Immediate Release

20 January 2003

The Rank Group Plc

Acquisition of Blue Square Limited
and
Trading Update

Highlights

- Rank has agreed to purchase Blue Square Limited, one of the UK's leading internet and telephone betting businesses

- Total consideration is £65 million in unlisted, unsecured convertible loan stock, convertible into Rank Ordinary Shares at 282p

- The Group's results for the year to 31 December 2002 are expected to be in line with expectations

The Acquisition of Blue Square will provide the following benefits:

- Rank acquires one of the best on-line gaming brands in the UK as well as a high quality customer base which is predominantly UK-based and comprises over 113,000 active* customers

- Rank will become the only mainstream gaming company which is able to offer a full suite of gaming products: betting, bingo and casino games

- The integration of Blue Square and Rank's on-line activities will create a substantial business with annual stakes of approximately £400 million based on current levels of business

- The excellent fit with Rank's existing on-line gaming activities provides an immediate and substantial opportunity to cross-sell products to Rank's existing 1.5 million registered customers and Blue Square customers

- The opportunity to leverage Rank's gaming activities post-deregulation through the creation of multi-gaming locations which will be able to offer the full suite of gaming products

- £5 million of annual cost savings from the integration of Blue Square and Rank's interactive gaming business

- The Acquisition is expected to be earnings enhancing for the Group, before goodwill amortisation, in the first full year

Commenting on the acquisition Mike Smith, Rank's Chief Executive, said:

"The transaction fulfils a clear and stated strategic aim to add betting products and expertise to our existing gaming activities which already represent the largest part of the Group. We have shown consistent growth in our bingo clubs and casinos as well as in our on-line businesses where stakes are running at over £90 million per annum, despite being only one year old. This acquisition is both financially attractive and complementary to our existing operations. The cross-selling opportunity to both Rank and Blue Square's established customers will further enhance our growth prospects both pre- and post-deregulation, when there will be greater flexibility to offer betting products within gaming premises."

Martin Belsham, Managing Director of Blue Square, said:

"We are delighted to join the Rank stable of gaming activities and are both excited and optimistic about the opportunities for our combined business in the run up to deregulation and beyond."

*An active customer is defined as one who has placed a bet or played a game during the previous 12 months.

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Further information

Information on Blue Square
Blue Square was established in its current form in 1999 and is owned by Intercapital Private Group Limited (83%) and Blue Square's employees (17%) (together "the Vendors"). Recognising the potential for on-line betting, the business has made a substantial investment in developing its products, systems and establishing the Blue Square brand. This has contributed to the market position now enjoyed by Blue Square, which in the twelve months to 31 December 2002, received total stakes of £202.0 million, generating gross win of £13.4 million. Blue Square has one of the largest active gaming customer bases in the UK with over 300,000 customers of which over 113,000 are active*.

The business has grown particularly strongly over the last year, helped by the introduction of telephone betting in October 2001 and the fixed odds games product in November 2002. The total amount staked in December 2002 was £24.5 million, an increase of over 150% compared with the same period the previous year. This strong growth has resulted in an improving EBITDA performance of the business during the twelve months to December 2002 as follows: Q1 £(1.2) million; Q2 £(1.5) million and Q3 £(1.2) million and Q4 £(0.1) million. The adjusted net assets of Blue Square as at 31 March 2002, the last audited balance sheet date, were £1.3 million, made up of fixed assets, primarily systems, of £4.0 million and working capital of £(2.7) million.

Integration with Rank
Following completion, Blue Square will be integrated with Rank Interactive Gaming ("RIG") to create a major force in the on-line gaming market with a combined customer base of over 375,000 customers of which 129,000 are active* *via* the internet, telephone, TV and WAP. Martin Belsham, the current Managing Director of Blue Square, will become Managing Director of the combined businesses.

Annualised cost savings of £5 million in the first full financial year have been identified and management is confident that additional revenue benefits will provide further opportunities for growth. The Acquisition is expected to be earnings enhancing, before goodwill amortisation of approximately £3 million, in the first full financial year.

Transaction Structure
As consideration for the Acquisition, and subject to completion, Rank will issue £65 million in nominal value of unsecured loan stock, convertible into Rank Ordinary Shares at a price of 282p for every £1 of loan stock held. This represents a premium of 11% to the closing mid-market price of Rank Ordinary Shares on Friday 17 January, the latest practicable date prior to this announcement.

The loan stock, which will not be listed, will be convertible at any time on or after 1 October 2003 and will carry a coupon of 5% per annum. Interest on the loan stock will become payable on 31 December each year and, if conversion has not already taken place prior to 31 December 2004, the loan stock will be redeemed on that date at par. Full conversion of the loan stock would result in the issue of 23 million new Rank Ordinary Shares. On conversion, the new Rank Ordinary Shares will be freely transferable save that, for a limited period of time, any such transfer may only be made through Rank's appointed stockbrokers.

Completion is subject to certain procedural conditions being fulfilled by Rank and the Vendors and is expected to take place on or before the middle of February 2003.

Trading Update

Trading at Rank's operations during November and December 2002 continued to follow the trends outlined in the trading statement made on 13 November 2002, and as a result the Group's results for the year to 31 December 2002 are expected to be in line with expectations. The preliminary announcement of results for the year will be made on 28 February 2003.

Information on Rank

Rank is one of the UK's leading leisure and entertainment companies and an international provider of services to the film industry. In 2002, leisure and entertainment activities included casinos, bingo clubs and on-line gaming, as well as Hard Rock Cafes and global rights to the Hard Rock brand. Rank also owns film processing and video and DVD duplication and distribution facilities, branded Deluxe. Rank operates primarily in the UK and North America, although it also has activities in continental Europe and other parts of the world.

Rank Interactive Gaming comprises the activities of Rank.com and HardRock Casino.com. Rank.com, which offers a variety of fixed odds games was launched in November 2001 and HardRockCasino.com, which offers a variety of casino games including roulette, blackjack and video poker, was launched in July 2002. At the end of December 2002, the two sites together had over 75,000 registrations and were generating an annual run-rate of stakes placed of over £90 million.

Copies of this announcement will be available later today at www.rank.com.