors consider more likely than not to occur on the basis of management forecasts.

The Group has overseas tax losses of £32.1m (2009: £33.3m) that are carried forward for offset against suitable future taxable profits. No deferred tax asset has been recognised in respect of these losses as their utilisation is not currently anticipated. The expiry of these losses are as follows:

	Group	
	2010	**2009**
	£m	*£m*
Expiring in 2017	31.6	32.6
No expiry date	0.5	0.7
Total	32.1	33.3

The Group has UK capital losses carried forward of £800m. These losses are available for offset against future UK chargeable gains. No deferred tax asset has been recognised in respect of these capital losses as no further utilisation is currently anticipated.

Temporary differences associated with Group investments

There was no deferred tax liability recognised (2009: £nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries. The Group has determined that any unremitted earnings that do not fall within the dividend exemption introduced in the Finance Act 2009 will not be distributed in the foreseeable future and the parent company does not foresee giving such consent at the balance sheet date.

The deferred tax included in the Group income statement is as follows:

	Group	
	2010	**2009**
	£m	*£m*
Deferred tax in the income statement		
Accelerated capital allowances	(3.7)	(6.8)
Deferred tax movement on fair valued assets	0.1	0.2
Tax losses	1.3	(3.6)
Other temporary differences	1.4	(7.8)
Total deferred tax charge	(0.9)	(18.0)
Continuing operations	(1.4)	(16.6)
Discontinued operations	0.5	(1.4)
Total deferred tax charge	(0.9)	(18.0)

The deferred tax movement on the balance sheet is as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	£m	*£m*	*£m*	*£m*
Net deferred tax asset at 1 January	17.2	36.4	—	—
Exchange adjustments	0.2	0.6	—	—
Deferred tax (charge) credit	(0.9)	(18.0)	0.4	—
Deferred tax charge on items included in equity	(0.5)	(1.8)	—	—
Net deferred tax asset at 31 December	16.0	17.2	0.4	—

21 PROVISIONS

Group	Onerous leases	Disposal provisions	Total
	£m	£m	£m
At 1 January 2010	31.2	12.4	43.6
Exchange adjustments	—	0.2	0.2
Unwinding of discount	1.2	0.2	1.4
Impact of change in discount rate charged to the income statement — exceptional	1.9	—	1.9
Charged to the income statement — exceptional	15.9	—	15.9
Released to the income statement — exceptional	(4.3)	—	(4.3)
Released to the income statement — operating	(0.4)	—	(0.4)
Utilised in year	(3.6)	(2.1)	(5.7)
At 31 December 2010	41.9	10.7	52.6
Current	3.4	3.4	6.8
Non-current	38.5	7.3	45.8
Total	41.9	10.7	52.6

Provisions have been based on management's best estimate of the future cash flows, taking into account the risks associated with each obligation, and have been discounted at a risk free interest rate of between 3.5% and 4.3% (2009: 4.1%) where the effects of inflation will have a material impact.

Onerous leases

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. These leases have a weighted average unexpired life of 26 years.

During 2010, the Group reassessed its estimate of the liability arising under certain onerous lease contracts taking account of changes in the expected benefits to be derived and costs incurred in relation to the contracts. The changes in estimates affected expected sub-let income, dilapidation estimates and lease surrender opportunities. The impact of these changes has been to increase the provision for onerous leases by £11.9m.

Disposal provisions

Provision has been made for legacy industrial disease and personal injury claims, deferred payments arising from the settlement of property lease obligations and other directly attributable costs arising as a consequence of the sale or closure of the businesses. The timing of any legacy industrial disease and personal injury claims are uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates. The disposal provisions held at 31 December comprise the following:

	2010	2009
	£m	*£m*
Deferred payments arising on lease settlement and related costs	2.2	3.0
Legacy industrial disease and personal injury claims	5.7	5.1
Other	2.8	4.3
Total disposal provisions	10.7	12.4

22 SHARE CAPITAL

	2010 Authorised		2009 Authorised	
	Number	Nominal value	Number	Nominal value
	m	*£m*	*m*	*£m*
Ordinary shares of $13^{8}/_{9}$p each	1,296.0	180.0	1,296.0	180.0

	2010 Issued and fully paid		2009 Issued and fully paid	
	Number	Nominal value	Number	Nominal value
	m	*£m*	*m*	*£m*
At 1 January and 31 December —				
Ordinary shares of $13^{8}/_{9}$p each	390.5	54.2	390.5	54.2

There were no movements in authorised or issued ordinary shares in either year.

1,059,826 (2009: 1,059,826) ordinary shares in the Company are held by the Rank Group Employee Benefit Trust ('the Trust'). The amount paid to acquire the shares has been deducted from retained earnings within shareholders' equity.

Dividends on the shares held by the Trust have been waived by the trustees with the exception of one penny in respect of each dividend that is paid by the Company. The Trust may make such investments in the shares of the Company or otherwise as the trustees may determine to provide benefits to any eligible employee. The benefits may be provided in the form of shares, cash or otherwise, although any share-related benefit will be provided in accordance with an appropriate employee share scheme or bonus scheme of the Company. The shares held by the Trust represent less than 0.3% (2009: 0.3%) of the Company's called-up share capital. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2010 was £1.3m (2009: £0.9m).

23 CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit (loss) to cash generated from operations:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	£m	*£m*	*£m*	*£m*
Continuing operations				
Operating profit (loss)	75.4	60.8	0.3	(0.2)
Exceptional items	(13.4)	(2.8)	—	—
Operating profit (loss) before exceptional items	62.0	58.0	0.3	(0.2)
Depreciation and amortisation	30.3	25.9	—	—
Decrease in inventories	0.2	—	—	—
Increase in trade and other receivables	(1.1)	—	—	—
Increase in trade and other payables	0.3	2.5	—	0.1
Share-based payments and other	1.4	0.9	(0.3)	0.2
	93.1	87.3	—	0.1
Cash utilisation of provisions	(5.7)	(11.7)	—	—
Cash payments in respect of exceptional items	(6.3)	(5.9)	—	—
Cash receipts in respect of exceptional items	38.4	—	—	—
Cash generated from operations	119.5	69.7	—	0.1

24 ACQUISITION AND DISPOSAL OF BUSINESSES

Acquisition

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

The fair value of the identifiable assets and liabilities at the date of acquisition and a reconciliation to the cash outflow on acquisition of businesses, were as follows:

	2010	**2009**
	£m	*£m*
Assets		
Intangible assets	—	0.1
Property, plant and equipment	—	0.7
Cash and short-term deposits	—	0.1
	—	0.9
Liabilities		
Trade and other payables	—	(0.2)
Net assets acquired	—	0.7
Goodwill arising on acquisition	—	—
Purchase consideration	—	0.7
Less: deferred consideration	—	(0.4)
Less: cash and short-term deposits acquired	—	(0.1)
Cash outflow in relation to current year acquisition	—	0.2
Add: deferred consideration paid in respect of prior year acquisitions	0.1	0.1
Cash outflow on acquisition of businesses	0.1	0.3

Disposals

On 16 August 2010, the Group disposed of its rails (racecourse pitches) business in Rank Interactive for a total sales consideration, net of costs, of £0.9m. The carrying value of the business comprised intangible assets of £1.0m and therefore resulted in a loss on disposal of £0.1m.

25 CASH AND SHORT-TERM DEPOSITS

	Group	
	2010	**2009**
	£m	*£m*
Cash at bank and on hand	42.3	42.1
Short-term deposits	31.7	22.0
Total cash and short-term deposits	74.0	64.1

The analysis of cash and short-term deposits by currency is as follows:

	Group	
	2010	**2009**
	£m	*£m*
Sterling	64.1	55.9
Euro	8.9	7.5
Other currencies	1.0	0.7
Total cash and short-term deposits	74.0	64.1

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 31 December 2010, the Group has available £131.5m (2009: £178.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

For the purpose of the statements of cash flow, cash and cash equivalents comprise the following at 31 December:

	Group	
	2010	**2009**
	£m	*£m*
Cash and short-term deposits	74.0	64.1
Bank overdrafts	(6.5)	(7.3)
Cash and cash equivalents	67.5	56.8

Company

The Company did not hold any cash or short-term deposits at 31 December 2010 (2009: £nil).

26 EMPLOYEES AND DIRECTORS

(a) Employee benefit expense for the Group during the year

	2010	2009
	£m	£m
Wages and salaries	158.7	147.9
Social security costs	16.7	15.9
Pension costs	2.6	2.5
Share-based payments	1.8	0.9
Total	179.8	167.2

The Company has no employees. The directors of the Group are paid by a subsidiary undertaking.

(b) Average monthly number of employees by segment

	2010	2009
Grosvenor Casinos	3,752	3,430
Mecca Bingo	4,145	3,737
Top Rank España	590	581
Rank Interactive	197	192
Central	253	245
Total	8,937	8,185

(c) Key management compensation

	2010	2009
	£m	£m
Salaries and short-term employee benefits (including social security costs)	4.8	4.5
Termination benefits	0.7	0.5
Post-employment benefits	0.4	0.4
Share-based payments	1.6	0.9
Total	7.5	6.3

Included in key management compensation are bonuses of £0.9m in the respect of the current year that will be paid in 2011 (2009: £1.3m).

Key management is defined as the directors of the Group and the management team, details of which are set out on page 43. Further details of emoluments received by directors are included in the remuneration report.

(d) Directors' interests

The directors' interests in shares of the Company, including options to purchase ordinary shares under the terms of the Group's Executive Share Option Scheme, and conditional awards under the Long Term Incentive Plans, are detailed in the remuneration report. Details of options to subscribe for ordinary shares of the Company granted to or exercised by directors in the year ended 31 December 2010 are also detailed in the remuneration report.

(e) Total emoluments of the directors of The Rank Group Plc

	2010	2009
	£m	£m
Aggregate emoluments	2.0	2.1

No director accrued benefits under defined benefit pension schemes or made gains on the exercise of share options during either year. Further details of emoluments received by directors are included in the remuneration report.

27 SHARE-BASED PAYMENTS

During the year ended 31 December 2010, the Company operated the Save-As-You-Earn ('SAYE') share option scheme, the Executive Share Option Scheme ('ESOS') and the Long Term Incentive Plans ('LTIP'). All of these schemes are equity settled. Further details of the LTIP are included in the remuneration report on pages 60 to 62. The SAYE scheme previously offered to all UK employees has now lapsed and all grants under the ESOS have been suspended.

The number and weighted average exercise prices ('WAEP') of, and movements in, each of the share option arrangements during the year are shown below:

	Outstanding 1 January 2010	Granted during 2010	Exercised during 2010	Expired during 2010	Forfeited during 2010	Outstanding 31 December 2010	Exercisable 31 December 2010
ESOS							
Number of shares	280,219	—	—	(6,651)	—	273,568	273,568
WAEP	263.01p	—	—	271.00p	—	262.82p	262.82p
SAYE							
Number of shares	1,250,730	—	—	(311,427)	(19,691)	919,612	625,858
WAEP	157.18p	—	—	180.46p	184.91p	148.70p	146.21p
LTIP							
Number of shares	4,733,532	1,609,969	—	(465,036)	(389,762)	5,488,703	—
WAEP	Nil	Nil	—	Nil	Nil	Nil	—

	Outstanding 1 January 2009	Granted during 2009	Exercised during 2009	Expired during 2009	Forfeited during 2009	Outstanding 31 December 2009	Exercisable 31 December 2009
ESOS							
Number of shares	1,641,490	—	—	(1,361,271)	—	280,219	280,219
WAEP	243.99p	—	—	240.07p	—	263.01p	263.01p
SAYE							
Number of shares	2,151,602	—	—	(833,564)	(67,308)	1,250,730	—
WAEP	167.49p	—	—	183.40p	162.15p	157.18p	—
LTIP							
Number of shares	4,000,846	1,574,465	—	(587,811)	(253,968)	4,733,532	—
WAEP	Nil	Nil	—	Nil	Nil	Nil	—

There were no options exercised during either year.

The following table lists the maximum term of options granted under each scheme:

	Maximum term (years)
ESOS	10.0
SAYE	5.5
LTIP	4.0

The share options outstanding at the year end have the following range of exercise prices and expiry dates as follows:

	Outstanding at 31 December 2010			Outstanding at 31 December 2009		
	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option
ESOS	187.50p–271.00p	1.3 years	273,568	187.50p–271.00p	2.3 years	280,219
SAYE	139.00p–225.00p	1.4 years	919,612	139.00p–268.00p	1.6 years	1,250,730
LTIP	Nil	1.0 years	5,488,703	Nil	1.4 years	4,733,532

The fair values for each of the ESOS and SAYE awards granted were calculated using a Black-Scholes pricing model. The fair value of LTIP awards is calculated using a Monte Carlo simulation which allows for the incorporation of market performance conditions. For grants made subject to an EPS performance condition, the expense recognised is based on expectations of these conditions being met, which are reassessed at each balance sheet date.

There have been no ESOS or SAYE awards granted during either year.

The following table lists the inputs used for the LTIP grants during the year ended 31 December:

	2010	2009
Risk free interest rate *(%)*	1.11–1.75	1.50
Dividend yield *(%)*	2.50-2.90	3.00
Expected volatility *(%)*	49.00	48.00
Years	3.00	2.33
Weighted average share price *(p)*	115.20–118.90	76.50

The expected life of the awards is based on current expectations and is not necessarily indicative. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the award is indicative of future trends, which may not necessarily be the actual outcome.

The number of LTIP awards and the fair value per share of the LTIP awards during the year were as follows:

	2010	2009
Number	1,609,969	1,574,465
Weighted average fair value per share	85.6p	44.4p

The Group recognised a £1.8m (2009: £0.9m) charge in operating profit from accounting for share-based payments and related national insurance contributions in accordance with IFRS 2.

National Insurance contributions are payable in respect of some share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments, and as such are treated as cash-settled awards. The Group has recorded liabilities at the end of 2010 of £0.5m (2009: £0.1m) of which £nil (2009: £nil) was in respect of vested grants.

28 RETIREMENT BENEFITS

Defined contribution scheme

The Group operates the Rank Group Stakeholder Pension Plan ('the Plan') which is externally funded and the Plan's assets are held separately from Group assets. During the year to 31 December 2010, the Group contributed a total of £2.6m (2009: £2.5m) to the Plan. There were no significant contributions outstanding at the balance sheet date in either year.

Other pension commitment

The Group has an unfunded pension commitment relating to three former executives of the Group. At 31 December 2010, the Group's commitment was £3.0m (2009: £2.9m). The Group paid £0.1m (2009: £0.1m) in pension payments during the year. The net cost arising on the commitment of £0.2m (2009: £nil) has been recognised in other financial losses in the income statement. The actuarial loss arising on the commitment, resulting from the changes in assumptions outlined below in 2010, was £nil (2009: £0.5m loss) before taxation and £nil after taxation (2009: £0.4m loss). The cumulative amount of actuarial losses on the commitment recognised in the statement of comprehensive income before taxation was £0.5m (2009: £0.5m).

Assumptions used to determine the obligations at 31 December:

	2010	**2009**
	% p.a.	*% p.a.*
Discount rate	5.4	5.7
Pension increases	3.4	3.8

The mortality table used to determine the obligation in both years was the PA92 (YOB) mc with a 1.5% p.a. minimum improvement.

29 COMMITMENTS

Group

Operating lease commitments — Group as lessee

The Group has entered into commercial leases on certain properties, plant and items of machinery. These leases have durations of from under one year to 54 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2010	**2009**
	£m	*£m*
Not later than one year	39.4	40.0
After one year but not more than five years	137.6	140.0
After five years	269.3	292.5
Total	446.3	472.5

	2010	**2009**
	£m	*£m*
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	37.8	53.2

Finance lease commitments — Group as lessee

The minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2010	**2009**	**2010**	**2009**
	£m	*£m*	*£m*	*£m*
Not later than one year	2.1	1.6	1.2	0.7
After one year but not more than five years	7.2	6.5	4.2	3.5
More than five years	10.3	11.9	7.8	8.5
	19.6	20.0	13.2	12.7
Less: future finance charges	(6.4)	(7.3)		
Present value of minimum lease payments	13.2	12.7		

	2010	**2009**
	£m	*£m*
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	0.8	0.8

Capital commitments

At 31 December 2010, the Group has contracts placed for future capital expenditure, primarily relating to property, plant and equipment, of £5.9m (2009: £1.5m).

Company

Financial guarantees

The amortised value of financial guarantees issued by the Company is £0.1m (2009: £1.4m).

30 CONTINGENT ASSETS

Group

The Group has lodged a number of claims following the House of Lords decision in the Condé 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 HMRC to closely review both the Group's right to the amounts claimed and the value of each claim before settlement. In a number of cases, the Condé Nast claims are subject to successful outcomes of other claims for the repayment of VAT (including the claims for interval bingo, main stage bingo and amusement machines already received by the Group) the outcome of which is not certain.

One of the claims identified above is for the repayment of VAT on some games of bingo covering the period from 1996 back to 1973, when VAT was introduced. This claim has been made under the Condé 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. This claim is currently estimated to be worth approximately £65m plus interest covering the period of the claim to the present date but continues to be reviewed by HMRC. Consequently the Group is uncertain as to when or if it will be received.

The Group also submitted a claim in 2010 which extends its existing claims for overpaid VAT on bingo back to 2002. This claim could be worth approximately £11m plus interest covering the period of the claim to the present date. HMRC paid £7.1m in February 2011, with interest of £1.4m expected to be received in March 2011. The balance of the claim is subject to HMRC validation.

The Group has not recognised any gain in its financial statements at 31 December 2010 in respect of the above items.

Company

The Company had no contingent assets at either reporting date.

31 CONTINGENT LIABILITIES

Group

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 has appealed rulings from the VAT and Duties Tribunal and Upper Tribunal and the case has now been referred to the European Court of Justice (ECJ). The Group expects the case will be heard in 2011. 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. In September 2010, the Group entered into an agreement with a third party that would result in the receipt of £40.5m in the event that the Court finds in favour of HMRC. This agreement was funded by a payment of £4.6m which has been recognised as an exceptional cost.

On 21 May 2010, the Group received £42.5m in overpaid VAT from HMRC relating to main stage bingo and amusement machines. This payment was made in response to HMRC's stated guidance on settling main stage bingo claims and following the Tribunal's ruling in 2009 that the application of VAT to certain types of amusement machine contravened the European Union's principle of fiscal neutrality. HMRC continues to appeal the claim, with the case also referred to the ECJ and again expected to be heard in 2011. In the event of an adverse ruling, Rank would be required to repay the £42.5m plus interest.

The Group has been in negotiation with HMRC for several years on the means by which it calculates the amount of irrecoverable VAT in Grosvenor Casinos. Since July 2007 the Group has accounted for irrecoverable VAT on the basis that HMRC was correct. As a result, the amount of irrecoverable VAT suffered by Grosvenor Casinos exceeded the amount that the Group believed was due. The difference in the Group's position as against HMRC's position for the period under negotiation (July 2007 to December 2010) amounts to £6.3m. In 2010, the point of dispute between the Group and HMRC was the subject of litigation by another, similar, taxpayer. In that case, the First-tier Tribunal and the Upper Tribunal have ruled that HMRC's position was incorrect. While HMRC has appealed, precedent case law indicates that the Group's position is correct and on that basis the irrecoverable VAT charge has been adjusted accordingly. However, it remains possible that this decision will be reversed on appeal, in that event the Group would have to pay the VAT in dispute (see above) plus interest.

The directors consider that, in respect of all contingent liabilities disclosed above, it is more likely than not that no outflow will arise.

A summary of the various VAT claims is provided in the tax fact file on page 39.

Company

At 31 December 2010, the Company has made guarantees of advances to subsidiary undertakings of £181.6m (2009: £236.8m).

32 RELATED PARTY TRANSACTIONS

Group

Details of compensation of key management are disclosed in note 26.

Entities with significant influence over the Group

At 31 December 2010, Guoco Group Limited ('Guoco'), a parent company of Rank's largest shareholder, owned 29.25% (2009: 29.25%) of the ordinary shares in The Rank Group Plc.

Tim Scoble and Mike Smith were appointed as non-executive directors by shareholders at the Company's annual general meeting on 22 April 2010 as appointees of Guoco. Details of payments made during 2010 in relation to their fees are disclosed in the remuneration report on page 64.

Company

The following transactions with subsidiaries occurred in the year:

	2010	**2009**
	£m	*£m*
Dividend received from subsidiary undertaking	77.5	—
Interest payable to subsidiary undertaking	(23.9)	(37.2)

During the year, Rank Group Finance Plc, a subsidiary of the Company, provided additional cash to the Company of £8.1m for the purpose of funding dividend payments. The Company used the cash received from the £77.5m dividend from another subsidiary undertaking to repay amounts due to Rank Group Finance Plc. Full details of how the cash funding was utilised are disclosed in the Company cash flow statement.

33 PRINCIPAL SUBSIDIARIES

The Company owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies[(1)]:

Name	**Country of incorporation**	**Principal activities**
Mecca Bingo Limited	England and Wales	Social and bingo clubs
Rank Leisure Limited	England and Wales	Adult gaming centres in Mecca Bingo and Grosvenor Casinos
Rank Holding España SA	Spain	Owns the Group's investments in Top Rank España
Grosvenor Casinos Limited	England and Wales	London and provincial casinos
Blue Square Gaming (Alderney) Limited	Alderney	Interactive gaming and sports betting
Rank Interactive Development Limited	England and Wales	Support services to interactive gaming
Blue Square Limited[(2)]	England and Wales	Support services to interactive gaming
Rank Group Gaming Division Limited	England and Wales	Intermediary holding company and provision of shared services
Rank Leisure Holdings Limited	England and Wales	Intermediary holding company and corporate activities
Rank Nemo (Twenty-Five) Limited[(2)]	England and Wales	Intermediary holding company
Rank Overseas Holdings Limited	England and Wales	Intermediary holding company
Rank Holdings (Netherlands) BV	Holland	Intermediary holding company
Rank Group Finance Plc[(2)]	England and Wales	Funding operations for the Group

(1) The Group comprises a large number of companies and it is not practical to list all companies. The table above therefore includes those companies which the directors consider principally affect the consolidated results or financial position of the Group.

(2) Directly held by the Company.

The principal activities are carried out in the country of incorporation as indicated above. All subsidiary undertakings are included in the consolidation and have a 31 December year-end.

34 POST BALANCE SHEET EVENT

The Group submitted a claim in 2010 which extends its existing claims for overpaid VAT on bingo back to 2002. On 16 February 2011, HMRC paid £7.1m, with interest of £1.4m expected to be received in March 2011. As outlined in note 31, HMRC continues to appeal and in the event of an adverse ruling, Rank would be required to repay the £7.1m plus interest.

The following is an extract of the audited financial statements of Rank for the year ended 31 December 2009 with comparative figures for the year ended 31 December 2008, which were prepared in accordance with IFRS, from the 2009 annual report and financial statements of Rank.

Specific page/section references mentioned in the audited financial statements of Rank for the year ended 31 December 2009 are referred to in Rank's 2009 annual report and financial statements which is available free of charge, in read-only, printable format on Rank website at http://www.rank.com/downloads/annual_reports/Annual_Report_and_Financial_Statements_2009.pdf.

GROUP INCOME STATEMENT

for the year ended 31 December 2009

		2009			2008 (restated)*		
		Before exceptional items	Exceptional items *(note 4)*	Total	Before exceptional items	Exceptional items *(note 4)*	Total
	Note	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
Continuing operations							
Revenue before adjustment for free bets, promotions and customer bonuses	2	540.0	—	540.0	522.2	—	522.2
Free bets, promotions and customer bonuses	2	(19.5)	—	(19.5)	(16.8)	—	(16.8)
Revenue	2	520.5	—	520.5	505.4	—	505.4
Cost of sales	2	(278.4)	—	(278.4)	(259.8)	—	(259.8)
Gross profit		242.1	—	242.1	245.6	—	245.6
Other operating costs	2	(184.1)	2.8	(181.3)	(185.3)	(69.4)	(254.7)
Group operating profit (loss)	2,3	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	5	(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	6	(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	9.0p	0.9p	9.9p	6.5p	(7.8)p	(1.3)p
— diluted	9	9.0p	0.9p	9.9p	6.5p	(7.8)p	(1.3)p
Earnings (loss) per share — continuing operations							
— basic	9	9.0p	0.7p	9.7p	6.5p	(11.6)p	(5.1)p
— diluted	9	9.0p	0.7p	9.7p	6.5p	(11.6)p	(5.1)p
Earnings per share — discontinued operations							
— basic	9	—	0.2p	0.2p	—	3.8p	3.8p
— diluted	9	—	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 1.1.4(c).

Details of dividends paid and payable to equity shareholders are disclosed in note 8.

The notes on pages 63 to 105 are an integral part of these consolidated financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	Note	**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	33	(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

The tax effect of items of comprehensive income is disclosed in note 6.

The notes on pages 63 to 105 are an integral part of these consolidated financial statements.

BALANCE SHEETS
at 31 December 2009

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	*£m*	*£m*	*£m*	*£m*
Assets					
Non-current assets					
Intangible assets	10	178.0	183.2	—	—
Property, plant and equipment	11	187.5	179.6	—	—
Investments in subsidiaries	13	—	—	1,026.3	1,026.3
Deferred tax assets	24	23.5	43.3	—	—
Trade and other receivables	16	2.1	1.9	—	—
		391.1	408.0	1,026.3	1,026.3
Current assets					
Inventories	15	3.7	3.8	—	—
Trade and other receivables	16	26.0	34.3	43.6	43.6
Income tax receivable	18	0.4	3.9	—	—
Derivative financial instruments	21	—	11.2	—	—
Cash and cash equivalents	29	64.1	111.7	—	—
		94.2	164.9	43.6	43.6
Total assets		485.3	572.9	1,069.9	1,069.9
Liabilities					
Current liabilities					
Trade and other payables	17	(105.9)	(111.9)	(752.7)	(564.8)
Income tax payable	18	(26.3)	(6.6)	—	—
Financial liabilities					
— financial guarantees	19	—	—	(1.4)	(1.0)
— borrowings	20	(7.8)	(168.9)	—	(160.7)
— derivative financial instruments	21	—	(14.5)	—	—
Provisions for other liabilities and charges	26	(9.0)	(13.0)	—	—
		(149.0)	(314.9)	(754.1)	(726.5)
Net current liabilities		(54.8)	(150.0)	(710.5)	(682.9)

		Group		Company	
		2009	2008	2009	2008
	Note	*£m*	*£m*	*£m*	*£m*
Non-current liabilities					
Financial liabilities					
— borrowings	20	(242.3)	(170.9)	—	—
Deferred tax liabilities	24	(6.3)	(6.9)	—	—
Other non-current liabilities	25	(18.8)	(38.8)	—	—
Provisions for other liabilities and charges	26	(34.6)	(43.3)	—	—
Retirement benefit obligations	33	(2.9)	(2.5)	—	—
		(304.9)	(262.4)	—	—
Total liabilities		(453.9)	(577.3)	(754.1)	(726.5)
Net assets (liabilities)		31.4	(4.4)	315.8	343.4
Capital and reserves attributable to the Company's equity shareholders					
Share capital	27	54.2	54.2	54.2	54.2
Share premium		98.2	98.2	98.2	98.2
Capital redemption reserve		33.4	33.4	33.4	33.4
Exchange translation reserve		15.1	18.4	—	—
Equity component of convertible bond		—	0.3	—	0.3
Retained (losses) earnings		(169.5)	(208.9)	130.0	157.3
Total shareholders' equity (deficit)		31.4	(4.4)	315.8	343.4

The notes on page 63 to 105 are an integral part of these consolidated financial statements.

These financial statements were approved by the Board on 24 February 2010 and signed on its behalf by:

Ian Burke
Chief Executive

Paddy Gallagher
Finance Director

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Fair value reserve £m	Equity component of convertible bond £m	Retained losses £m	Total £m
At 1 January 2008	54.2	98.2	33.4	(0.3)	(0.6)	3.9	(202.1)	(13.3)
Comprehensive income:								
Loss for the year	—	—	—	—	—	(3.6)	(1.3)	(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	0.6	(3.6)	(6.8)	8.9
At 31 December 2008	54.2	98.2	33.4	18.4	—	0.3	(208.9)	(4.4)
Comprehensive income:								
Profit for the year	—	—	—	—	—	(0.3)	38.8	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)	—	(0.3)	38.4	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

There were no transactions with owners in 2008.

There were no minority interests in either year.

The reserves of subsidiary undertakings have predominantly been retained to finance their businesses.

Company	Share capital	Share premium	Capital redemption reserve	Equity component of convertible bond	Unrealised profits	Retained earnings	Total
	£m	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
At 1 January 2008	54.2	98.2	33.4	3.9	159.8	345.5	695.0
Loss and total comprehensive expense for the year	—	—	—	(3.6)	(159.8)	(188.2)	(351.6)
At 31 December 2008	54.2	98.2	33.4	0.3	—	157.3	343.4
Loss and total comprehensive expense for the year	—	—	—	(0.3)	—	(27.7)	(28.0)
Transactions with owners:							
Credit in respect of employee share schemes	—	—	—	—	—	0.4	0.4
At 31 December 2009	54.2	98.2	33.4	—	—	130.0	315.8

There were no transactions with owners in 2008.

The notes on pages 63 to 105 are an integral part of these consolidated financial statements.

CASH FLOW STATEMENTS
for the year ended 31 December 2009

		Group		Company	
		2009	2008	2009	2008
	Note	*£m*	*£m*	*£m*	*£m*
Cash flows from operating activities					
Cash generated from (used in) operations	28	69.7	122.5	0.1	(0.1)
Interest received		7.9	2.6	—	—
Interest paid		(11.4)	(23.8)	(3.0)	(6.5)
Tax received (paid)		4.3	(2.9)	—	—
Net cash from (used in) operating activities		70.5	98.4	(2.9)	(6.6)
Cash flows from investing activities					
Acquisition of businesses including deferred consideration	30	(0.3)	(3.8)	—	—
Net payments in respect of hedges		(5.2)	(4.8)	—	—
Net proceeds from transfer of defined benefit pension asset	4	—	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)	(158.2)	—
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)	—	—
Amounts received from subsidiaries		—	—	161.1	6.3
Net cash (used in) from financing activities		(79.5)	(61.1)	2.9	6.3
Effect of exchange rate changes		(0.8)	2.1	—	—
Net (decrease) increase in cash, cash equivalents and bank overdrafts		(48.0)	36.2	—	(0.3)
Cash, cash equivalents and bank overdrafts at 1 January		104.8	68.6	—	0.3
Cash, cash equivalents and bank overdrafts at 31 December	29	56.8	104.8	—	—

The notes on pages 63 to 105 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND ACCOUNTING POLICIES

General information

The Rank Group Plc ('the Company') and its subsidiaries (together 'the Group') operate gaming and betting services in Great Britain, Spain and Belgium and provide business services to gaming operators in a number of additional markets.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

1.1.1 Statement of compliance

The consolidated financial statements of The Rank Group Plc have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

1.1.2 Going concern

In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the issues impacting the Group during 2009 as detailed in the directors' report on pages 1 to 39 and have reviewed the Group's projected compliance with its banking covenants detailed in the finance review on pages 36 and 37. 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 borrowing requirements for at least the next 12 months and comply with its banking covenants.

1.1.3 Accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The resulting accounting estimates will, by definition, seldom equal the actual results. The areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the consolidated financial statements, are set out below.

(a) Estimated impairment of intangible assets and property, plant and equipment

The Group tests annually whether assets that have an indefinite useful life, including goodwill and gaming licences, have suffered any impairment. The Group also reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate the carrying amount of the asset may not be recoverable. Further details of the Group's accounting policy in relation to impairment are disclosed in note 1.12.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of cash-generating units to which the intangible assets and property, plant and equipment are associated. The recoverable amount is the higher of the fair value less costs to sell and value in use. Estimates

of fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external estate agents or, if applicable, offers received. Value in use is calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each cash-generating unit. Further details of the assumptions and estimates are disclosed in note 12.

(b) Classification of casino licences and other gaming licences as intangible assets with an indefinite life

As disclosed in note 1.11, casino licences and other gaming licences have been classified as intangible assets with an indefinite life. This assumption is based on management's belief that there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and that each licence holds a value outside the property in which it resides. As a consequence, each licence is reviewed annually for impairment.

(c) Recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which the temporary differences can be utilised. The key area of judgement is therefore an assessment of whether it is probable that there will be suitable taxable profits against which any deferred tax assets can be utilised. Further details of deferred tax assets recognised are disclosed in note 24.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including jurisdictions from now discontinued operations. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amount recognised, such differences will impact in the period such determination is made.

(e) Provisions

Provisions are recognised in accordance with the policy disclosed in note 1.9. In calculating onerous property lease provisions, estimates are made of the discounted cash flows derived from the property and its associated operations. Estimates have also been made in determining the amount and timing of disposal provisions, including insurance and warranty claims. Further details of provisions made are disclosed in note 26.

(f) Retirement benefits

The present value of retirement benefits depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of retirement benefits. Following the transfer of the Group's defined benefit plan in 2008, any such assumptions are unlikely to have a material impact for the Group going forward. Further details of assumptions made in relation to the defined benefit plan, up until its transfer, together with the Group's remaining retirement benefit obligation are disclosed in note 33.

(g) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. It also requires a determination of the most appropriate inputs to the model selected. Further details are outlined in note 32.

1.1.4 Changes in accounting policy and disclosures

(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
- 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 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 1.4. 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.

(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)

1.2 Consolidation

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. All subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has no material associates or joint ventures.

1.3 Revenue recognition

Revenue consists of the fair value of sales of goods and services, net of VAT, rebates and discounts.

(a) Gaming win

Revenue for casinos includes the gaming win before deduction of gaming duty. Revenue for bingo is net of prizes and VAT (where applicable) before deduction of gross profits tax. Revenue for Rank Interactive, including sports betting and interactive games, represents gross win. The fair value of free bets, promotions and customer bonuses are also deducted from all revenue streams.

Although disclosed as revenue, gaming win is accounted for and meets the definition of a gain under IAS 39 Financial instruments: Recognition and measurement.

(b) Food and beverage

Revenue from food and beverage sales is recognised at the point of sale.

(c) Finance income

Interest income is recognised on a time proportion basis using the effective interest method.

1.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team (the composition of which is disclosed on page 41) that makes strategic and operational decisions.

1.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK Sterling, which is the Company's functional and the Group's presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in finance costs, except when deferred in equity where hedging criteria are met.

(c) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate on the balance sheet date. The closing Euro rate against UK Sterling was 1.13 (2008: 1.04) and the closing US Dollar rate against UK Sterling was 1.61 (2008: 1.45);

ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The average Euro rate against UK Sterling was 1.12 (2008: 1.25) and the average US Dollar rate against UK Sterling in the year was 1.57 (2008: 1.84); and

iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement, net of hedging, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.6 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet. Impairment testing of trade receivables is described in note 1.17.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Securities are initially recognised at fair value plus transaction costs. Subsequent changes in the fair value are recognised in equity. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

1.7 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised liabilities ('fair value hedge');

(b) hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction ('cash flow hedge'); or

(c) hedges of a net investment in a foreign operation ('net investment hedge').

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through finance costs in the income statement.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the maturity of the hedged item is greater than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to both the effective and ineffective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity unless the hedge is of a recognised liability, in which case the gain or loss is recognised within finance costs within the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a hedged forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within operating costs.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges of forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed.

1.8 Leases

Leases are tested to determine whether the lease is a finance or operating lease and treated accordingly. Property leases comprising a lease of land and a lease of buildings within a single contract are split into its two component parts before testing.

(a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of lease incentives or premiums, are charged to the income statement on a straight line basis over the period of the lease.

1.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, taking into account the risks specific to the obligation, and discounted at a pre-tax discount rate that reflects current market assessments of the time value of money. The increase in the provision due to passage of time is recognised as a finance cost.

(a) Onerous contracts

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous.

(b) Provision on disposal

Following the disposal of an operation, provision is made for the estimated future costs and potential warranty claims directly attributable to the disposal.

1.10 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost less residual values over their estimated useful lives, as follows:

— freehold and leasehold property	50 years or their useful life if less
— refurbishment of property	five to 20 years
— fixtures, fittings, plant and equipment and others	three to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Pre-opening costs are expensed to the income statement as incurred.

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, where material, as part of the cost of that asset for which the commencement date was on or after 1 January 2009. Prior to this date, the Group recognised all borrowing costs as an expense immediately.

1.11 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at amortised cost as at 1 January 2004 plus cost for any acquisition completed after 1 January 2004 less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, except where goodwill has been previously written off directly to reserves under previous GAAP.

Goodwill is allocated to the relevant cash-generating unit or group of cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill arising on acquisitions made before 31 December 1997 has been written off directly to reserves.

(b) Computer software and other development costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (three to 10 years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production and development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for both externally purchased and internally developed software. Direct costs include specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives, estimated at between three to four years.

(c) Casino and other gaming licences

The Group capitalises acquired casino and other gaming licences. The amount capitalised is the difference between the price paid for a property or business and the associated licence, and the fair value of a similar property or business without a licence. Management believes that licences have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment.

Any costs in renewing licences annually are expensed as incurred.

(d) Other purchased intangible assets

If acquired, the Group capitalises the costs of other intangible assets such as brands, trademarks and customer relationships. Costs incurred internally to generate these intangible assets are expensed as incurred. For business combinations occurring after 1 January 2004, purchased intangible assets are capitalised on the balance sheet at fair value on acquisition. The valuation of purchased intangible assets and determining the useful economic life involves management making assumptions and estimates, which are highly judgemental and susceptible to change. Purchased intangible assets with finite lives are amortised over their useful economic lives, estimated at three years.

1.12 Impairment of intangible assets and property, plant and equipment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an exceptional expense in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as exceptional income in the income statement immediately.

1.13 Employee benefit costs

(a) Pension obligations

The Group operated a defined contribution plan in 2009. Previously the Group operated both defined benefit and defined contribution plans, until the transfer of the assets and liabilities of the defined benefit plan in 2008. Further details of the transfer are given in note 33.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The amount recognised in the balance sheet in respect of the defined benefit pension plan was the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past-service costs. The defined benefit asset was calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation was determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that were denominated in the currency in which the benefits were paid, and that had terms to maturity approximating to the terms of the related pension liability.

The Group recognised actuarial gains and losses immediately in the statement of comprehensive income.

Past-service costs were recognised immediately in operating profit, unless the changes to the pension plan were conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs were amortised on a straight line basis over the vesting period.

The net return or cost arising on the defined benefit pension plan was recognised in net finance costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group also has an unfunded pension commitment relating to three former executives of the Group. The amount recognised in the balance sheet in respect of the commitment is the present value of the obligation at the balance sheet date, together with adjustment for unrecognised actuarial gains or losses. The Group recognises actuarial gains and losses immediately in the statement of comprehensive income. The net interest cost arising on the commitment is recognised in net finance costs.

(b) Share-based compensation

The Group operates various equity-settled share-based compensation plans. The fair value of employee services, received in exchange for the grant of the options, is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where a past practice has created a constructive obligation.

1.14 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a 'first-in first-out' basis.

The cost of finished goods comprises goods purchased for resale. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. When necessary, provision is made for obsolete and slow-moving inventories.

1.15 Taxation including deferred tax

Current tax is applied to taxable profits at the rates ruling in the relevant country.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred tax arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

1.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.17 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating costs.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement.

1.18 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.19 Borrowings

Borrowings are recognised at cost, which is deemed to be materially the same as the fair value, net of transaction costs incurred. Any difference between proceeds and redemption value is recognised in the income statement using the effective interest method.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months at the balance sheet date.

The fair value of the liability portion of the convertible bond was determined on the date of issue. This amount was recorded as a liability and was held on an amortised cost basis until the redemption or maturity of the bonds. The remaining proceeds were allocated to the conversion option and were recognised in shareholders' funds. This resulted in a higher interest cost over the life of the bond as an equal and opposite amount to the equity component was amortised through the income statement as a financing cost.

1.20 Share capital

Ordinary shares are classified as equity.

Where any Group company purchases the Company's equity share capital (treasury shares as defined by IAS 32), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

1.21 Discontinued operations and non-current assets held for sale

Operations of the Group are recognised as discontinued operations if the operations have been disposed of or meet the criteria to be classified as held for sale. Operations held for sale are held at the lower of their carrying amount on the dates they are classified as held for sale and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.22 Dividends

Dividends proposed by the board of directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the annual general meeting. Interim dividends are recognised when paid.

1.23 Exceptional items

The Group defines exceptional items as those items which, by their size or nature, are separately disclosed in order to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods. This would include, to the extent they are material, gains or losses on the disposal of assets, impairments of the carrying value of assets and associated onerous lease provisions, costs of club closures, onerous lease provisions on vacant properties, disposal of businesses, changes in disposal provisions and VAT refunds (net of gross profits tax and associated costs) relating to previous periods.

2 SEGMENTAL REPORTING

(a) Primary reporting format — business segments

	Mecca Bingo		Top Rank España		Grosvenor Casinos		Rank Interactive		Central costs		Total	
	2009	2008*	2009	2008	2009	2008*	2009	2008*	2009	2008*	2009	2008
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations												
Group revenue reported in internal information	233.0	227.6	36.2	35.8	220.0	206.2	50.8	52.6	—	—	540.0	522.2
Free bets, promotions and customer bonuses	(12.3)	(10.6)	—	—	(1.2)	(0.6)	(6.0)	(5.6)	—	—	(19.5)	(16.8)
Segment revenue	220.7	217.0	36.2	35.8	218.8	205.6	44.8	47.0	—	—	520.5	505.4
Operating profit (loss) before exceptional items	32.3	37.9	5.6	6.9	30.9	25.9	7.5	7.6	(18.3)	(18.0)	58.0	60.3
Exceptional operating profit (loss)	4.3	40.6	—	(8.4)	(1.5)	(2.4)	—	(2.3)	—	(96.9)	2.8	(69.4)
Segment result	36.6	78.5	5.6	(1.5)	29.4	23.5	7.5	5.3	(18.3)	(114.9)	60.8	(9.1)
Finance costs											(10.9)	(29.3)
Finance income											0.9	13.4
Other financial gains (losses)											1.2	(1.1)
Profit (loss) before taxation											52.0	(26.1)
Taxation											(14.1)	6.2
Profit (loss) for the year from continuing operations											37.9	(19.9)
Assets and liabilities												
Intangible assets:												
Intangible assets with indefinite useful lives	—	—	21.3	22.9	94.3	97.1	53.8	53.8	—	—	169.4	173.8
Intangible assets with finite useful lives	1.2	1.3	—	—	0.6	0.6	5.5	6.4	1.3	1.1	8.6	9.4
Property, plant and equipment	83.1	80.0	29.7	33.6	71.8	63.0	2.1	1.9	0.8	1.1	187.5	179.6
Other segment assets	13.2	20.1	2.9	3.3	9.4	10.0	3.0	2.7	3.3	3.9	31.8	40.0
Segment assets	97.5	101.4	53.9	59.8	176.1	170.7	64.4	64.8	5.4	6.1	397.3	402.8
Unallocated assets											88.0	170.1
Total assets											485.3	572.9
Segment liabilities	(56.8)	(65.7)	(5.5)	(6.5)	(42.3)	(37.8)	(11.7)	(14.0)	(36.4)	(46.7)	(152.7)	(170.7)
Unallocated liabilities											(301.2)	(406.6)
Total liabilities											(453.9)	(577.3)
Net assets (liabilities)											31.4	(4.4)
Other segment items — continuing operations												
Capital expenditure	(13.0)	(10.8)	(1.5)	(2.2)	(15.8)	(9.9)	(3.3)	(4.7)	(0.7)	(0.6)	(34.3)	(28.2)
Depreciation and amortisation	10.1	10.2	2.8	2.7	8.3	8.7	3.9	3.8	0.8	0.9	25.9	26.3
Impairment losses	—	1.9	—	8.4	1.5	2.8	—	1.4	—	—	1.5	14.5
Onerous lease provision — impact of change in discount rate	(1.0)	2.8	—	—	—	0.2	—	—	—	1.3	(1.0)	4.3
Onerous lease provision — charge	—	4.9	—	—	—	0.7	—	—	—	2.3	—	7.9
Onerous lease provision — release	—	(3.5)	—	—	—	(1.2)	—	—	—	(5.8)	—	(10.5)
Share-based payment charge (credit)	0.1	—	0.1	—	0.2	0.1	—	(0.1)	0.5	—	0.9	—

* The analysis of 2008 operating profit by segment has been reallocated following the implementation of IFRS 8 Operating segments. Further details are provided later in this note.

At 31 December 2009, the Group's continuing operations are organised into four main business segments: Mecca Bingo, Top Rank España, Grosvenor Casinos and Rank Interactive. The activities of the segments are described on page 2 of the business review. Costs that cannot be allocated on a reasonable basis are combined within Central costs.

There are immaterial sales between the business segments.

Segment assets include property, plant and equipment, intangible assets, inventories and trade and other receivables. Segment liabilities comprise trade and other payables, deferred consideration, provisions and retirement benefits. Unallocated assets and liabilities comprise taxation, borrowings, derivative financial instruments and cash and cash equivalents. Intangible assets with indefinite useful lives include £53.8m of goodwill relating to Rank Interactive.

Capital expenditure comprises expenditure on property, plant and equipment and other intangible assets.

(b) Total revenue and profit (loss) from continuing and discontinued operations

		Revenue		Profit (loss) for the year	
		2009	**2008 (restated)**	**2009**	**2008**
	Note	*£m*	*£m*	*£m*	*£m*
From continuing operations		520.5	505.4	37.9	(19.9)
From discontinued operations	4	—	—	0.6	15.0
		520.5	505.4	38.5	(4.9)

(c) Secondary reporting format — geographical segments

The Group's business segments operate in two main geographical areas (UK and Europe). The home country of the Company is the UK. The areas of operation are principally the operation of bingo clubs, casinos and online gaming and bookmaking services.

i) Segment revenue from external customers by geographical area based on location of customer

	2009	**2008 (restated)**
	£m	*£m*
UK	467.1	453.7
Europe	53.4	51.7
Total revenue	520.5	505.4

ii) Segment assets by geographical area based on location of assets

	2009	**2008**
	£m	*£m*
UK	321.4	317.6
Europe	75.9	85.2
Segment assets	397.3	402.8
Unallocated assets	88.0	170.1
Total assets	485.3	572.9

iii) Segment capital expenditure by geographical area based on location of assets

	2009	2008
	£m	*£m*
UK	32.3	25.9
Europe	2.0	2.3
Total capital expenditure	34.3	28.2

With the exception of the UK and Spain, no individual country contributed more than 10% of consolidated sales or assets.

(d) Implementation of IFRS 8 Operating segments

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	Top Rank España	Grosvenor Casinos	Rank Interactive	Gaming shared services	Central costs	Total
	£m	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
2008 segment result before exceptional items 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 before exceptional items as reallocated	37.9	6.9	25.9	7.6	—	(18.0)	60.3

(e) Total cost analysis by segment

To increase transparency, the Group has decided to provide 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	Top Rank España	Grosvenor Casinos	Rank Interactive	Central costs	Total
	£m	£m	£m	£m	£m	£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	Top Rank España	Grosvenor Casinos	Rank Interactive	Central costs	Total
	£m	£m	£m	£m	£m	£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

3 PROFIT FOR THE YEAR — ANALYSIS BY NATURE

The following items have been charged (credited) in arriving at the profit (loss) for the year before financing and taxation from continuing operations:

	Note	**2009** *£m*	**2008** *£m*
Employee benefits expense	31	167.2	157.4
Cost of inventories recognised as expense		20.5	19.0
Depreciation of property, plant and equipment	11		
— owned assets (including £19.0m (2008: £19.3m) within cost of sales)		21.0	21.6
— under finance leases (included within cost of sales)		0.7	0.8
Amortisation of intangibles (including £0.6m (2008: £0.4m) within cost of sales)	10	4.2	3.9
Operating lease rentals payable			
— minimum lease payments		40.4	37.1
— sub-lease income		(6.0)	(6.0)
Profit on sale of property, plant and equipment		(0.1)	(0.3)
Exceptional items	4	(2.8)	69.4
Auditors' remuneration for audit services		0.4	0.6

In the year, the Group's auditors, PricewaterhouseCoopers LLP, including its network firms, earned the following fees:

	2009 *£m*	**2008** *£m*
Audit services		
— Fees payable to the Company's auditor for the parent company and consolidated financial statements	0.2	0.3
Other services		
Fees payable to the Company's auditor and its associates for other services:		
— the audit of the Company's subsidiaries pursuant to legislation	0.2	0.3
— services relating to corporate finance transactions	—	0.2
— tax services	0.7	0.4
— other services	—	0.1
	1.1	1.3

£35,000 (2008: £43,000) of the audit fees related to the parent company.

It is the Group's policy to balance the need to maintain auditor independence with the desirability of taking advice from the leading firm in the area of advice being taken and the desirability of being efficient (for example, where legacy issues are involved).

4 EXCEPTIONAL ITEMS

	Note	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	12	(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	6	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	6	(0.2)	—
Exceptional items relating to discontinued operations		0.6	15.0
Total exceptional items		3.6	(30.4)

The Group's definition of exceptional items is disclosed in note 1.23.

2009 exceptional items

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.

2008 exceptional items

Continuing operations

On 27 June 2008, the Group completed the transfer of the assets and liabilities of the Rank Pension Plan ('the Plan'), a defined benefit scheme, to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs).

The transfer secured the accrued benefits for the members of the Plan and removed all financial risks and liabilities in relation to the Plan from the Group.

Further details of the exceptional loss arising on the transfer are disclosed in the table below:

	2008
	£m
Proceeds	29.0
Costs associated with transfer	(1.0)
Net proceeds from transfer of defined benefit pension asset	28.0
Curtailment gain on closure of scheme to future contributions	10.5
Carrying value of defined benefit pension asset at transfer	(137.7)
Exceptional loss before taxation	(99.2)
Taxation	27.8
Total exceptional loss arising on transfer	(71.4)

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. The exceptional gain of £42.8m represented the element of the VAT repayment relating to the period 2003 to 2007 net of associated gross profits tax and costs. HMRC appealed the ruling of the Tribunal at a High Court hearing in March 2009 but the judgement again found in favour of the Group. HMRC lodged an appeal to the Court of Appeal on 6 July 2009 and is due to be heard in April 2010. In the event of an adverse ruling, the Group would be required to repay the £59.1m plus amounts not paid over for the period from July 2008 to 26 April 2009. A contingent liability has been disclosed in note 37. Exceptional finance income of £5.1m relating to the period up until the end of 2007 was also recognised in relation to the refund. Based on legal advice received by the Group, the directors are satisfied the continued recognition of this gain is appropriate.

Further details of the exceptional gain on the VAT refund in 2008 are disclosed in the table below:

	2008
	£m
Cash repayment received	59.1
Increase in gross profits tax payable	(7.8)
Costs, including contingent fees	(4.6)
Irrecoverable input VAT	(1.0)
Less element attributable to 2008	(2.9)
Exceptional gain before financing and taxation	42.8
Finance income	5.1
Taxation	(13.7)
Total exceptional gain on VAT refund	34.2

At 31 December 2008, the Group recognised additional impairments of £14.5m on intangible assets and property, plant and equipment. Further details are provided in note 12.

The net provision for onerous leases included an additional onerous lease charge of £7.9m and a £4.3m charge arising from the reduction in discount rate, net of a £10.5m onerous lease reversal.

During 2008, the Group closed one Mecca Bingo club at Swindon and one Grosvenor Casino in Leeds. The resulting profit on disposal of the Swindon property, together with the profit on two previously closed properties, net of associated closure and disposal costs, was £4.1m.

Other comprised abortive software development costs incurred by Rank Interactive.

Discontinued operations

The £15.0m gain from release of disposal provisions in 2008 consisted of two items:

On 31 December 2008, the Group settled its lease obligation in relation to its remaining plant in the US retained following the sale and closure of its Deluxe operations. The settlement represented a significant discount to the carrying value of the provision and accordingly a release of £10.0m from the disposal provision was made.

In addition, a provision of £5.0m for warranties given at the time of the sale of Hard Rock was released as no subsequent claims were received and the warranty period had expired.

5 FINANCING

	2009	2008
	£m	*£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
Total 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)

Further details of the exceptional finance income in 2008 are disclosed in note 4.

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

	2009	2008
	£m	£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)

6 TAXATION

	2009			2008		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£m	£m	£m	£m	£m	£m
Current income tax						
Current income tax — UK	3.1	—	3.1	(4.0)	—	(4.0)
Current income tax — overseas	(1.7)	—	(1.7)	(2.4)	—	(2.4)
Current income tax credit (charge)	1.4	—	1.4	(6.4)	—	(6.4)
Current income tax on exceptional items	(0.8)	1.2	0.4	(20.1)	—	(20.1)
Amounts over provided in previous year	1.3	—	1.3	2.4	—	2.4
Amounts over provided in previous year on exceptional items	0.6	—	0.6	—	—	—
Total current income tax credit (charge)	2.5	1.2	3.7	(24.1)	—	(24.1)
Deferred tax						
Deferred tax — UK	(18.7)	—	(18.7)	(6.0)	—	(6.0)
Deferred tax — overseas	(0.3)	—	(0.3)	—	—	—
Deferred tax on exceptional items	0.4	(1.4)	(1.0)	39.0	—	39.0
Amounts over (under) provided in previous year	2.0	—	2.0	(2.7)	—	(2.7)
Total deferred tax (charge) credit *(note 24)*	(16.6)	(1.4)	(18.0)	30.3	—	30.3
Tax (charge) credit in the income statement	(14.1)	(0.2)	(14.3)	6.2	—	6.2

The tax on the Group's profit before tax on continuing operations differs from the standard rate of UK corporation tax of 28.0% (2008: 28.5%). The differences are explained below:

	2009	2008
	£m	*£m*
Profit (loss) before tax on continuing operations	52.0	(26.1)
Tax (charge) credit calculated at 28.0% on profit (loss) before tax on continuing operations (2008: 28.5%)	(14.6)	7.4
Effects of:		
Expenses not deductible for tax purposes	(1.4)	(0.3)
Difference in overseas tax rates	(1.9)	(1.6)
Difference in deferred tax rates	—	(0.6)
Adjustments relating to prior years	3.9	(0.3)
Utilisation of previously unrecognised tax losses	(0.3)	1.1
Deferred tax movement on fair valued assets	0.2	0.5
Tax (charge) credit in the income statement on continuing operations	(14.1)	6.2

Current income tax on exceptional items

Current income tax on exceptional items in 2009 included a £0.5m tax charge on the refund of bingo gross profits tax and a £0.3m charge on the release of onerous lease provisions.

Current income tax on exceptional items in 2008 included a tax charge of £13.7m on the VAT refund received by the Group, a £7.8m tax charge on the transfer of the Group's pension scheme, a £0.3m tax credit relating to onerous leases and a £1.1m tax credit on the liquidation of an overseas subsidiary.

Deferred tax on exceptional items

Deferred tax on exceptional items in 2009 was a £0.4m credit on the impairment of a casino licence.

Deferred tax on exceptional items in 2008 included a tax credit of £35.6m on the transfer of the Group's pension scheme and a £3.4m tax credit on the impairment of Group assets.

Tax effect of items within other comprehensive income

	2009	2008
	£m	*£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

7 RESULTS ATTRIBUTABLE TO THE PARENT COMPANY

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement. The loss for the financial year for the Company was £28.0m (2008: loss of £351.6m). The loss in 2008 included an impairment of £317.3m in respect of its investment in subsidiary undertakings. Further details are provided in note 13.

8 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. These financial statements do not reflect this dividend payable.

9 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 (note 27).

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

(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)*	389.5	389.5
Adjusted earnings per share *(p)*	8.9p	7.3p

10 INTANGIBLE ASSETS

Group	Note	Rank Interactive goodwill	Casino and other gaming licences	Other	Total
		£m	£m	£m	£m
Cost					
At 1 January 2008		53.8	115.9	27.4	197.1
Exchange adjustments		—	12.0	—	12.0
Additions		—	—	5.4	5.4
At 31 December 2008		53.8	127.9	32.8	214.5
Exchange adjustments		—	(3.7)	(0.1)	(3.8)
Acquisition of business	30	—	0.1	—	0.1
Additions		—	0.1	3.5	3.6
At 31 December 2009		53.8	124.4	36.2	214.4
Aggregate amortisation and impairment					
At 1 January 2008		—	—	18.1	18.1
Charge for the year		—	—	3.9	3.9
Impairment losses	12	—	7.9	1.4	9.3
At 31 December 2008		—	7.9	23.4	31.3
Exchange adjustments		—	(0.6)	—	(0.6)
Charge for the year		—	—	4.2	4.2
Impairment losses	12	—	1.5	—	1.5
At 31 December 2009		—	8.8	27.6	36.4
Net book value at 31 December 2008		53.8	120.0	9.4	183.2
Net book value at 31 December 2009		53.8	115.6	8.6	178.0

Other intangible assets comprise other licences, computer software and development technology and customer lists. These include internally generated computer software and development technology with a net book value of £1.3m (2008: £1.3m).

Indefinite life intangible assets have been reviewed for impairment as set out in note 12.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Total £m
Cost				
At 1 January 2008		138.5	297.3	435.8
Exchange adjustments		3.2	12.5	15.7
Additions		2.4	18.1	20.5
Disposals		(1.4)	(5.8)	(7.2)
At 31 December 2008		142.7	322.1	464.8
Exchange adjustments		(1.0)	(4.1)	(5.1)
Acquisition of business	30	—	0.7	0.7
Reclassification		(9.7)	9.7	—
Additions		2.3	29.8	32.1
Disposals		(0.2)	(1.1)	(1.3)
At 31 December 2009		134.1	357.1	491.2
Accumulated depreciation				
At 1 January 2008		64.3	192.3	256.6
Exchange adjustments		0.3	6.5	6.8
Charge for the year		3.2	19.2	22.4
Impairment losses	12	1.8	3.4	5.2
Disposals		(1.1)	(4.7)	(5.8)
At 31 December 2008		68.5	216.7	285.2
Exchange adjustments		(0.1)	(2.2)	(2.3)
Charge for the year		3.1	18.6	21.7
Reclassification		(0.9)	0.9	—
Disposals		—	(0.9)	(0.9)
At 31 December 2009		70.6	233.1	303.7
Net book value at 31 December 2008		74.2	105.4	179.6
Net book value at 31 December 2009		63.5	124.0	187.5

A review of property, plant and equipment in the year has resulted in a reallocation of £9.7m of assets at cost, together with associated accumulated depreciation of £0.9m, from land and buildings to fixtures, fittings, plant and machinery.

Assets capitalised under finance leases and included in land and buildings and fixtures, fittings, plant and machinery:

	2009	2008
	£m	*£m*
Cost	19.5	19.8
Accumulated depreciation	(11.7)	(11.2)
Net book value	7.8	8.6

The book amounts for fixtures, fittings, plant and machinery include assets held under finance leases with a net book value of £nil (2008: £0.1m). The book amounts for land and buildings include buildings held under finance leases with a net book value of £7.8m (2008: £8.5m).

The net book value of land and buildings comprises:

	2009	2008
	£m	*£m*
Freeholds	25.8	26.8
Long leases (over 50 years unexpired)	3.3	3.5
Short leases	34.4	43.9
Net book value	63.5	74.2

12 IMPAIRMENT REVIEW

The discount rate used for all impairment reviews reflects management's estimate of the Group's pre-tax weighted average cost of capital. Management believes that the Group's weighted average cost of capital is an appropriate measure for each cash-generating unit (CGU) as they operate in gaming markets with similar risks as set out below. The pre-tax discount rate applied to all cash flow projections is 12.2% (2008: 14.1%).

(a) Impairment review of intangible assets with indefinite lives

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. In accordance with IAS 36, goodwill is classified as an intangible asset with an indefinite life. In addition, the Group classifies casino licences and Spanish bingo licences as intangible assets with an indefinite life.

i) Goodwill

The Group has goodwill with a carrying value of £53.8m (2008: £53.8m) arising from the acquisition of Rank Interactive.

For impairment testing, the whole of Rank Interactive is treated as a single CGU. The recoverable amount has been determined based on a value in use calculation using cash flow projections from the Group's budget for 2010, the Group's strategic plan for the following two years and a growth rate of 2% thereafter. Both the Group's budget and strategic plan have been approved by the board of directors.

The key assumptions in the calculation of value in use are settled stakes, gross win margins and the discount rate. Settled stakes represent monies placed by customers for betting and interactive games and are estimated taking into account the product mix, major sporting events and industry developments. Gross win margins are based on values achieved in the past and amended for any anticipated changes in the budget period. The calculation also assumes that revenue from UK-domiciled customers is not subject to UK duty or VAT.

As a result of the impairment testing, the directors do not believe that the carrying value of the goodwill was impaired as the value in use significantly exceeded the carrying value of goodwill. However, there are possible changes which could adversely impact the key assumptions and cause the carrying value of the goodwill to exceed its recoverable amount. These include:

Possible change	**Key assumption impacted**
Increased or improved competition	Settled stakes, gross win margin
Poor or decreased marketing	Settled stakes
Failure to respond to technological advances	Settled stakes
Deterioration in economic environment	Settled stakes
Changes in regulation	Settled stakes, gross win margin
Changes in taxation	Gaming duty
Prolonged period of adverse sporting results	Gross win margin

Changes in settled stakes and gross win margin impact gross win and consequently the cash flow projections used to determine the recoverable amount. Any change resulting in a decrease of in excess of 45% in projected gaming win would cause the recoverable amount to equal the carrying value of the CGU.

The directors do not believe that there are any reasonably possible changes to the key assumptions that would result in a decrease in excess of 45% in projected gaming win, and therefore cause a material impairment of the goodwill.

ii) Casino licences

The carrying value of casino licences as at 31 December 2009 was £94.3m (2008: £97.1m).

The inherent value of casino licences is deemed to be an intrinsic part of the value of the operation of casinos as a whole and is therefore not split out from each Grosvenor casino in an impairment review. Each Grosvenor casino has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Grosvenor casino, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections from the Group's budget for 2010, the Group's strategic plan for the following two years and a growth rate of 2% thereafter. Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions or, where applicable, offers received.

Any impairment is allocated equally across all assets in a CGU unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets. Casino licences are generally not impaired as they have an indefinite life and a fair market value in excess of their carrying value.

The key assumptions in the calculation of value in use are customer visits, spend per visit, casino duty, competition and the discount rate. Customer visits are the number of discrete visits by members to the casino and have been based on historic trends. Spend per visit comprises the average amount of money (net of winnings) spent per visit on gaming tables, machines and food and beverages. This has also been determined by historic trends. Casino duty is levied in bands of between 15% and 50% depending upon the level of gaming win at each casino. The bands and rates have been assumed to remain at current levels without indexation, details of which are provided on page 39.

As a result of the impairment review, the directors do not believe the carrying value of the casino licences, with the exception of a non-operating licence at Liverpool, to be impaired. An impairment charge of £1.5m (2008: £nil) has been recognised in respect of the non-operating licence in Liverpool. Although opportunities for the licence continue to be investigated, the directors consider that, following the prolonged non-operation of the licence, an impairment of £1.5m to the licence is appropriate. However, there are possible changes in key assumptions that could cause the carrying value of individual licences to exceed their recoverable amount. These are:

Possible change	**Key assumption impacted**
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits
Deterioration in economic conditions	Customer visits, spend per visit
Changes in regulation	Customer visits, spend per visit
Changes in taxation	Casino duty

With the exception of a prolonged non-operation of a licence, the directors do not believe that there are any reasonably possible changes to the key assumptions that would result in a material impairment of a UK casino licence. In respect of the two casino licences in Belgium, the recoverable amount equates to the carrying amount, and therefore any negative changes in the assumptions used would separately lead to an impairment. The original assumptions used in the calculation were:

	Original assumption
Gaming win	16.6%
Casino duty	Current rates in Belgium of between 20.0% and 50.0%
Growth rate	2.0%
Discount rate	12.2%

Customer visits and spend per visit are key components of gaming win.

iii) Spanish bingo licences

The carrying value of Spanish bingo licences as at 31 December 2009 was £21.3m (2008: £22.9m).

The inherent value of each Spanish bingo licence is deemed to be an intrinsic part of the value of a club as a whole and is not therefore split out from the assets of each individual bingo club in an impairment review. Each individual bingo club has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount has been determined based on a value in use calculation using cash flow projections from the Group's budget for 2010, the Group's strategic plan for the following two years and a growth rate of 3% thereafter which reflects the long-term opportunity in Spain. Both the Group's budget and strategic plan have been approved by the board of directors.

The key assumptions in the calculation of value in use are customer visits, spend per visit and the discount rate. Customer visits are the number of discrete visits to the bingo club and have been based on recent trends. Spend per visit comprises the average amount of money (net of winnings) spent by a member on bingo games, machines and food and beverages. This has been determined by recent trends.

In 2008, the impact of the recession in Spain resulted in the carrying value of licences at four bingo clubs exceeding their estimated recoverable amount and an impairment charge of £7.9m being recognised. The 2009 impairment review indicates the carrying value of the licences of £21.3m to be appropriate. However, there are possible changes in the key assumptions that could cause further impairments. These are:

Possible change	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits
Deterioration in economic conditions	Customer visits, spend per visit
Changes in regulation	Customer visits, spend per visit

As outlined above, each Spanish bingo licence has been tested for impairment as part of the club as a whole. Accordingly, the sensitivity of each licence to future impairments, arising from changes in the key assumptions, varies at each club. The fall in gaming win required for the recoverable amount to equal the carrying value of the club ranges between 7% and 72%.

(b) Impairment review of property, plant and equipment

Property, plant and equipment and intangible assets are grouped into CGUs which are defined as individual clubs for Mecca Bingo, Top Rank España and Grosvenor Casinos and the whole operation for Rank Interactive.

The key assumptions and sensitivities in the impairment reviews for Rank Interactive, Casinos and Bingo are the same as outlined above for intangible assets.

The recoverable amount of each CGU, including the licence if applicable, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections from the Group's budget for 2010, the Group's strategic plan for the following two years and a growth rate of 2% thereafter (except for Top Rank España where a growth rate of 3% has been used). Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by an experienced surveyor supported by external estate agent advice or, where applicable, offers received.

Any impairment is allocated equally across all assets in a CGU unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets.

(c) Impairment recognised during the year

Impairments of intangible assets and property, plant and equipment are recognised as an exceptional item in operating costs in the income statement. The impairments recognised during the year were as follows:

2009

Grosvenor Casinos

As outlined above, an impairment charge of £1.5m has been recognised in relation to a non-operating casino licence at Liverpool. The licence has been subject to a prolonged period of inactivity, and although the Group continues to investigate uses for the licence, the directors believe it is appropriate to recognise an impairment of £1.5m against the carrying value of £2.0m.

2008

Mecca Bingo

In 2008, an impairment charge of £1.9m was recognised in respect of a small number of clubs where the impact of competitor openings resulted in estimated cash flows that were lower than the carrying value of property, plant and equipment.

Top Rank España

In 2008, an impairment charge of £8.4m was recognised in relation to four bingo clubs where the impact of the recession in Spain resulted in estimated cash flows that were lower than the carrying value of the bingo licences, property, plant and equipment.

Grosvenor Casinos

In 2008, an impairment charge of £2.8m was recognised in respect of a limited number of casinos where the impact of increased competition resulted in estimated cash flows that were lower than the carrying value of property, plant and equipment.

Rank Interactive

In 2008, an impairment charge of £1.4m was recognised in respect of certain software development assets which had no material value in use or resale value.

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	**2008**
	£m	*£m*
Cost		
At 1 January and 31 December	1,515.6	1,515.6
Provision for impairment		
At 1 January	489.3	172.0
Charge for the year	—	317.3
At 31 December	489.3	489.3
Net book amount	1,026.3	1,026.3

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 39.

In 2008, the significant deterioration in the economy and changes in market sentiment towards the betting and gaming industry led to a reduction in the earnings multiples used as a basis for the annual impairment review of the carrying value of the Company's investments in subsidiaries. As a result, an impairment loss of £317.3m was recognised. Following the 2009 impairment review, the directors believe the net book amount remains appropriate.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise UK listed equity investments, which by their nature have no fixed maturity date or coupon rate. The fair value of UK listed equity investments at 31 December 2009 was £nil (2008: £nil) and has been estimated using valuation guidelines based on market prices. The prolonged decline in the fair value of the equities resulted in an impairment loss of £0.1m and cumulative fair value losses of £0.6m, previously recognised in equity, being charged to other financial losses in the income statement in 2008.

15 INVENTORIES

	Group	
	2009	2008
	£m	£m
Raw materials	0.3	0.4
Finished goods	3.4	3.4
	3.7	3.8

The Group wrote down £nil (2008: £nil) of inventories.

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Current				
Trade receivables	2.1	2.7	—	—
Less: provisions for impairment of trade receivables	(0.1)	(1.0)	—	—
Trade receivables — net	2.0	1.7	—	—
Prepayments	17.9	17.4	—	—
Other receivables	6.1	15.2	—	—
Amounts owed by subsidiary undertakings repayable on demand	—	—	43.6	43.6
	26.0	34.3	43.6	43.6
Non-current				
Other receivables	2.1	1.9	—	—
	2.1	1.9	—	—

Group

The carrying values of trade receivables are assumed to approximate to their fair values due to the short-term nature of trade receivables.

As at 31 December 2009, trade receivables of £0.1m (2008: £1.0m) were impaired. The amount of the provision was £0.1m (2008: £1.0m). The ageing of these receivables is as follows:

	2009	2008
	£m	£m
Up to 3 months	—	—
3 to 6 months	—	(0.1)
Over 6 months	(0.1)	(0.9)
	(0.1)	(1.0)

As at 31 December 2009, trade receivables of £0.4m (2008: £0.6m) were past due but not impaired. The ageing of these trade receivables is as follows:

	2009	2008
	£m	*£m*
Up to 3 months	0.2	0.5
3 to 6 months	0.2	0.1
	0.4	0.6

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2009	2008
	£m	*£m*
UK Sterling	1.9	1.6
Euro	0.1	0.1
	2.0	1.7

The movements on the Group provision for impairment of trade receivables are as follows:

	2009	2008
	£m	*£m*
At 1 January	(1.0)	(0.9)
Exchange movement	—	(0.1)
Provision for receivables impairment	—	(0.2)
Receivables written off during the year as uncollectible	0.8	0.1
Unused amounts reversed	0.1	0.1
At 31 December	(0.1)	(1.0)

The creation and release of provision for impaired receivables have been included in other operating costs in the income statement. Amounts charged to the provision for impairment are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Company

The carrying value of amounts due from subsidiary undertakings is assumed to equate to their fair value as all amounts are repayable on demand. The amounts are denominated in UK Sterling and relate to subsidiary undertakings for which there is no history of default.

17 TRADE AND OTHER PAYABLES — CURRENT

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Trade payables	16.9	16.2	—	—
Social security and other taxes	26.9	32.2	—	—
Other payables	62.1	63.5	2.0	2.0
Amounts owed to subsidiary undertakings repayable on demand	—	—	750.7	562.8
	105.9	111.9	752.7	564.8

18 INCOME TAX

	Group	
	2009	2008
	£m	£m
Income tax receivable	0.4	3.9
Income tax payable — continuing operations	(0.3)	(6.6)
Income tax payable — discontinued operations	(26.0)	—
Income tax payable	(26.3)	(6.6)
Net income tax payable	(25.9)	(2.7)

Income tax payable on discontinued operations was included in other non-current liabilities in 2008 and relates to ongoing tax exposures on discontinued operations in overseas jurisdictions and tax planning that has been challenged by the relevant tax authority. The liability represents management's current estimate of the payments that will be required to settle the various issues.

19 FINANCIAL GUARANTEES

The fair value of the guarantees issued by the Company is £1.4m (2008: £1.0m). This is calculated by applying the Company's probability of default, derived from the Company's credit rating, to the 31 December 2009 drawn debt of subsidiaries guaranteed by the Company.

20 BORROWINGS

Borrowings comprise the following:

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Current				
Bank overdrafts	7.3	6.9	—	—
Convertible bonds (net of unamortised facility fees and equity component)	—	158.0	—	158.0
Obligations under finance leases	0.7	0.7	—	—
Other (including accrued interest and unamortised facility fees)	(0.2)	3.3	—	2.7
	7.8	168.9	—	160.7
Non-current				
US Dollar Yankee bonds	8.9	9.9	—	—
Syndicated loan facilities	222.0	150.0	—	—
Obligations under finance leases	12.0	12.7	—	—
Unamortised facility fees	(0.6)	(1.7)	—	—
	242.3	170.9	—	—
Total borrowings	250.1	339.8	—	160.7
Sterling	169.2	329.9	—	160.7
Euros	72.0	—	—	—
US Dollars	8.9	9.9	—	—
Total borrowings	250.1	339.8	—	160.7

During the year ended 31 December 2008, convertible bonds with a par value of £9.5m were redeemed for a cost of £9.1m. The discount arising of £0.4m was recognised in other financial gains in the income statement. The remaining convertible bonds matured in January 2009 and were redeemed at par value from existing facilities. The bonds were convertible at the option of the holder into fully paid ordinary shares at £3.5167 per share. Interest was paid half yearly in January and July. The effective interest rate on the liability portion of the bond was 4.2%. None of the bonds were converted during either year.

At 31st December 2009, there were drawings of £222.0m (2008: £150.0m) on the syndicated bank facility. The facility was signed on 14 April 2007 and consists of a £150.0m term loan and £250.0m multi-currency revolving credit facility. Both the term loan and the revolving credit facility expire in April 2012. Interest is payable on a monthly basis.

Also included in borrowings is US$14.3m (£8.9m) (2008: US$14.3m (£9.9m)) of Yankee bonds which mature in 2018. Interest on the Yankee bonds is payable half yearly in January and July at a rate of 7.125%.

Borrowings include obligations under finance leases, of which £0.7m (2008: £0.7m) expire within one year, £0.8m (2008: £0.7m) expire between one and two years, £2.7m (2008: £2.5m) expire between two and five years, and £8.5m (2008: £9.5m) expire after five years.

The Group complied with all its covenants during the period.

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amount		Fair value	
	2009	2008	2009	2008
	£m	£m	£m	£m
US Dollar Yankee bonds	8.9	9.9	8.7	9.6
Syndicated loan facilities	222.0	150.0	222.0	150.0
Obligations under finance leases	12.0	12.7	12.0	12.7
Unamortised facility fees	(0.6)	(1.7)	(0.6)	(1.7)
Non-current	242.3	170.9	242.1	170.6

Undrawn borrowing facilities

At 31 December 2009, the Group had undrawn committed borrowing facilities available of £178.0m (2008: £250.0m) in respect of which all conditions precedent had been met at that date. These facilities expire in April 2012 and accrue interest at floating rates.

21 DERIVATIVE FINANCIAL INSTRUMENTS

There were no derivative financial instruments at 31 December 2009.

	2008	
	Assets	Liabilities
	£m	£m
Forward exchange contract — net investment hedge	8.9	(14.4)
Forward exchange contract — cash flow hedge	2.3	(0.1)
Total	11.2	(14.5)

There was no ineffectiveness to be recorded.

Nominal values of derivative financial instruments

The nominal values of derivative financial instruments at 31 December 2008 were:

	2008	
	US$m	€m
Forward exchange contract — net investment hedge	94.3	83.0
Forward exchange contract — cash flow hedge	25.7	—

(a) Fair value hedge

There were no interest rate swap contracts at 31 December in either year.

In January 2008, $100m of swaps matured. These swaps hedged the interest due on the 2008 Yankee bonds, which were payable in January and July of each year. For the year ended 31 December 2008, the gain on the fair value hedge instrument was £0.4m and the loss on the underlying 2008 Yankee bond was £0.4m.

(b) Cash flow hedges

At 31 December 2009, the Group did not hold any instruments designated as cash flow hedges.

During the year ended 31 December 2008, the Group entered into a series of currency forwards to hedge the repayment of US Dollar debt and interest due in January 2018. The nominal value of the derivatives at 31 December 2008 was $25.7m with a fair value of £2.2m. These instruments matured in January 2009.

(c) Net investment hedges

The Group has hedged the translation risk on its Euro denominated assets using a Euro denominated loan. The nominal value of the loan at 31 December 2009 was €81.0m (2008: €nil), with a net fair value of £72.0m (2008: £nil). The gain on the retranslation of this borrowing was recognised in equity to offset the loss on translation of the net investment in the subsidiaries. There is no ineffectiveness for the year ending 31 December 2009.

At 31 December 2008, the Group had hedged the translation risk on its Euro denominated assets using a series of forward foreign currency contracts. The nominal value of the contracts at 31 December 2008 was €83.0m, with a net fair value of £(13.5)m.

At 31 December 2008, the Group had hedged the translation risk on its US Dollar denominated liabilities using a series of forward foreign currency contracts. The nominal value of the contracts at 31 December 2008 was $94.3m, with a net fair value of £8.0m.

22 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables	Derivatives used for hedging	Total
	£m	*£m*	*£m*
31 December 2009			
Derivative financial instruments	—	—	—
Trade and other receivables	2.1	—	2.1
Cash and cash equivalents	64.1	—	64.1
Total financial assets as per balance sheet	66.2	—	66.2
31 December 2008			
Derivative financial instruments	—	11.2	11.2
Trade and other receivables	2.7	—	2.7
Cash and cash equivalents	111.7	—	111.7
Total financial assets as per balance sheet	114.4	11.2	125.6

	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
31 December 2009			
Borrowings	—	250.1	250.1
Trade and other payables	—	79.0	79.0
Onerous property leases	—	31.7	31.7
Lease disposal settlements	—	2.5	2.5
Derivative financial instruments	—	—	—
Total financial liabilities as per balance sheet	—	363.3	363.3
31 December 2008			
Borrowings	—	339.8	339.8
Trade and other payables	—	79.7	79.7
Onerous property leases	—	35.2	35.2
Lease disposal settlements	—	4.0	4.0
Derivative financial instruments	14.5	—	14.5
Total financial liabilities as per balance sheet	14.5	458.7	473.2

Company

	Loans and receivables £m	Total £m
31 December 2009		
Trade and other receivables	43.6	43.6
Total financial assets as per balance sheet	43.6	43.6
31 December 2008		
Trade and other receivables	43.6	43.6
Total financial assets as per balance sheet	43.6	43.6

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
	£m	*£m*	*£m*
31 December 2009			
Borrowings	—	—	—
Trade and other payables	—	752.7	752.7
Financial guarantees	1.4	—	1.4
Total financial liabilities as per balance sheet	1.4	752.7	754.1
31 December 2008			
Borrowings	—	160.7	160.7
Trade and other payables	—	564.8	564.8
Financial guarantees	1.0	—	1.0
Total financial liabilities as per balance sheet	1.0	725.5	726.5

23 FINANCIAL RISK MANAGEMENT

Group

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group, where appropriate, uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currency. Group policy is to hedge 90% of material, identified exposures.

The Group has considered movements in US Dollar and Euro over the last five years and has concluded that a 2.1% movement in US Dollar and a 3.7% movement in Euro are reasonable benchmarks.

At 31 December 2009, if the US Dollar had weakened/strengthened by 2.1% against UK Sterling, with all other variables held constant, post-tax profit for the year would have been materially unchanged (2008: £nil higher/lower), mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated borrowings. The majority of US Dollar denominated borrowings matured in January 2008. Equity would also have been unchanged.

At 31 December 2009, if the Euro had weakened/strengthened by 3.7% against UK Sterling, with all other variables held constant, post-tax profit for the year would have been materially unchanged (2008: £nil higher/lower), mainly as a result of foreign exchange gains/losses on translation of Euro denominated cash balances.

ii) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets (excluding cash and cash equivalents), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's only interest bearing assets are cash and cash equivalents (excluding cash floats), which earn floating rate interest.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain between 40% and 60% of its borrowings in fixed rate instruments using interest rate swaps to achieve this where necessary. However, due to the current economic climate the Group has exercised its right to operate outside policy. At 31 December 2009, 9% of the Group's debt was held in fixed rate borrowings (2008: 54%).

During 2009, the Group's borrowings at variable rate were denominated in UK Sterling and Euro (2008: UK Sterling).

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest bearing positions. Based on the simulations performed, the impact on profit or loss of a 100 basis-point shift in UK Sterling borrowings would be a maximum increase of £1.6m (2008: £1.7m) or decrease of £1.6m (2008: £1.7m), respectively. The impact on profit and loss of a 100 basis-point shift in Euro borrowings would be a maximum increase of £0.7m (2008: £nil) or decrease of £0.7m (2008: £nil), respectively.

When appropriate, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily half yearly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Occasionally, the Group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the 60% target.

During 2009, the group did not enter into any fixed-to-floating or floating-to-fixed interest rate swaps.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding receivables.

The Group only deals with banks and financial institutions with which they have a lending or advisory relationship. The creditworthiness of each counterparty is checked against independent credit ratings on at least a weekly basis, with a minimum rating of 'A' required. An internal rating is then allocated and an individual credit limit is

set in accordance with policy set by the board. Management reviews the utilisation of credit limits on a regular basis. In 2008, the Group reduced the credit limit of each of its counterparties and where necessary nil limits were introduced. These have remained in place in 2009.

The Group predominantly uses 'AAA' rated Money Market Funds when investing its surplus cash. The rating and portfolio of each fund is reviewed on at least a weekly basis. In addition to investing the Group's cash with Money Market Funds, the Group invests with lending banks when appropriate.

Sales to retail customers are settled in cash or using major credit cards and therefore the exposure to credit risk is not considered significant.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance of its counterparties.

2009	**Cash** *£m*	**Derivatives** *£m*	**Total** *£m*
AAA	20.4	—	20.4
AA	14.0	—	14.0
A	1.2	—	1.2
Other	1.7	—	1.7
Cash floats	26.8	—	26.8
Cash, cash equivalents and derivative assets	64.1	—	64.1

2008	**Cash** *£m*	**Derivatives** *£m*	**Total** *£m*
AAA	47.9	—	47.9
AA	3.7	5.7	9.4
A	35.8	5.5	41.3
Other	3.4	—	3.4
Cash floats	20.9	—	20.9
Cash, cash equivalents and derivative assets	111.7	11.2	122.9

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying the liquidity requirements of the Group are produced quarterly. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly. Forecast financial headroom and debt covenant compliance are reviewed monthly during the month-end process to ensure sufficient financial headroom exists for at least a 12-month period.

Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A four-year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages its financing requirements and the range of maturities on its debt. The Group has committed financing facilities until April 2012, of which £178.0m (2008: £250.0m) was undrawn at 31 December 2009.

The Group's core debt facility is a £400.0m syndicated bank facility. The Group considers the counterparties to this facility to be of high quality and proactively manages its relationships with its lending group.

The funding policy of the Group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2009	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	8.9	1.7	227.4	24.0
Trade and other payables	79.0	—	—	—
Onerous lease payments	3.5	2.6	6.9	38.9
Lease disposal settlements	0.6	0.6	1.5	—
	92.0	4.9	235.8	62.9
At 31 December 2008	£m	£m	£m	£m
Borrowings	169.6	1.4	155.3	19.5
Derivative financial instruments — gross settled — inflow	106.5	—	—	—
Derivative financial instruments — gross settled — outflow	30.5	—	—	—
Trade and other payables	79.7	—	—	—
Onerous lease payments	3.8	2.9	7.3	42.6
Lease disposal settlements	1.2	0.7	2.1	0.4
	391.3	5.0	164.7	62.5

Capital risk management

During the difficult conditions that have developed in the global capital markets in recent years, the Group's objectives when managing capital have been to ensure continuing access to existing debt facilities and to manage the borrowing cost of those facilities in order to minimise the Group's interest charge. The Group's leverage in 2009 was in line with its revised medium-term strategy, which was to maintain a leverage ratio of 2.0 to 2.5 times and its overall objective is to continue to operate with prudent levels of leverage during the current global financial crisis.

Consistent with others in the gaming industry, the Group monitors capital on the basis of its leverage ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents, less accrued interest, less unamortised facility fees and amounts relating to discontinued operations. EBITDA is calculated as operating profit before exceptional items plus depreciation and amortisation.

The leverage ratios at 31 December 2009 and 2008 were as follows:

	Note	**2009** *£m*	**2008** *£m*
Total borrowings	20	250.1	339.8
Less: Cash and cash equivalents		(64.1)	(111.7)
Less: Accrued interest		(0.6)	(4.0)
Less: Unamortised facility fees		1.4	2.4
Net debt		186.8	226.5
Continuing operations:			
Operating profit before exceptionals		58.0	60.3
Add: Depreciation and amortisation		25.9	26.3
EBITDA		83.9	86.6
Leverage ratio		2.2	2.6

Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term bonds. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of quoted borrowings is based on year-end mid-market quoted prices. The fair values of other borrowings and the derivative financial instruments are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end.

Company

The Company has no financial instruments apart from insignificant levels of cash, therefore the Company does not have any significant exposure to financial risks.

24 Deferred tax

The analysis of deferred tax included in the financial statements at the end of the year is as follows:

	Group	
	2009	**2008**
	£m	*£m*
Deferred tax assets		
Accelerated capital allowances	34.6	41.3
Tax losses carried forward	10.1	15.7
Deferred tax assets	44.7	57.0
Deferred tax liabilities		
Other overseas timing differences	(6.3)	(6.9)
Business combinations — non-qualifying properties	(1.8)	(1.9)
Other UK timing differences	(19.4)	(11.8)
Deferred tax liabilities	(27.5)	(20.6)
Net deferred tax asset	17.2	36.4

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities of £21.2m (2008: £13.7m) have been offset and disclosed on the balance sheet as follows:

	Group	
	2009	**2008**
	£m	*£m*
Deferred tax assets	23.5	43.3
Deferred tax liabilities	(6.3)	(6.9)
Net deferred tax asset	17.2	36.4

The deferred tax assets recognised are recoverable against future taxable profits that the directors consider more likely than not to occur on the basis of management forecasts.

The amount of unrecognised deferred tax assets, which arise solely in respect of unused income tax losses, was as follows:

	Group	
	2009	**2008**
	£m	*£m*
Expiring in 2017	8.3	9.0
No expiry date	0.3	2.2
Unrecognised deferred tax assets	8.6	11.2

Temporary differences associated with Group investments

There was no deferred tax liability recognised (2008: £nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries. The Group has determined that the unremitted earnings will not be distributed in the foreseeable future and the parent company does not foresee giving such consent at the balance sheet date.

The Company had no deferred tax asset or liability in either year.

The deferred tax included in the Group income statement is as follows:

	Group	
	2009	**2008**
	£m	*£m*
Deferred tax in the income statement		
Accelerated capital allowances	(6.8)	3.3
Deferred tax movement on fair valued assets	0.2	0.6
Tax losses	(3.6)	(8.5)
Other timing differences	(7.8)	34.9
Total deferred tax (expense) credit	(18.0)	30.3
Continuing operations	(16.6)	30.3
Discontinued operations	(1.4)	—
Total deferred tax (expense) credit	(18.0)	30.3

The deferred tax movement on the balance sheet is as follows:

	Group	
	2009	**2008**
	£m	*£m*
Net deferred tax asset at 1 January	36.4	6.0
Exchange adjustments	0.6	(2.1)
Deferred tax (expense) credit	(18.0)	30.3
Deferred tax on items included in equity	(1.8)	2.2
Net deferred tax asset at 31 December	17.2	36.4

25 OTHER NON-CURRENT LIABILITIES

	Group	
	2009	**2008**
	£m	*£m*
Deferred consideration	0.3	—
UK corporation tax and overseas taxation	18.5	38.8
	18.8	38.8

UK corporation tax and overseas taxation of £18.5m (2008: £38.8m) relates to ongoing tax exposures on discontinued operations in overseas jurisdictions and tax planning that has been challenged by the relevant tax authority. The liability represents management's current estimate of the payments that will be required to settle the various issues.

26 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

The maturity profile of provisions is as follows:

2009			
Within one year	2.9	6.1	9.0
Between one and two years	2.1	2.1	4.2
Between two and five years	5.0	4.2	9.2
Over five years	21.2	—	21.2
	31.2	12.4	43.6
2008			
Within one year	3.8	9.2	13.0
Between one and two years	2.3	7.7	10.0
Between two and five years	5.9	4.9	10.8
Over five years	22.1	0.4	22.5
	34.1	22.2	56.3

Provisions have been based on management's best estimate of the future cash flows, taking into account the risks associated with each obligation, and have been discounted at a risk free interest rate of 4.1% (2008: 3.6%) where the effects of inflation will have a material impact.

Onerous leases

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. These leases have an unexpired life of between under one year and 80 years.

Disposal provisions

The disposal provisions held at 31 December comprise the following:

	2009	2008
	£m	£m
Onerous leases	0.5	1.1
Deferred payments arising on lease settlement and related costs	2.5	4.0
Insurance claims	4.3	6.0
Warranty claims	—	5.0
Other	5.1	6.1
Total disposal provisions	12.4	22.2

Provision has been made for outstanding insurance claims, deferred payments arising from the settlement of a US lease obligation and other directly attributable costs arising as a consequence of the sale or closure of the businesses. The timing of any insurance claims is uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates.

27 SHARE CAPITAL

	2009 Authorised		2008 Authorised	
	Number	Nominal value	Number	Nominal value
	m	£m	m	£m
Ordinary shares of $13^{8}/_{9}$p each	1,296.0	180.0	1,296.0	180.0

	2009 Issued and fully paid		2008 Issued and fully paid	
	Number	Nominal value	Number	Nominal value
	m	£m	m	£m
At 1 January and 31 December —				
Ordinary shares of $13^{8}/_{9}$p each	390.5	54.2	390.5	54.2

There were no movements in authorised or issued ordinary shares in either year.

1,059,826 (2008: 1,059,826) ordinary shares in the Company are held by the Rank Group Employee Benefit Trust ('the Trust'). The amount paid to acquire the shares has been deducted from retained earnings within shareholders' equity.

Dividends on the shares held by the Trust have been waived by the trustees with the exception of one penny in respect of each dividend that is paid by the Company. The Trust may make such investments in the shares of the Company or otherwise as the trustees may determine to provide benefits to any eligible employee. The benefits may be provided in the form of shares, cash or otherwise, although any share-related benefit will be provided in accordance with an appropriate employee share scheme or bonus scheme of the Company. The shares held by the Trust represent less than 0.3% (2008: 0.3%) of the Company's called-up share capital. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2009 was £0.9m (2008: £0.7m).

28 CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Continuing operations				
Operating profit (loss)	60.8	(9.1)	(0.2)	—
Exceptional items	(2.8)	69.4	—	—
Operating profit (loss) before exceptional items	58.0	60.3	(0.2)	—
Depreciation and amortisation	25.9	26.3	—	—
Decrease (increase) in working capital	2.5	4.2	0.1	(0.1)
Other	0.9	(0.6)	0.2	—
	87.3	90.2	0.1	(0.1)
Net cash (payments) receipts in respect of exceptional items and provisions	(17.6)	32.3	—	—
Cash generated from (used in) operations	69.7	122.5	0.1	(0.1)

The net receipt in respect of exceptional items and provisions in 2008 of £32.3m primarily related to the prior year element of the £59.1m VAT recovery net of the cash utilisation of provisions, including the settlement of the Group's lease obligation in relation to its remaining plant in the US.

29 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Cash at bank and in hand	42.1	40.4	—	—
Current asset investments	22.0	71.3	—	—
Cash and cash equivalents	64.1	111.7	—	—

The analysis of cash and cash equivalents by currency is as follows:

Sterling	55.9	102.9	—	—
Euro	7.5	8.0	—	—
Other currencies	0.7	0.8	—	—
Cash and cash equivalents	64.1	111.7	—	—

The fair value of cash and current asset investments equals their carrying amount as the impact of discounting is not significant.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statements:

		Group		Company	
		2009	2008	2009	2008
	Note	£m	£m	£m	£m
Cash and cash equivalents		64.1	111.7	—	—
Bank overdrafts	20	(7.3)	(6.9)	—	—
Cash, cash equivalents and bank overdrafts		56.8	104.8	—	—

30 ACQUISITION OF BUSINESSES

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

The fair value of the identifiable assets and liabilities at the date of acquisition and a reconciliation to the cash outflow on acquisition of businesses, were as follows:

	2009
	£m
Assets	
Intangible assets	0.1
Property, plant and equipment	0.7
Cash and cash equivalents	0.1
	0.9
Liabilities	
Trade and other payables	(0.2)
Net assets acquired	0.7
Goodwill arising on acquisition	—
Purchase consideration	0.7
Less: deferred consideration	(0.4)
Less: cash and cash equivalents acquired	(0.1)
Cash outflow in relation to current year acquisition	0.2
Add: deferred consideration paid in respect of prior year acquisitions	0.1
Cash outflow on acquisition of businesses	0.3

During 2008, the Group paid £3.8m in deferred consideration, primarily in relation to the acquisition of its two casinos in Belgium in 1998 following settlement of a legal case with the vendor.

31 EMPLOYEES AND DIRECTORS

(a) Employee benefit expense for the Group during the year

	2009	**2008**
	£m	*£m*
Wages and salaries	147.9	138.9
Social security costs	15.9	15.0
Pension costs	2.5	3.5
Share-based payments	0.9	—
	167.2	157.4

The Company has no employees. The directors of the Group are paid by a subsidiary undertaking.

(b) Average monthly number of employees by segment

	2009	2008
Mecca Bingo	3,737	3,596
Top Rank España	581	592
Grosvenor Casinos	3,430	3,160
Rank Interactive	192	176
Central	245	228
	8,185	7,752

(c) Key management compensation

	2009	2008
	£m	*£m*
Salaries and short-term employee benefits	4.1	3.9
Termination benefits	0.4	0.8
Post-employment benefits	0.4	0.4
Share-based payments	0.9	(0.2)
	5.8	4.9

Included in key management compensation are bonuses of £1.3m in respect of the current year that will be paid next year (2008: £0.8m).

Key management is defined as the directors of the Group and the executive management team. Details of the executive management team are set out on page 41 and further details of emoluments received by directors are included in the remuneration report.

(d) Directors' interests

The directors' interests in shares of the Company, including options to purchase ordinary shares under the terms of the Group's Executive Share Option Scheme, and conditional awards under the Long Term Incentive Plan, are detailed in the remuneration report. Details of options to subscribe for ordinary shares of the Company granted to or exercised by directors in the year ended 31 December 2009 are also detailed in the remuneration report.

(e) Total emoluments of the directors of The Rank Group Plc

	2009	2008
	£m	*£m*
Aggregate emoluments	2.1	2.4

There were no gains on the exercise of share options by directors in either year.

No director accrued benefits under defined benefit pension schemes in either year.

Further details of emoluments received by directors are included in the remuneration report.

32 SHARE-BASED PAYMENTS

During the year ended 31 December 2009, the Company operated the Save-As-You-Earn ('SAYE') share option scheme, the Executive Share Option Scheme ('ESOS') and the Long Term Incentive Plan ('LTIP'). Details of these schemes are included in the remuneration report on pages 50 to 52.

The number and weighted average exercise prices ('WAEP') of, and movements in, each of the share option arrangements (SAYE and ESOS) during the year are shown below, together with the weighted average share price ('WASP') at the date of exercise where applicable:

	Outstanding 1 January 2009	Granted during 2009	Exercised during 2009	Expired during 2009	Forfeited during 2009	Outstanding 31 December 2009	Exercisable 31 December 2009
ESOS							
Number of shares	1,641,490	—	—	(1,361,271)	—	280,219	280,219
WAEP	243.99p	—	—	240.07p	—	263.01p	263.01p
WASP	—	—	—	—	—	—	—
SAYE (three year)							
Number of shares	1,359,483	—	—	(473,921)	(30,321)	855,241	—
WAEP	162.62p	—	—	181.29p	147.00p	152.83p	—
WASP	—	—	—	—	—	—	—
SAYE (five year)							
Number of shares	792,119	—	—	(359,643)	(36,987)	395,489	—
WAEP	175.85p	—	—	186.17p	174.57p	166.58p	—
WASP	—	—	—	—	—	—	—

	Outstanding 1 January 2008	Granted during 2008	Exercised during 2008	Expired during 2008	Forfeited during 2008	Outstanding 31 December 2008	Exercisable 31 December 2008
ESOS							
Number of shares	4,878,595	—	—	(82,872)	(3,154,233)	1,641,490	345,774
WAEP	271.86p	—	—	336.27p	284.68p	243.99p	263.07p
WASP	—	—	—	—	—	—	—
SAYE (three year)							
Number of shares	2,659,923	—	—	(1,193,388)	(107,052)	1,359,483	—
WAEP	158.37p	—	—	152.73p	167.26p	162.62p	—
WASP	—	—	—	—	—	—	—
SAYE (five year)							
Number of shares	1,292,759	—	—	(454,916)	(45,724)	792,119	—
WAEP	171.60p	—	—	164.04p	173.20p	175.85p	—
WASP	—	—	—	—	—	—	—

The share options outstanding at the year end have the following range of exercise prices and expiry dates as follows:

	Outstanding at 31 December 2009			Outstanding at 31 December 2008		
	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option
ESOS	187.50p–271.00p	2.3 years	280,219	187.50p–320.33p	6.3 years	1,641,490
SAYE (three year)	139.00p–187.00p	1.1 years	855,241	139.00p–268.00p	1.9 years	1,359,483
SAYE (five year)	139.00p–268.00p	2.8 years	395,489	139.00p-268.00p	2.9 years	792,119

The estimated fair values for each of the ESOS and SAYE awards granted are calculated using a Black-Scholes pricing model. The fair value of LTIP awards is calculated using a Monte Carlo model approach, and indicates the proportion of shares likely to vest. For grants made subject to an EPS performance condition, the expense is based on expectations of these conditions being met, which are reassessed at each balance sheet date.

There have been no ESOS or SAYE awards granted during either year.

The expected life of LTIP awards is determined by the performance period. Details of the expected life and the weighted average fair value per share of the LTIP awards during the year were as follows:

	2009	2008
Expected life of award	2.33 years	3 years
Weighted average fair value per share	77.75p	78.75p

The Group recognised a £0.9m charge in operating profit from accounting for share-based payments in accordance with IFRS 2 (2008: £nil).

National Insurance contributions are payable in respect of some share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments, and as such are treated as cash-settled awards. The Group has recorded liabilities at the end of 2009 of £0.1m (2008: £0.2m) of which £nil (2008: £nil) was in respect of vested grants.

33 RETIREMENT BENEFITS

The Group operated the Rank Pension Plan ('the Plan'), a defined benefit plan for UK employees, until 27 June 2008 when it was transferred to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs). The Plan had been closed to new entrants since 2000. The Group's other pension arrangements include the Rank Group Stakeholder Pension Plan which replaced the Rank Money Purchase Pension Scheme in 2006. The Rank Money Purchase Pension Scheme is currently being wound up. The schemes are externally funded and the funds' assets are held separately from Group assets.

In respect of the Rank Pension Plan, the accounting period was extended to 30 June 2008 to take account of the transfer of all assets and liabilities to Rothesay Life. The Plan accounts have been reported on by their auditors without qualification.

In respect of the Rank Money Purchase Pension Scheme, accounts to 5 October 2007 included the transfer of all member liabilities to individual Section 32A policies and have been reported on by the Scheme auditors without qualification.

Defined benefit plan

The Plan was a defined benefit scheme with pensions fixed by reference to final pay and length of service. On 27 June 2008, the Group completed the transfer of the assets and liabilities of the Plan to Rothesay Life. The transfer secured the accrued benefits for the members of the Plan and removed all financial risks and liabilities in relation to the Plan from the Group. Further details of the resulting loss on transfer are disclosed in note 4.

Formal actuarial valuations of the Plan were carried out at least triennially by an independent actuary, Mercer Human Resource Consulting Limited. The final valuation was undertaken as at 5 April 2007.

The actuarial valuation of the Plan was updated by an independent actuary to the date of transfer.

The disclosures relating to the Plan up until transfer are provided below:

	2008	2007	2006	2005
	£m	*£m*	*£m*	*£m*
Assets	—	740.8	711.0	636.5
Liabilities	—	(610.1)	(635.2)	(674.7)
Net defined benefit pension asset (liability)	—	130.7	75.8	(38.2)

Change in plan assets

	2008
	£m
Fair value of plan assets at beginning of year	740.8
Expected return on plan assets	20.3
Actuarial losses	(1.2)
Total actual return on plan assets	19.1
Employer contributions (includes benefits paid and reimbursed)	2.3
Member contributions	0.6
Benefits paid (by fund and Company)	(18.6)
Settlement on transfer of the Plan	(744.2)
Fair value of plan assets at end of year	—

Change in benefit obligation

	2008
	£m
Benefit obligation at beginning of year	(610.1)
Current service cost	(0.7)
Past service cost	(1.0)
Interest cost	(16.7)
Plan members' contributions	(0.6)
Actuarial losses	(6.5)
Curtailment gain	10.5
Benefits paid	18.6
Settlement on transfer of the Plan	606.5
Benefit obligation at end of year	—

Components of pension cost

	2008
	£m
Current service cost	0.7
Amortisation of prior service cost	1.0
Total pension charge recognised in operating profit in the income statement	1.7
Interest cost	16.7
Expected return on plan assets	(20.3)
Total pension credit recognised in financing in the income statement	(3.6)
Total net pension credit recognised in the income statement	(1.9)

Statement of comprehensive income ('SOCI')

	2008	2007	2006	2005
	£m	*£m*	*£m*	*£m*
Actuarial gains and losses immediately recognised:				
Experience gains and losses	—	—	39.7	—
Changes in assumptions	(6.5)	32.5	11.5	(75.9)
Actual return less expected return in assets	(1.2)	(7.7)	6.9	60.1
Section 75 contribution	—	—	24.0	—
Total pension (expense) credit recognised in the SOCI before taxation	(7.7)	24.8	82.1	(15.8)
Taxation	2.2	(7.4)	(17.4)	2.4
Total pension (expense) credit recognised in the SOCI	(5.5)	17.4	64.7	(13.4)

The cumulative pension credit before taxation recognised in the statement of comprehensive income, up until the date of transfer of the Plan, was £113.0m.

To develop the expected long-term rate of return on assets assumption set at 31 December 2007, the Company considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. Over the course of 2007, the Plan's investment strategy changed and a series of derivatives were implemented to remove risk within the portfolio. The value of the derivative instruments was contained within the asset values at 31 December 2007 and reflected in the expected return for 2008. Following the transfer of the Plan in 2008, no assumptions are applicable for the Group going forward.

Weighted average assumptions used to determine net pension expense for year ended:

	2008
	% p.a.
Discount rate	5.7
Expected long-term return on plan assets	5.4
Rate of compensation increase	4.6

Defined contribution scheme

During the year to 31 December 2009, the Group contributed a total of £2.5m (2008: £1.8m) to defined contribution schemes.

There were no significant contributions outstanding.

Other pension commitment

The Group has an unfunded pension commitment relating to three former executives of the Group. At 31 December, the Group's commitment was £2.9m (2008: £2.5m). The Group paid £0.1m (2008: £0.1m) in pension payments during the year. The actuarial loss arising on the commitment, resulting from the changes in assumptions outlined below in 2009, was £0.5m (2008: £nil) before taxation and £0.4m after taxation (2008: £nil). The cumulative amount of actuarial losses on the commitment recognised in the statement of comprehensive income before taxation was £0.5m (2008: £nil).

Assumptions used to determine the obligations at 31 December:

	2009	**2008**
	% p.a.	*% p.a.*
Discount rate	5.7%	6.3%
Pension increases	3.8%	2.5%

The mortality table used to determine the obligation in both years was the PA92 (YOB) mc with a 1.5% p.a. minimum improvement.

34 LEASE COMMITMENTS

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties, plant and items of machinery. These leases have durations of between under one year and over 100 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2009	**2008**
Group	*£m*	*£m*
Not later than one year	40.0	40.2
After one year but not more than five years	140.0	145.0
After five years	292.5	323.6
	472.5	508.8

	2009	**2008**
	£m	*£m*
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	51.7	62.0

Finance leases where the Group is lessee

The minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2009	**2008**	**2009**	**2008**
Group	*£m*	*£m*	*£m*	*£m*
Not later than one year	1.6	1.7	0.7	0.7
After one year but not more than five years	6.5	6.5	3.5	3.2
More than five years	11.9	13.4	8.5	9.5
	20.0	21.6	12.7	13.4
Less future finance charges	(7.3)	(8.2)		
Present value of minimum lease payments	12.7	13.4		

	2009	**2008**
	£m	*£m*
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	2.3	2.5

35 CAPITAL AND OTHER FINANCIAL COMMITMENTS

	Group	
	2009	**2008**
	£m	*£m*
Contracts placed for future capital expenditure not provided in the financial information	1.5	1.3

Contracts placed for future capital expenditure primarily relate to property, plant and equipment.

The Company had no capital commitments in either year.

36 CONTINGENT ASSETS

Group

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 Unions principle 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 37).

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.

37 CONTINGENT LIABILITIES

Group

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.

Company

	2009	**2008**
	£m	*£m*
Guarantees of advances to subsidiary undertakings	236.8	166.6

No security has been given in respect of any contingent liability.

38 RELATED PARTY TRANSACTIONS

Group

On 27 June 2008, the Group completed the transfer of the assets and liabilities of the Rank Pension Plan ('the Plan'), a defined benefit scheme, to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs). As part of the transfer the Group received £3.7m to cover expenses which the Group has agreed to pay on behalf of the trustees. The balance of costs still to be paid at the reporting date was £0.2m (2008: £0.3m).

Prior to the transfer, the Group recharged the Plan with the costs of administration and independent pension advisers borne by the Group. The total amount recharged in 2008, in addition to the £3.7m disclosed above, was £0.3m.

Company

The following transactions with subsidiaries occurred in the year:

	2009	**2008**
	£m	*£m*
Interest payable	37.2	43.7

During the year, Rank Group Finance Plc, a subsidiary of the Company, provided additional cash funding to the Company of £161.1m. The funding was primarily used to repay the convertible bonds of £158.2m and related interest. Full details of how the funding was utilised are disclosed in the Company cash flow statement on page 62.

39 PRINCIPAL SUBSIDIARIES

Except where otherwise stated, The Rank Group Plc owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies. All subsidiary undertakings are included in the consolidation.

The principal operations are carried out in the country of incorporation as indicated below.

The companies all have a 31 December year end.

The Group comprises a large number of companies and it is not practical to list all of them below. The list therefore includes those companies which the directors consider principally affect the consolidated results or financial position of the Group. Particulars of all Group companies will be annexed to the next Annual Return submitted to the Registrar of Companies.

	Country of incorporation	**Principal activities**
Mecca Bingo Limited	England and Wales	Social and bingo clubs
Rank Leisure Limited	England and Wales	Adult gaming centres reported in Mecca Bingo and Grosvenor Casinos segments
Rank Holding España SA	Spain	Owns the Group's investments in Top Rank España
Grosvenor Casinos Limited	England and Wales	London and provincial casinos
Blue Square Gaming (Alderney) Limited	Alderney	Interactive gaming
Rank Interactive Development Limited	England and Wales	Support services to interactive gaming
Blue Square Limited*	England and Wales	Support services to interactive gaming
Rank Group Gaming Division Limited	England and Wales	Intermediary holding company and provision of shared services
Rank Leisure Holdings Limited	England and Wales	Intermediary holding company and corporate activities
Rank Nemo (Twenty-Five) Limited*	England and Wales	Intermediary holding company
Rank Overseas Holdings Limited	England and Wales	Intermediary holding company
Rank Holdings (Netherlands) BV	Holland	Intermediary holding company
Rank Group Finance Plc*	England and Wales	Funding operations for the Group

* directly held by the parent company

DIFFERENCES BETWEEN HONG KONG FINANCIAL REPORTING STANDARDS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The audited consolidated financial statements of Rank for each of the three years ended 31 December 2008, 2009 and 2010 set forth herein have been prepared in accordance with IFRS. There is no principal difference between IFRS and HKFRS as currently adopted by the Guoco Group which may have a material impact on the financial statements of Rank.

OTHER INFORMATION

The following is Rank's trading update for 15 weeks to 10 April 2011 as extracted from the announcement of Rank dated 14 April 2011.

The Rank Group Plc ('Rank' or the 'Group') announces 2% growth in revenue for the first 15 weeks of the financial year, largely driven by increases in customers and customer visits.

Both Rank Interactive and Mecca Bingo achieved strong growth in revenue but the performance of Grosvenor Casinos was constrained by an unusually low win margin in its London venues at the start of the year. Trading at Top Rank Espana was negatively affected by the introduction of a full smoking ban on 2 January 2011.

	Group and segmental revenue to 10 April 2011*	
	Like-for-like**	Total
Grosvenor Casinos	0%	0%
Mecca Bingo	4%	4%
Top Rank Espana***	(20)%	(20)%
Rank Interactive	23%	23%
Group	2%	2%

* Figures not adjusted for free bets, promotions and customer bonuses.

** Like-for-like excludes the effects of club openings, closures and relocations.

*** Top Rank Espana performance not adjusted for currency movement. In euros, revenue fell by 18%.

Grosvenor Casinos

	Like-for-like	Total
Customer visits	12%	13%
Spend per visit	(11)%	(11)%
Revenue	0%	0%

Revenue from Grosvenor Casinos was in line with the same period in 2010, despite strong growth in customer visits. On a like-for-like basis, customer visits rose by 12% but spend per visit decreased by 11%, due largely to a low win margin in our London casinos.We have continued to

invest in the enhancement and expansion of our casinos estate. Later this month, we will relaunch our Plymouth casino following its conversion to the G Casino format. We remain on track to achieve our target of at least 20 G Casinos by the end of 2012.

Mecca Bingo

	Like-for-like	Total
Customer visits	0%	0%
Spend per visit	4%	4%
Revenue	4%	4%

Mecca Bingo revenue rose by 4% in the 15-week period as a result of growth in spend per visit. Customer visits were in line with the same period in 2010 while spend per visit increased by 4% (despite the negative effect of the rise in VAT). The business achieved particularly strong growth in sales of food and drink, reflecting service improvements and increased management focus on this area.

We have agreed the sale of our Southampton club premises for £600,000 (subject to planning permissions) and will close the club in May.

Top Rank Espana

	Like-for-like	Total
Customer visits	(9)%	(9)%
Spend per visit	(12)%	(12)%
Revenue	(20)%	(20)%

Revenue from Top Rank Espana declined by 20% in Sterling and 18% in euro terms, as customers reacted negatively to the full smoking ban. Customer visits declined by 9% whilst spend per visit was down 12%.

We are taking steps to mitigate the impact of the ban, focusing on improving the experience for all of our customers and keeping tight control over costs.

Rank Interactive

	Like-for-like	Total
Games	20%	20%
Sports	40%	40%
Revenue	23%	23%

Rank Interactive achieved a 23% increase in revenue due to strong growth from Bluesq.com and Meccabingo.com. We are particularly encouraged by the growth in the number of customers enjoying our brands via online and mobile channels.

Financial position

On 22 March 2011, Rank announced the receipt of £74.8m from HM Revenue & Customs relating to VAT overpaid on games of bingo. Since then the Group has received an additional £79.5m in associated interest (in line with the guidance published on 22 March 2011).

The European Court of Justice is to rule on these and other claims submitted by Rank with final resolution expected during 2012.

Legislative and regulatory changes

In Britain, the Department for Culture, Media and Sport has proposed measures to enhance the quality and range of amusement machines available in licensed bingo clubs. The consultation process for the proposals concluded on 25 January 2011 and we await a further announcement. In line with Group policy, Rank has published its response to the consultation.

In Belgium, the government has announced that a full ban on smoking in enclosed public places (including casinos) will be implemented on 1 July 2011. We are in the process of implementing a plan to mitigate the effect of the ban on our two Belgian casinos.

Outlook

Rank has made a positive start to the year with growth in customers and customer visits and a significant strengthening of the balance sheet. Despite the challenges facing our businesses, the Group remains confident in its prospects for the year and the achievement of its longer-term ambitions.

Notes to editors:

1. Analysts' forecasts

Consensus forecasts compiled and published by Rank (at www.rank.com/investors) show a range of analyst estimates for FY11 adjusted earnings per share of 10.3p to 11.2p, with a mean of 10.9p.

2. About The Rank Group Plc

The Rank Group Plc is a leading European gaming and betting business, based in the UK and listed on the London Stock Exchange (RNK.L). Its principal activities are the operation of bingo clubs and casinos with complementary interactive gaming and bookmaking services.

Rank's operations comprise:

- Grosvenor Casinos — 35 casinos in Great Britain; two casinos in Belgium
- Mecca Bingo — 103 bingo clubs in Great Britain
- Top Rank Espana — 11 bingo clubs in Spain
- Rank Interactive — online and mobile gaming and betting. Branded websites include bluesq.com, meccabingo.com and gcasino.com.

Rank's businesses receive more than 22 million customer visits per year and the Group employs more than 8,900 team members.

For more information about The Rank Group, visit www.rank.com.

3. G Casino

G Casino is a modern gaming-based leisure venue. Launched in Manchester in June 2006, G Casino was extended to 14 locations in February with the conversion of G Walsall. G Casino is differentiated from most traditional casinos through its broad range of gaming and non-gaming activities, with large poker rooms, sports lounges, restaurants and stylish bars as well as traditional and electronic casino games.

G Casino attracts significantly higher levels of customer visits and has a higher proportion of female customers than traditional casinos.

1 RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the HK Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2 DISCLOSURE OF INTEREST

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HK Stock Exchange pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") were disclosed as follows in accordance with the HK Listing Rules. Certain information herein is based on additional information of the relevant events on or before the Latest Practicable Date with the disclosure deadlines under the SFO falling after the Latest Practicable Date.

(A) The Company

	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of the Company	
Director	**Personal interests**	**Corporate interests**	**Total interests**		*Notes*
Quek Leng Chan	1,056,325	245,025,391	246,081,716	74.79%	1
Kwek Leng Hai	3,800,775	—	3,800,775	1.16%	
Sat Pal Khattar	—	691,125	691,125	0.21%	2
Kwek Leng San	209,120	—	209,120	0.06%	
Tan Lim Heng	566,230	—	566,230	0.17%	
Ding Wai Chuen	5,000	—	5,000	0.00%	

* *Ordinary shares unless otherwise specified in the Notes*

Notes:

1. The total interests of 246,081,716 shares/underlying shares comprised 240,881,716 ordinary shares of the Company and 5,200,000 underlying shares of other unlisted derivatives.

   The corporate interests of 245,025,391 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	235,198,529
GuoLine Capital Limited ("GCL")	5,200,000
Asian Financial Common Wealth (PTC) Limited ("AFCW")	4,026,862
Chaghese Limited ("CL")	600,000

AFCW was wholly owned by the Company which was in turn 71.48% owned by GOL. GOL and GCL were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HLCM was 48.96% owned by Mr Quek Leng Chan as to 2.424% under his personal name and 46.534% via HL Holdings Sdn Bhd which was wholly owned by him.

CL was wholly owned by Mr Quek Leng Chan.

2. The corporate interests of 691,125 shares were directly held by Khattar Holdings Pte Ltd which was 51% owned by Mr Sat Pal Khattar.

(B) Associated Corporations

a) Hong Leong Company (Malaysia) Berhad ("HLCM")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLCM	
Quek Leng Chan	390,000	7,487,100	7,877,100	48.96%	*Note*
Kwek Leng Hai	420,500	—	420,500	2.61%	
Kwek Leng San	117,500	—	117,500	0.73%	

* *Ordinary shares*

Note:

The corporate interests of 7,487,100 shares were held by HL Holdings Sdn Bhd which was in turn wholly owned by Mr Quek Leng Chan.

b) GuocoLand Limited ("GLL")

Director	Number of *shares/underlying shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of GLL	*Notes*
Quek Leng Chan	13,333,333	872,691,462	886,024,795	74.87%	1
Kwek Leng Hai	35,290,914	—	35,290,914	2.98%	
Sat Pal Khattar	1,222,221	17,253,087	18,475,308	1.56%	2
Tan Lim Heng	1,337,777	—	1,337,777	0.11%	
Volker Stoeckel	1,461,333	—	1,461,333	0.12%	

* *Ordinary shares unless otherwise specified in the Notes*

Notes:

1. The total interests of 886,024,795 shares/underlying shares comprised 831,041,363 ordinary shares of GLL, 46,258,994 underlying shares of other unlisted derivatives and 8,724,438 underlying shares of other listed derivatives.

   The corporate interests of 872,691,462 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
GuocoLand Assets Pte Ltd ("GAPL")	772,032,426
GuoLine Capital Limited ("GCL")	46,258,994
Hong Leong Assurance Berhad ("HLA")	8,497,338
Hong Leong Insurance (Asia) Limited" ("HLIA")	227,100
Newton (Cayman) Limited ("NCL")	32,258,318
Chaghese Limited ("CL")	13,417,286

   HLIA and HLA were wholly owned by HLA Holdings Sdn Bhd which was in turn wholly owned by Hong Leong Financial Group Berhad ("HLFG"). HLFG was 77.31% owned by Hong Leong Company (Malaysia) Berhad ("HLCM").

   NCL was wholly owned by Newton Resources Sdn Bhd which was in turn wholly owned by Newton (L) Limited. Newton (L) Limited was wholly owned by Newton Capital Group Limited which was in turn 2.424% owned by Mr Quek Leng Chan and 46.534% owned by HL Holdings Sdn Bhd.

   GAPL was wholly owned by the Company. The respective controlling shareholders of the Company, CL, GCL and HLCM as well as their respective percentage control are shown in the Note under Part (A) above.

2. The corporate interests of 17,253,087 shares comprised the respective direct interests held by:

	Number of shares
Khattar Holdings Pte Ltd ("KHP")	15,919,754
Espeekay Holdings Pte Ltd ("EHP")	1,333,333

   KHP and EHP were 51% and 50% owned by Mr Sat Pal Khattar respectively.

c) Hong Leong Financial Group Berhad ("HLFG")

	Number of *shares/underlying shares (Long Position)			**Approx. % of the issued share capital of HLFG**	
Director	**Personal interests**	**Corporate interests**	**Total interests**		
Quek Leng Chan	4,989,600	856,803,000	861,792,600	81.86%	*Note*
Kwek Leng Hai	2,316,800	—	2,316,800	0.22%	
Kwek Leng San	600,000	—	600,000	0.06%	
Tan Lim Heng	245,700	—	245,700	0.02%	

* *Ordinary shares unless otherwise specified in the Note*

Note:

The total interests of 861,792,600 shares/underlying shares comprised 824,903,500 ordinary shares of HLFG and 36,889,100 underlying shares of other unlisted derivatives.

The corporate interests of 856,803,000 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	546,773,354
Hong Leong Share Registration Services Sdn Bhd ("HLSRS")	3,600
GuoLine Capital Limited ("GCL")	36,889,100
Guoco Assets Sdn Bhd ("GASB")	267,079,946
Soft Portfolio Sdn Bhd ("SPSB")	6,057,000

GASB was wholly owned by the Company. HLSRS was wholly owned by HLCM Capital Sdn Bhd which was in turn 35.21% and 64.79% owned by HLCM and Adjuvant (M) Sdn Bhd ("AMSB") respectively. AMSB was wholly owned by HLCM.

The respective controlling shareholders of the Company, HLCM and GCL as well as their respective percentage control are shown in the Note under Part (A) above.

SPSB was 99% owned by Mr Quek Leng Chan.

d) GuocoLand (Malaysia) Berhad ("GLM")

	Number of *shares/underlying shares (Long Position)				
Director	**Personal interests**	**Corporate interests**	**Total interests**	**Approx. % of the issued share capital of GLM**	
Quek Leng Chan	19,506,780	482,754,896	502,261,676	71.70%	*Note*
Kwek Leng Hai	226,800	—	226,800	0.03%	
Sat Pal Khattar	152,700	—	152,700	0.02%	
Tan Lim Heng	326,010	—	326,010	0.05%	

* *Ordinary shares*

Note:

The total interests of 502,261,676 shares/underlying shares comprised 474,705,376 ordinary shares of GLM and 27,556,300 underlying shares of other unlisted derivatives.

The corporate interests of 482,754,896 shares comprised the respective direct interests held by:

	Number of shares/underlying shares
GLL (Malaysia) Pte Ltd ("GLLM")	455,130,580
GuoLine Capital Limited ("GCL")	27,624,316

GLLM was wholly owned by GuocoLand Limited which was in turn 65.24% owned by GuocoLand Assets Pte Ltd ("GAPL"). The controlling shareholder of GAPL and its percentage control are shown in the Note under Part (B)(b) above.

The controlling shareholder of GCL and its percentage control are shown in the Note under Part (A) above.

e) Hong Leong Industries Berhad ("HLI")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLI	
Kwek Leng Hai	285,000	—	285,000	0.06%	
Sat Pal Khattar	297,870	522,750	820,620	0.17%	*Note*
Kwek Leng San	3,780,000	—	3,780,000	0.79%	

* *Ordinary shares*

Note:

The corporate interests of 522,750 shares were held by Khattar Capital International Pte Ltd ("KCIP", formerly known as J.M. Sassoon & Co. (Pte) Ltd). KCIP was wholly owned by Sassoon Holdings Pte Ltd which was in turn wholly owned by Khattar Holdings Pte Ltd ("KHP"). KHP was 51% owned by Mr Sat Pal Khattar.

f) Hong Leong Bank Berhad ("HLB")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLB
Kwek Leng Hai	3,955,700	—	3,955,700	0.26%
Sat Pal Khattar	294,000	—	294,000	0.02%
Kwek Leng San	385,000	—	385,000	0.03%

* *Ordinary shares*

g) Hong Leong Capital Berhad ("HLCB")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLCB
Kwek Leng Hai	1,000,000	—	1,000,000	0.41%
Kwek Leng San	119,000	—	119,000	0.05%

* *Ordinary shares*

h) Malaysian Pacific Industries Berhad ("MPI")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of MPI
Sat Pal Khattar	210,000	—	210,000	0.11%
Kwek Leng San	315,000	—	315,000	0.16%

* *Ordinary shares*

i) Narra Industries Berhad ("NIB")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of NIB	
Quek Leng Chan	8,150,200	38,304,000	46,454,200	74.70%	*Note*

* *Ordinary shares*

Note:

The corporate interests of 38,304,000 shares were directly held by Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). HLMG was wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). The controlling shareholders of HLCM and their percentage control are shown in the Note under Part (A) above.

j) Lam Soon (Hong Kong) Limited ("LSHK")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of LSHK
Kwek Leng Hai	2,300,000	—	2,300,000	0.95%
Tan Lim Heng	274,000	—	274,000	0.11%
Ding Wai Chuen	10,000	—	10,000	0.00%

* *Ordinary shares*

k) GuocoLeisure Limited ("GL")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of GL	
Quek Leng Chan	735,000	906,922,434	907,657,434	66.35%	*Note*
Tan Lim Heng	950,000	—	950,000	0.07%	

* *Ordinary shares*

Note:

The corporate interests of 906,922,434 were directly held by GuocoLeisure Assets Limited which was in turn wholly owned by the Company. The controlling shareholder of the Company and its percentage control are shown in the Note under Part (A) above.

(C) Others

Associated Corporations in which Mr Quek Leng Chan was deemed to be interested solely through his deemed controlling interest in HLCM and/or its subsidiaries:

Carsem (M) Sdn Bhd
Carter Realty Sdn Bhd
Guangzhou Lam Soon Food Products Limited
Guocera Tile Industries (Labuan) Sdn Bhd
Guocera Tile Industries (Meru) Sdn Bhd
Guocera Tile Industries (Vietnam) Co., Ltd
GuocoLand Limited*
Hong Leong Assurance Berhad
Hong Leong Bank Berhad
Hong Leong Capital Berhad
Hong Leong Industries Berhad
Hong Leong MSIG Takaful Berhad (formerly known as "Hong Leong Tokio Marine Takaful Berhad")
Hong Leong Yamaha Motor Sdn Bhd
Kwok Wah Hong Flour Company Limited
Lam Soon (Hong Kong) Limited
Luck Hock Venture Holdings, Inc.
M.C. Packaging Offshore Limited
Malaysian Pacific Industries Berhad
Rank
RZA Logistic Sdn Bhd

* *In respect of interests in debentures only*

Guoco has applied for and the HK Stock Exchange has granted a waiver from full compliance with the disclosure requirements in respect of details of the deemed interests of Mr Quek Leng Chan in the above associated corporations under Paragraph 38(1) of Part B of Appendix 1 to the HK Listing Rules.

Certain Directors hold qualifying shares in certain subsidiaries in trust for other subsidiaries of the Company.

Save as disclosed herein, as at the Latest Practicable Date:

(a) none of the Directors had any interests and short positions in the shares, underlying shares and debentures of Guoco or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified by the Directors pursuant to the Model Code required to be disclosed in accordance with the HK Listing Rules;

(b) none of the Directors had entered into any existing or proposed service contract with any member of the Guoco Group (excluding contracts expiring or determinable by the employee within one year without payment of compensation (other than statutory compensation));

(c) none of the Directors was interested, directly or indirectly, in any assets which had been acquired or disposed of by or leased to (or were proposed to be acquired or disposed of by or leased to) any member of the Guoco Group since 30 June 2010, being the date to which the latest published audited financial statements of Guoco were made up.

3 LITIGATION

Details of litigation or claims of material importance pending or threatened against the Guoco Group as at the Latest Practicable Date are set out under paragraphs (a) and (b) below:

In November 2007, the Company's wholly owned subsidiary, GuocoLand (China) Limited ("GLC"), completed its acquisition of a 100% interest in Hainan Jing Hao Asset Limited ("Hainan Co"), which in turn held a 90% stake in Beijing Cheng Jian Dong Hua Real Estate Development Company Limited ("DZM Project Co"), the company undertaking the Dongzhimen project in Beijing ("DZM Project"). An aggregate of Rmb3.22 billion (approximately HK$3.87 billion) of the purchase consideration of Rmb5.8 billion (approximately HK$6.97 billion) has been paid to the vendors of the DZM Project, Beijing Beida Jade Bird Company Limited ("BBJB") and its related corporations (collectively, the "DZM Vendors"). The balance Rmb2.58 billion (approximately HK$3.10 billion) has been withheld, pending resolution of disputes described below and, in respect of a loan of Rmb2 billion (approximately HK$2.4 billion) made by Agricultural Bank of China ("ABC") to Beijing Dong Hua Guang Chang Zhi Ye Co Ltd ("Zhiye"), a related corporation of BBJB, and guaranteed by BBJB, DZM Project Co and Hainan Co. The loan of Rmb2 billion (approximately HK$2.4 billion) with interest ("ABC Loan") had, in April 2011, been acquired from ABC by GuoSon Investment Company Limited ("GICL"), a wholly owned subsidiary of GuocoLand Limited ("GLL"), together with all rights attaching thereto including enforcement rights against the borrower and guarantors, for a sum of Rmb3.048 billion (approximately HK$3.662 billion). GICL's acquisition of the ABC Loan had been sanctioned by The Beijing Second Intermediate People's Court. PRC lawyers have advised that GLC has a good case to treat the sum paid by GICL to ABC as a set-off against any outstanding balance of the purchase consideration for the DZM Project.

Construction work on the DZM Project is in progress. Structural works have been completed for the residential, hotel, retail components, and two office blocks. The south retail mall linked to the Dongzhimen subway station and the direct express rail link to Beijing Capital International Airport is expected to be operational in this calendar year. The transportation hub component of the DZM Project was completed by GLC and handed over to the Beijing government in July 2008, before the Beijing 2008 Olympic Games.

(a) Alleged claims by Shenzhen Development Bank ("SDB")

SDB had claimed that a loan of Rmb1.5 billion (approximately HK$1.8 billion) was granted by SDB to certain borrowers (the "Alleged Loans"). Amongst the security allegedly obtained by SDB is a guarantee by Zhiye. SDB filed an earlier suit against Zhiye and DZM Project Co in The People's High Court of Beijing ("Beijing Court") but this was dismissed in December 2007. An appeal has been filed by SDB against Zhiye and DZM Project Co in respect of this dismissal ("SDB appeal").

SDB has also initiated another suit directly against DZM Project Co in connection with the recovery of its loan and interest under the Zhiye guarantee ("second SDB suit"). It made an interim application to the Beijing Court to restrict dealing in DZM Project Co's assets in the aggregate sum of its claims. GLC's PRC lawyers have advised that the interim application by SDB granted by the Beijing Court only restricts dealing in the assets of DZM Project Co pending final resolution of the SDB actions. The interim application will be expunged in the event the PRC courts dismiss the SDB actions.

Based on the information available to GLC, DZM Project Co is neither a guarantor nor borrower of the Alleged Loans granted by SDB to the third party borrowers which were unrelated to DZM Project Co. GLC has also been advised by its PRC lawyers that both the SDB appeal and second SDB suit have no merits.

Before the hearing of the SDB appeal and the second SDB suit, SDB and BBJB purportedly entered into a settlement agreement in May 2008 for DZM Project Co to pay, inter alia, Rmb1 billion (approximately HK$1.2 billion) of the Alleged Loans to SDB. In November 2008, this settlement agreement was purportedly mediated through the Supreme People's Court of The People's Republic of China ("Supreme Court") and was stated to have effect as a judgement upon signing by the relevant parties ("Alleged Civil Mediation Agreement"). GLC did not have conduct of the aforesaid proceedings and is not aware of whether the Alleged Civil Mediation Agreement has been signed by the parties, and has been advised by its PRC lawyers that the Alleged Civil Mediation Agreement is void and unenforceable. GLC has submitted an application for the rehearing of the Alleged Civil Mediation Agreement, which is pending before the Supreme Court.

(b) Hainan Co and DZM Project Co

In early 2008, GLC received a notice issued by the Industrial and Commercial Administrative Bureau of Hainan Province purporting to revert registration of the shares in Hainan Co to its original shareholders, who are two of the DZM Vendors, allegedly on the ground, inter alia, that GLC had not paid the requisite consideration for Hainan Co.

GLC has challenged the basis for this notice as the full consideration for the transfer of Hainan Co to GLC has been paid to the DZM Vendors. GLC has taken legal advice on these matters and would strongly defend and protect its 90% interest in the DZM Project.

In March 2008, GLC filed a suit against the Industrial and Commercial Administration Bureau of Hainan Province on its reversion of the registration in Hainan Co to the original shareholders. In October 2008, GLC was notified that an administrative judgement by the Hainan Haikou Intermediate People's Court has ruled against GLC. GLC has since appealed to the Hainan High Court against such judgement. The case has been heard by the Hainan High Court and is pending judgement.

GLC group has also sought to protect its 90% interest in the DZM Project and is pursuing separate legal actions in Beijing which are now before the Beijing Intermediate Court, seeking, inter alia, for an order as rightful owner that the 90% interest in DZM Project Co be transferred to GLC or its nominee as, amongst other arguments, the development costs of the DZM Project have been funded by the GLL group. Pending judgement of the aforesaid legal actions, the Beijing Intermediate Court has granted GLC group's application for an asset preservation order in respect of the 90% shareholding in DZM Project Co held by Hainan Co.

Save as disclosed in paragraphs (a) and (b) above, so far as the Directors are aware, there is no other litigation or claims of material importance pending or threatened against any member of the Guoco Group as at the Latest Practicable Date.

4 MATERIAL CONTRACTS

The following material contracts have been entered into by members of the Guoco Group otherwise than in the ordinary course of business within the two years immediately preceding the date of issue this Circular:

(i) Disposal of interest in Pepsi-Cola Products Philippines, Inc.

On 16 September 2010, Guoco's wholly owned subsidiaries, Hong Way Holdings, Inc. and Guoco Assets (Philippines), Inc., as sellers entered into a share purchase agreement with Lotte Chilsung Beverage Co., Ltd as purchaser in respect of the disposal of their entire interest of approximately 30.14% of the total outstanding capital stock of Pepsi-Cola Products Philippines, Inc. at a total consideration of approximately PHP3.90 billion (approximately HK$701.2 million). The transaction was completed on 20 October 2010.

(ii) Loan transfer agreement with ABC

GICL (as transferee) and ABC (as transferor) signed a loan transfer agreement which took effect on 10 December 2010 and pursuant to which the transferee assumed the ABC Loan together with all rights attaching thereto (including enforcement rights against the borrower and guarantors) for a sum of approximately Rmb3.0 billion (approximately HK$3.6 billion). The acquisition of the ABC Loan was sanctioned by The Beijing Second Intermediate People's Court. Accordingly, the relevant sum was paid to the transferor on 15 April 2011.

Save as disclosed above, no material contract (not being a contract entered into in the ordinary course of business carried on by the Guoco Group) has been entered into by any member of the Guoco Group within the two years immediately preceding the date of issue of this Circular.

5 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of Guoco in Hong Kong at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including 27 June 2011:

(i) the memorandum of association and bye-laws of Guoco;

(ii) the annual report of Guoco for each of the two years ended 30 June 2009 and 2010;

(iii) the material contracts referred to in paragraph 4 of this Appendix; and

(iv) this Circular.

6 MISCELLANEOUS

(a) Messrs. Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are directors of HLCM, the ultimate holding company of Guoco, which is a conglomerate based in Malaysia with diversified businesses in banking and financial services, manufacturing and distribution, property development and investment as well as hospitality and leisure.

The above Directors are considered as having interests in business apart from the Guoco Group's business, which is likely to compete, directly or indirectly, with the Guoco Group's business under Rule 8.10 of the Listing Rules.

Save as disclosed above, so far as the Directors are aware, none of the Directors or their respective associates have any interest in any business which competes or likely to compete with the business of the Guoco Group.

(b) The secretary of Guoco is Ms Stella Lo Sze Man. She is a fellow member of The Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

(c) The registered office of Guoco is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(d) The branch share registrar of Guoco in Hong Kong is Computershare Hong Kong Investors Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this Circular shall prevail over the Chinese text, in the case of any inconsistency.