1 September 2005

The Rank Group Plc

Adoption of International Financial Reporting Standards (IFRS)
Transition reconciliations

The Group reported its previously published financial information for the 6 months ended 30 June 2004 and for the year ended 31 December 2004 under UK GAAP. The analysis below shows a reconciliation of net assets and profit or loss as reported under UK GAAP as at 30 June 2004 and 31 December 2004 to the revised net assets and profit under IFRS as reported in this financial information. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this company, being 1 January 2004.

Reconciliation of profit for the period ended 30 June 2004 (unaudited)	**Previous GAAP £m**	**Effect of transition to IFRS £m**	**Adjustment for discontinued operations (A) £m**	**IFRS £m**
Revenue (A)	**931.4**	**-**	**(173.7)**	**757.7**
Operating profit before exceptional items (see analysis below)	77.0	2.3	10.7	90.0
Exceptional items **(K)**	(27.1)	(4.1)	27.1	(4.1)
Operating profit after exceptional items	**49.9**	**(1.8)**	**37.8**	**85.9**
Non operating items **(K)**	(4.1)	4.1	-	-
Finance costs (net) **(B), (C(i)), (F), (J)**	(16.8)	(2.6)	0.2	(19.2)
Share of results of associates and joint ventures **(J)**	-	0.2	-	0.2
Profit before tax	**29.0**	**(0.1)**	**38.0**	**66.9**
Taxation **(G)**	(16.5)	5.8	(3.0)	(13.7)
Profit after tax	**12.5**	**5.7**	**35.0**	**53.2**
Discontinued operations **(A)**	-	-	(34.2)	(34.2)
Profit for the period	**12.5**	**5.7**	**0.8**	**19.0**

Reconciliation of profit for year ended 31 December 2004 (unaudited)	**Previous GAAP £m**	**Effect of transition to IFRS £m**	**Adjustment for discontinued operations (A) £m**	**IFRS £m**
Revenue (A)	**1,953.3**	**-**	**(385.1)**	**1,568.2**
Operating profit before exceptional items (see analysis below)	197.6	7.2	(8.9)	195.9
Exceptional items **(K)**	(58.1)	(10.5)	27.1	(41.5)
Operating profit after exceptional items	**139.5**	**(3.3)**	**18.2**	**154.4**
Non operating items **(K)**	(185.5)	4.1	181.4	-
Finance costs (net) **(B), (C(i)), (F), (J))**	(37.3)	9.2	(0.4)	(28.5)
Share of results of associates and joint ventures **(J)**	-	-	-	-
Profit before tax	**(83.3)**	**10.0**	**199.2**	**125.9**
Taxation **(G)**	(35.4)	12.1	1.2	(22.1)
Profit after tax	**(118.7)**	**22.1**	**200.4**	**103.8**
Discontinued operations **(A)**	-	-	(118.1)	(118.1)
(Loss) profit for the year	**(118.7)**	**22.1**	**82.3**	**(14.3)**

Pre-exceptional operating profit (unaudited)

	30 June 2004		31 December 2004	
	£m	£m	£m	£m
UK GAAP - operating profit		77.0		197.6
DMS UK GAAP operating loss (profit)		10.7		(8.9)
		87.7		188.7
IFRS adjustments				
- Goodwill amortisation **(D (ii))**	2.3		5.8	
- Acquired intangible amortisation **(D(iii))**	-		(0.1)	
- Operating lease costs **(C(i))**	0.9		2.2	
- Employee benefit costs **(E)**	(0.9)		(2.1)	
- Mecca impairment - depreciation savings **(B)**	1.0		2.0	
- Mecca impairment - rent savings **(B)**	0.2		0.3	
- Associates & joint ventures **(J)**	(0.5)		(0.5)	
- Operating lease incentives **(C(ii))**	(0.3)		(0.7)	
- Other **(H)**	(0.4)		0.3	
IFRS adjustments (excluding DMS)		2.3		7.2
2004 Operating profit - IFRS		**90.0**		**195.9**

Net asset reconciliations are disclosed in appendix 1

A. Discontinued operations

The Deluxe Media Services business (DMS) meets the IFRS criteria required to be classified as a discontinued operation held for sale as at 31 December 2004. As a result, DMS revenue is excluded from the income statement reducing reported revenue by £173.7m for the 6 months ended 30 June 2004 and £385.1m for the year ended 31 December 2004.

In addition, the results of DMS, including any associated impairment, are reported in a single-line on a post-tax basis. DMS results have been restated for IFRS. The restatement included the reversal of £76.7m of pre-1997 DMS goodwill charged to the income statement under UK GAAP, which was not required under IFRS and all relevant IFRS adjustments detailed below. The impact of these IFRS adjustments resulted in a lower carrying value of the DMS business under IFRS compared with UK GAAP. Consequently the provision for loss on disposal is smaller under IFRS by £5.5m. The net loss for discontinued operations under IFRS for the 6 months ended 30 June 2004 is £34.2m and £118.1m for the year ended 31 December 2004.

In the balance sheet, the assets and liabilities of DMS are presented separately as assets and liabilities held for sale.

B. Mecca impairment

In accordance with IFRS, testing to ensure that the cashflows of Mecca are in excess of the carrying value is performed on a club by club basis. Under UK GAAP, testing was performed by consolidating all Mecca clubs. The effect is to increase pre-exceptional operating profit for the 6 months ended 30 June 2004 by £1.2m and by £2.3m for the year ended 31 December 2004 and increase the interest charge for the 6 months ended 30 June 2004 by £0.3m and by £0.4m for the year ended 31 December 2004. In addition, an exceptional impairment charge of £6.4m was recorded during the second half of 2004. Tangible fixed assets at 1 January 2004, 30 June 2004 and 31 December 2004 are reduced by £28.3m, £27.3m and £30.7m respectively. In addition, the onerous lease provision increases by £11.4m, £11.4m and £12.2m respectively.

C. Leases

(i) The Group has identified certain leases, which were classified as operating leases for land and buildings under UK GAAP, which under IFRS require reclassification as finance leases (in respect of the buildings element of the lease). As a consequence, operating lease expenses previously reported under UK GAAP were reclassified as depreciation and finance lease interest. The impact is to increase operating profit for the 6 months ended 30 June 2004 by £0.9m and finance lease interest charges by £1.2m and increase operating profit by £2.2m and finance lease interest charges by £2.3m for the year ended 31 December 2004. In addition, the reclassification of operating leases to finance leases resulted in the recognition of buildings with a net book value of £19.3m at 1 January 2004, £18.5m at 30 June 2004 and £17.7m at 31 December 2004. At the same time a finance lease liability of £25.6m at 1 January 2004, £25.1m at 30 June 2004 and £24.2m at 31 December 2004 was also recognised.

(ii) In accordance with SIC 15, "Operating lease incentives", operating lease incentives are spread on a straight-line basis over the lease term. Under UK GAAP, operating lease incentives were spread over the shorter of the lease term or the first market rent review. The net effect is to reduce operating profit for the 6 months by £0.3m and by £0.7m for the year ended 31 December 2004. Net assets are reduced by £6.6m at 1 January 2004 and by £6.9m at 30 June 2004 and by £7.3m at 31 December 2004. The decrease is disclosed as an increase in trade and other accruals.

(iii) In accordance with IAS 17, certain DMS sale and leaseback transactions were reclassified as finance leases. In addition profit recognised on completion of the transactions under UK GAAP has been deferred under IFRS and will be spread over the lease term. Net of impairments, the impact is to increase fixed assets by £4.1m at 1 January 2004, £2.2m at 30 June 2004 and £7.7m at 31 December 2004. Finance lease obligations increased by £4.1m, £3.6m and £10.9m and deferred profit by £2.2m, £0.3m and £0.5m at the respective balance sheet dates.

D. Intangible assets

(i) In accordance with IAS 38, "Intangible Assets", certain assets, classed as tangible assets under UK GAAP, have been reclassified as intangible assets. The effect is to increase intangible assets at 1 January 2004, 30 June 2004 and 31 December 2004 by £129.3m, £130.8m and £132.2m, respectively and decrease tangible fixed assets at 1 January 2004, 30 June 2004 and 31 December 2004 by £129.3m, £130.8m and £132.2m, respectively. The useful economic lives of these assets have remained unchanged under IFRS. There is no impact on net profit for the year.

(ii) In accordance with IFRS 3 "Business Combinations", goodwill is not amortised but reviewed annually for impairment. A review has been performed and goodwill has not found to be impaired. Under UK GAAP, goodwill was amortised on a straight-line basis over a period of no more than 20 years. The Group has chosen to take the exemptions available under IFRS 1, "First-time adoption of IFRS", and not restated any business combinations entered into before the transition date. Excluding DMS, the effect is to increase operating profit and intangible fixed assets for the 6 months ended 30 June 2004 by £2.3m and £5.8m for the year ended 31 December 2004. Net of further impairment charges and before the transfer to assets held for sale, the reversal of goodwill amortisation relating to DMS increases net profit and assets by £0.5m as 30 June 2004 and by £0.3m at 31 December 2004.

(iii) In accordance with IAS 38, "Intangible Assets", separately identifiable intangible assets, acquired as part of a business combination must be recognised on the acquirer's balance sheet even if the intangible asset could not be recognised on the acquiree's balance sheet. The intangible assets are amortised over their useful economic lives. Under UK GAAP, excess purchase consideration over the fair value of assets acquired was allocated to goodwill and amortised over the useful economic life of the goodwill. The Group has chosen to take the exemptions available under IFRS 1, "First-time adoption of IFRS", and not restated any business combinations entered into before the transition date. The effect is to decrease operating profit and intangible fixed assets for the 6 months ended 30 June 2004 by £nil and by £0.1m for the year ended 31 December 2004.

E. Employee benefits

(i) In accordance with IFRS 2, "Share Based Payments", the fair value of all the Group's share options plans at grant date should be spread over the vesting period. The fair value is estimated using common valuation techniques. Under UK GAAP, the income statement charge was based on the difference between the exercise price and market price at date of grant with no expense being recorded for SAYE schemes. Excluding DMS, the effect is to increase operating profit for the 6 months ended 30 June 2004 by £0.4m and decrease operating profit by £1.7m for the year ended 31 December 2004. Net assets as at 1 January 2004, 30 June 2004 and 31 December 2004 decreased by £0.1m, £0.2m and £0.2m respectively. In addition, DMS incurred a charge of £0.2m for the 6 months ended 30 June 2004 and £0.5m for the year ended 31 December 2004.

(ii) In accordance with IAS 19, "Employee benefits", the Group has provided for the future incremental cost of any accrued, but unused holiday. Under UK GAAP, in line with common practice, the Group did not account for holiday pay accruals unless legally obliged to make cash settlement. Excluding DMS, the effect is to decrease operating profit for the 6 months ended 30 June 2004 by £1.3m and by £0.4m for the year ended 31 December 2004. Net assets as a 1 January, 30 June 2004 and 31 December 2004 decreased by £4.0m, £5.3m and £4.7m respectively. In addition, DMS incurred a charge of £nil for the 6 months ended 30 June 2004 and £0.3m for the year ended 31 December 2004.

(iii) Accounting for defined benefit pension schemes in accordance with IAS 19 is different from FRS 17. The main differences are:

- Pension assets are valued at bid value under IAS 19, whereas a mid market valuation is used under FRS 17
- Under FRS 17, pension balances are presented net of deferred tax on the face of the balance sheet. Under IFRS, these balances are grossed up.
- Death in service liabilities are valued under IAS 19, whereas any potential liability is not recognised under FRS 17
- The effect is to reduce net assets at 1 January 2004, 30 June 2004 and 31 December 2004 by £3.2m, £25.8m and £2.1m respectively.

F. Foreign exchange

In accordance with IAS 21, "The effects of changes in foreign exchange rates", foreign exchange movements on non-quasi equity inter-company funding balances are recognised in the income statement. Under UK GAAP hedging rules, these foreign exchange movements were recognised as a movement in reserves. The net effect is to decrease profit before tax by £1.4m for the 6 months ended 30 June 2004 and increase profit before tax for the year ended 31 December 2004 by £11.4m. There is no effect on net assets

G. Taxation

(i) In accordance with IAS 12, “Income Taxes”, deferred tax is recognised on the basis of taxable temporary differences, which may include permanent differences. Under UK GAAP, deferred tax was not recognised on permanent differences. The effect is to reduce the deferred tax asset at 1 January 2004, 30 June 2004 and 31 December 2004 by £17.0m, £20.2m and £20.1m respectively. Net profit for year ended 31 December 2004 increased by £3.4m.

(ii) In accordance with IAS 28, “Investments in associates” and IAS 31, “Interests in joint ventures”, results for associates and joint ventures should be reported after tax. Under UK GAAP, entities reported operating profit, interest and tax of associates and joint ventures separately. There is no impact on net assets.

(iii) Taxation relating to the DMS business is disclosed within the results of discontinued operations.

(iv) Taxation relating to foreign exchange movements on non-quasi equity intercompany balances recognised in the income statement under IFRS is also recognised in income statement. There is no impact on net assets.

H. Other operating profit adjustments

Other minor operating profit adjustments decreased net assets by £0.8m at 1 January 2004, £1.2m at 30 June 2004 and £0.3m at 31 December 2004. Operating profit for the 6 months ended 30 June 2004 decreased by £0.4m and increased operating profit for the year ended 31 December 2004 by £0.3m.

I. Dividends

In accordance with IAS 10, “Events after the balance sheet date”, proposed final dividend payments cannot be provided in the year end balance sheet as, at that date, proposed dividend payments do not represent a liability. Under UK Company law, companies were required to provide for their final dividend in their closing balance sheet and in advance of the dividend being declared and approved. The effect is to increase net assets at 1 January 2004, 30 June 2004 and 31 December 2004 by £55.5m, £29.0m and £61.1m respectively.

J. Associates and joint ventures

In accordance with IFRS, income from associates and joint ventures is reported in a single line, on a post-tax basis. As a result of applying the Group’s IFRS policies to the Group’s associates and joint ventures, net profit and net assets increased by £0.2m for the 6 months ended 30 June 2004 and by £0.4m for the year ended 31 December 2004.

K. Non-operating items

Under UK GAAP, loss on disposal of a business was classified as a non-operating item. In accordance with IFRS, loss on disposal of a business is included within operating expenses.

Appendix 1

Net asset reconciliations

Reconciliation of equity At 1 January 2004 (unaudited) (Date of transition to IFRS)	Previous GAAP £m	Effect of transition to IFRS £m	IFRS £m
ASSETS			
Non-current assets			
Intangible assets **(D)**	123.9	129.3	253.2
Property, plant and equipment **(B), (C), (D(i))**	803.2	(134.2)	669.0
Joint ventures **(J)**	6.8	-	6.8
Associates **(J)**	3.0	-	3.0
Other	46.8	-	46.8
Trade and other receivables	272.8	-	272.8
Deferred taxation **(G)**	63.0	(17.0)	46.0
Total non-current assets	**1,319.5**	**(21.9)**	**1,297.6**
Current assets			
Stocks	70.2	-	70.2
Trade and other receivables	420.1	-	420.1
Cash and cash equivalents	172.1	-	172.1
Total current assets	**662.4**	**-**	**662.4**
Total assets	**1,981.9**	**(21.9)**	**1,960.0**
LIABILITIES			
Non-current liabilities			
Loan capital and borrowings (**C**)	(580.5)	(28.1)	(608.6)
Trade and other payables **(C), (E)**	(105.7)	(2.0)	(107.7)
Retirement benefits **(E (iii))**	(50.1)	(3.2)	(53.3)
Other provisions **(B)**	(37.6)	(11.4)	(49.0)
Total non-current liabilities	**(773.9)**	**(44.7)**	**(818.6)**
Current liabilities			
Loan capital and borrowings **(C)**	(292.1)	(1.6)	(293.7)
Payables **(C), (E), (H), (I)**	(421.1)	43.8	(377.3)
Current taxation	(20.6)	-	(20.6)
Total current liabilities	**(733.8)**	**42.2**	**(691.6)**
Total liabilities	**(1,507.7)**	**(2.5)**	**(1,510.2)**
Total assets less total liabilities	**474.2**	**(24.4)**	**449.8**
EQUITY			
Ordinary share capital	59.6	-	59.6
Share premium account	17.5	-	17.5
Other reserves	381.0	(24.4)	356.6
Total shareholders' equity	**458.1**	**(24.4)**	**433.7**
Minority interest in equity	16.1	-	16.1
Total equity	**474.2**	**(24.4)**	**449.8**

Reconciliation of equity **At 30 June 2004 (unaudited)**	**Previous GAAP***	**Effect of transition to IFRS**	**IFRS**
ASSETS	**£m**	**£m**	**£m**
Non-current assets			
Intangible assets (**D**)	115.2	133.6	248.8
Property, plant and equipment **(B), (C), (D(i))**	770.4	(137.4)	633.0
Joint ventures **(J)**	6.5	0.2	6.7
Associates **(J)**	3.0	-	3.0
Other	45.5	-	45.5
Trade and other receivables	174.1	-	174.1
Deferred taxation **(G)**	48.8	(20.2)	28.6
Total non-current assets	**1,163.5**	**(23.8)**	**1,139.7**
Current assets			
Stocks	62.4	-	62.4
Trade and other receivables	494.6	-	494.6
Cash and cash equivalents	117.0	-	117.0
Total current assets	**674.0**	**-**	**674.0**
Total assets	**1,837.5**	**(23.8)**	**1,813.7**
LIABILITIES			
Non-current liabilities			
Loan capital and borrowings **(C)**	(541.6)	(27.0)	(568.6)
Trade and other payables	(60.8)	(1.6)	(62.4)
Retirement benefits **(E(iii))**	(63.1)	25.8	(37.3)
Other provisions **(B)**	(34.1)	(11.4)	(45.5)
Total non-current liabilities	**(699.6)**	**(14.2)**	**(713.8)**
Current liabilities			
Loan capital and borrowings **(C)**	(243.5)	(1.7)	(245.2)
Payables **(C(ii)), (E), (I)**	(382.6)	16.8	(365.8)
Current taxation	(38.9)	-	(38.9)
Total current liabilities	**(665.0)**	**15.1**	**(649.9)**
Total liabilities	**(1,364.6)**	**0.9**	**(1,363.7)**
Total assets less total liabilities	**472.9**	**(22.9)**	**450.0**
EQUITY			
Ordinary share capital	60.1	-	60.1
Share premium account	25.9	-	25.9
Other reserves	371.9	(22.9)	349.0
Total shareholders' equity	**457.9**	**(22.9)**	**435.0**
Minority interest in equity	15.0	-	15.0
Total equity	**472.9**	**(22.9)**	**450.0**

* - restated for FRS 17.

Reconciliation of equity **At 31 December 2004 (unaudited)**	**Previous GAAP**	**Effect of transition to IFRS**	**DMS Held for Sale**	**IFRS**
ASSETS	**£m**	**£m**	**£m**	**£m**
Non-current assets				
Intangible assets **(D)**	117.7	138.3	(3.7)	252.3
Property, plant and equipment **(B), (C(i)), (D(i))**	718.7	(137.5)	(4.1)	577.1
Joint ventures **(J)**	6.7	0.4	-	7.1
Associates **(J)**	-	-	-	-
Other	48.2	-	-	48.2
Trade and other receivables	261.1	-	-	261.1
Deferred taxation **(G)**	52.3	(20.1)	-	32.2
Total non-current assets	**1,204.7**	**(18.9)**	**(7.8)**	**1,178.0**
Current assets				
Stocks	65.1	-	(13.4)	51.7
Trade and other receivables	370.7	-	(138.6)	232.1
Cash and cash equivalents	84.3	-	(8.7)	75.6
Held for sale **(A)**	-	-	174.0	174.0
Total current assets	**520.1**	**-**	**13.3**	**533.4**
Total assets	**1,724.8**	**(18.9)**	**5.5**	**1,711.4**
LIABILITIES				
Non-current liabilities				
Loan capital and borrowings **(C(i))**	(669.1)	(32.3)	9.3	(692.1)
Trade and other payables	(113.3)	(1.5)	10.5	(104.3)
Retirement benefits **(E(iii))**	(33.2)	(2.1)	-	(35.3)
Other provisions **(B)**	(29.7)	(12.2)	5.5	(36.4)
Total non-current liabilities	**(845.3)**	**(48.1)**	**25.3**	**(868.1)**
Current liabilities				
Loan capital and borrowings **(C(i))**	(21.9)	(2.8)	4.9	(19.8)
Payables **(C(ii)), (E), (I)**	(433.2)	49.6	112.4	(271.2)
Current taxation	(9.7)	-	0.2	(9.5)
Liabilities held for sale	-	-	(142.8)	(142.8)
Total current liabilities	**(464.8)**	**46.8**	**(25.3)**	**(443.3)**
Total liabilities	**(1,310.1)**	**(1.3)**	**-**	**(1,311.4)**
Total assets less total liabilities	**414.7**	**(20.2)**	**5.5**	**400.0**
EQUITY				
Ordinary share capital	62.4	-	-	62.4
Share premium account	88.3	-	-	88.3
Other reserves	255.3	(20.2)	5.5	240.6
Total shareholders' equity	**406.0**	**(20.2)**	**5.5**	**391.3**
Minority interest in equity	8.7	-	-	8.7
Total equity	**414.7**	**(20.2)**	**5.5**	**400.0**