

To Rank Group Shareholders

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Dear Shareholder,

Rank Group recently announced their interim results for the period to the end of June 2006. The following are some brief comments on them.

Clearly the business is still in a state of transition, with some parts earmarked for disposal. Exceptional items therefore tend to cloud the results. But the core business of the Mecca bingo operations seems to be in some difficulties which the management is taking steps to improve. There is an interesting interview with new Chief Executive Ian Burke which covers the issues in today's Daily Telegraph – among other things he reports that the market share of their bingo operations fell from 34% to 27.5% from 1999 to 2005. However in the interim figures although spend per head in bingo grew by 1.7%, admissions still fell by 1.6%. In addition there is the looming impact of the smoking ban on English admissions which has already impacted the Scottish venues, and operating costs are also rising fairly rapidly.

At least it is good to see that they are cutting central overheads by such measures as closing the London office.

The company reiterated its commitment to share buy-backs in the interim statement, and disclosed that it had spent £102 million on this since the programme commenced. Just so that shareholders are aware of what that means, this amount would be equivalent to a dividend of almost 17 pence per share, when in fact the interim dividend was cut from last years 5 pence to 2 pence.

As you are aware, UKSA opposed the buy-back programme but the company seems to be taking no notice and is going to persist with it.

The share price last night was 226.75 pence which has picked up from the recent low point of 190 pence, but stockbrokers' views still seem to be mixed with some suggesting the stock is a "buy" while others that it is a "sell". One view is that the core business, after the disposals, is probably unattractive and that the best hope is for a takeover bid.

**UKSA—The independent voice of the private shareholder**

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If you have any questions or comments on the above, please contact me via phone, email or letter.

Note as always I would encourage you to become a member of UKSA if you have not already joined as that helps to support our many altruistic activities such as this campaign. Membership information is present on our web site at: [www.uksa.org.uk/Membership.htm](http://www.uksa.org.uk/Membership.htm) or call 0870-70-60-600 for an information pack and application form.

This letter is not intended to contain investment advice and you should consult an independent financial advisor, stockbroker or other advisor before trading shares in the company. Please let me know if you wished to be removed from our mailing list.

Yours sincerely

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