1 March 2002

The Rank Group Plc

Preliminary Announcement of the Results for the year ended 31 December 2001

- ***Earnings per share* up 30% to 22.5p***
- ***Profit before tax* of £188.1m (2000 - £186.0m)***
- ***Gaming profit up 16%, with businesses well positioned to take advantage of Gambling Review***
- ***Hard Rock profit of £38.0m, adversely affected by 11 September, but development plans proceed unchanged***
- ***Deluxe profit* ahead of last year, with Film profit up 11%***
- ***Net cash flow before acquisitions and disposals of £29.6m***
- ***Net debt down to £248.1m (2000 - £319.9m)***
- ***Final dividend up 5% to 8.4p (2000 - 8.0p)***

* before exceptional items

Commenting on the results, Mike Smith, Chief Executive, said:

"2001 was a good year for Rank. The all round strength of the Group is now such that the uncertain trading conditions that developed in the latter part of the year did not stop us delivering much improved financial results. In fact, whilst Hard Rock's short term performance was undermined, we continued to make substantial progress across the rest of the Group with Gaming in particular showing strong sales growth.
We again generated positive cash flow and reduced debt. Our steadily improving financial position, together with the development initiatives we have put in place, means that we are confident that the Group can make further progress in 2002.
2002 has started well, displaying the same improving trends shown in the latter part of 2001, and financial results to date are in line with our expectations."

Enquiries:

The Rank Group Tel: 020 7706 1111
Mike Smith, Chief Executive
Ian Dyson, Finance Director
Kate Ellis-Jones, Director of Investor Relations Tel: 020 7535 8031

Press Enquiries:

The Maitland Consultancy Tel: 020 7379 5151
Angus Maitland
Suzanne Bartch

RG/02/02

Conference call details:

Friday 1 March 2002
The meeting starts at 9.30am – please call in at 9.20am quoting the Rank Group
UK dial in number – 020 8240 8242, International dial in number – +44 (0) 20 8240 8242

The slide presentation will be available on Rank's web-site, www.rank.com, from 9.20am. Please click on Investor Relations, Presentations, and 2001 Preliminary Results to view the full presentation. The audio recording will also be available on the web-site from Monday 4 March.

Instant replay number - available at any time from the end of the meeting on 1 March for 7 days
UK dial in number – 020 8288 4459 - Access code 699932
International dial in number – +44 (0) 20 8288 4459 - Access code 699932

CHIEF EXECUTIVE'S REVIEW

2001 was a good year for the Rank Group. The all round strength of the Group is now such that we were able to bear the impact of poorer trading conditions in the latter part of the year and still deliver improved financial results. We achieved growth in earnings per share before exceptional items of 30% and recorded positive cash flow so that net borrowings fell by £71.8m to £248.1m.

The Gaming Division had a very strong trading performance within both its casino and bingo activities. We had previously demonstrated margin and cost control and in the second half we added significantly improved turnover. Casino turnover in the second half rose by 12% and bingo by 5%. This improvement is attributable for the most part to customer appreciation of the investment we have made in better facilities, although in bingo we also launched a number of customer promotions to encourage attendance.

Hard Rock experienced a year with two distinct parts; the period up to 11 September in which sales and profits were improved, followed by the period since then when, as we previously reported, results have been little better than break-even as customers, particularly tourists, limited their excursions. We had already been reducing overhead costs and promoting local business prior to September and these actions helped us to weather the storm. Subsequently, customer demand has been steadily improving.

Deluxe had a robust year. Film processing was again strong with record levels of production. The additional laboratory in Rome made a contribution but will really make its planned impact in 2002. A new Toronto laboratory was partially opened to help meet very heavy demand towards the end of the year. Video had a generally satisfactory year with a resilient performance in North America. The results in European video however did not meet expectations and we undertook a restructuring and reorganisation which in part gives greater synergy between our US and European businesses. Our DVD business, whilst improved, is still not making a positive contribution.

The 2001 results reaffirm our belief that our declared strategy for the Group is effective and we will continue to invest accordingly.

Within Gaming we will accelerate our proven formula of relocation of existing licences combined with new developments and acquisitions. We have now won two new casino licences (Manchester and London) which will open in 2002, branded Hard Rock, and which will be aimed at younger customers. We have purchased two bingo clubs in the UK and there is scope for controlled expansion of our successful bingo business in Spain. The Gambling Review recommended a number of liberalising changes and whilst for the most part the changes require new UK legislation, which could take up to three years to enact, they would then facilitate considerable profitable expansion of our business.

The Rank.com web site was launched in the latter part of 2001 with games aimed at our existing UK customers. We will add more products during the first half of 2002, including some designed to meet the requirements of international customers serviced through our recently acquired Isle of Man licence. The new products will in part incorporate the Hard Rock brand.

We believe that the reinvigorated Hard Rock business model has proved itself to be robust, despite the difficulties since September, and accordingly we will continue to expand in 2002. We plan to open 10 cafes in the UK and continental Europe. Many of these will cater for local customers with less reliance on tourists, thereby following the successful formula established in Manchester and Birmingham. There will also be further cafe development in the US and by franchisees. Given the success of the Hard Rock hotel in Florida we are actively seeking more branded hotel opportunities.

In Deluxe we will complete and fully open the new Toronto film laboratory early in 2002 which will add to production efficiency and flexibility. We will continue to rationalise and seek consolidation opportunities within video, particularly in Europe. We seek to improve our position in DVD.

No mainstream Deluxe contracts expire during 2002 but we have started a programme for the early extension of both film and video contracts. Our objective is to increase the average contracted length of time outstanding by at least two years. We have already made significant progress in this regard.

Our operational strengths are bolstered by firm financial management. Sensible tax planning has enabled us to reduce the effective tax rate. In 2001 we settled with the Inland Revenue at no cash cost the outstanding tax issues arising from the Rank Xerox transactions in 1995 and 1997. I am also pleased to confirm that the valuation of the Group's pension plan has disclosed a significant surplus.

We said at the beginning of 2001 that with our renewed confidence we would increasingly concentrate on development and growth. The results are a demonstration of the progress made and a further reinforcement of our belief that Rank will continue to move forward in 2002 and beyond.

2002 has started well, displaying the same improving trends shown in the second half of 2001, and financial results to date are in line with our expectations.

Summary of Results

	Turnover 2001 £m	Turnover 2000 £m	Profit before tax 2001 £m	Profit before tax 2000 £m
Gaming	437.1	442.6	95.7	82.4
Hard Rock	248.4	260.2	38.0	46.3
Deluxe	634.6	651.1	74.1	73.3
US Holidays	46.8	50.2	9.5	10.0
Central costs and other	-	-	(7.6)	(8.9)
Continuing operations	1,366.9	1,404.1	209.7	203.1
Discontinued operations	-	389.3	-	59.7
	1,366.9	1,793.4	209.7	262.8
Net income (loss) from associates and joint venture			2.7	(9.4)
Managed businesses' interest			(24.3)	(67.4)
Profit before tax and exceptional items			188.1	186.0
Exceptional items			(27.6)	(527.1)
Profit (loss) before tax			160.5	(341.1)
Earnings per share before exceptional items			22.5p	17.3p
Dividend per share			12.6p	12.0p

Earnings per share before exceptional items of 22.5p was 30% ahead of last year. This improvement reflects the benefits of the major restructuring of the Group in 2000, growth in operating profit from our continuing operations – no mean achievement given the economic slow down in the US and the impact of the events of 11 September on Hard Rock – and a further significant reduction in the effective tax rate.

Turnover from continuing operations was down 3% over the year as a whole but the trend varied considerably between the first and second half of the year. In the first half of the year turnover was down 5%, but the comparison was distorted by the loss of the Fox US video contract in Deluxe and exceptional business at the Clermont casino in the first half of 2000. In the second half turnover was flat despite an 11% decline at Hard Rock, with Gaming up 6% and Deluxe up 1%.

Operating profit from continuing operations before exceptional items was up 3%. Gaming was again the star performer with profit up 16%. Deluxe film was 11% ahead of last year, more than compensating for the decline in video profit. Hard Rock was adversely affected by the events of 11 September; up to the end of August 2001 profit was 6% ahead of 2000.

Managed businesses' interest before exceptional items was £43.1m below last year reflecting a substantial reduction in net debt to £248.1m at 31 December 2001, compared to an average of £858.1m in 2000. The effective tax rate has been further reduced to 17.0% (2000 – 21.5%).

The Group recorded a net exceptional charge of £27.6m before tax. £25.2m of this charge relates to Deluxe, being the net of restructuring costs and asset write-offs and the profit on the sale and leaseback of the Arkansas video duplication facility. An analysis of exceptional items is given on page 14.

The Board has recommended a final dividend of 8.4p, an increase of 5%, making a full year dividend of 12.6p (2000 – 12.0p).

GAMING

	Turnover		Operating Profit	
	2001	2000	2001	2000
	£m	£m	£m	£m
Mecca Bingo				
UK	226.0	219.9	67.6	54.9
Spain	13.5	12.6	3.5	3.6
	239.5	232.5	71.1	58.5
Grosvenor Casinos				
UK	140.6	146.9	23.4	21.0
Belgium	9.5	10.7	0.7	0.7
	150.1	157.6	24.1	21.7
Rank Leisure Machine Services	47.5	52.5	2.3	2.2
Rank.com	-	-	(1.8)	-
	437.1	442.6	95.7	82.4

Gaming had another excellent year with operating profit up 16% after accounting for the start up costs of Rank.com, the Group's online gaming site, of £1.8m. Gaming has now increased operating profit by 65% in the last three years. Whilst improved margins and tight cost control have been instrumental in generating this profit growth, the business also demonstrated strong underlying turnover growth in 2001, particularly in the second half of the year when turnover was up 6%. The first two months of 2002 have continued to show strong growth.

Mecca Bingo

	2001	2000	change
UK Bingo statistics			
Admissions ('000s)	23,879	25,894	-7.8%
Spend per head (£)	9.45	8.48	11.4%

Mecca Bingo in the UK performed extremely well, increasing turnover by 3% and operating profit by 23%. The turnover performance was particularly strong in the later part of the year when a number of promotional initiatives were implemented including free bingo on Thursday evenings and selected television advertising. This activity has been very successful and led to an increase in turnover of 5% in the second half of the year. The trend in admissions has improved from down 11% in the first half to down 4% in the second half. Plans are in place to continue with similar promotional activity in 2002. The profit margin improved further to almost 30% (2000 – 25%) despite an increase of £3.1m in promotional spend. The margins in the second half of the year were largely unchanged from the first half, demonstrating the effectiveness of the targeted promotional spending.

In June, Mecca acquired two clubs in Rotherham and Wakefield which are both trading ahead of expectations. Two under-performing clubs were closed. Further opportunities for club acquisitions are under review.

The Spanish bingo clubs continued to perform satisfactorily with operating profit of £3.5m. We have recently acquired a new club in Barcelona and are currently exploring a number of opportunities to add to our portfolio in this attractive bingo market.

Grosvenor Casinos

	Turnover		Operating Profit	
	2001	2000	2001	2000
	£m	£m	£m	£m
UK				
London - upper	18.9	38.2	3.0	6.7
London - other	51.9	47.0	11.6	9.2
Provincial	69.8	61.7	16.5	12.7
Overheads	-	-	(7.7)	(7.6)
	140.6	146.9	23.4	21.0

Grosvenor casinos had another good year with profit up 11%. The results were driven by outstanding performances by the provincial and the London - other casinos.

	Admissions ('000's)		Handle per head (£)	
	2001	2000	2001	2000
UK				
London – upper	47	40	2,271	4,359
London - other	629	628	409	392
Provincial	2,473	2,478	141	126

The Group's five London casinos experienced contrasting results in 2001. Operating profit from the two upper end casinos – the Clermont and the Park Tower – was £3.7m lower than 2000. This reflects a combination of comparison against a very strong year for the Clermont in 2000 and a lower than normal win percentage of 17.6% (2000 – 21.8%). The other London casinos – the Victoria, Gloucester and Connoisseur - had an excellent year with turnover up 10% and operating profit up 26%. Whilst admissions were flat, handle per head was up 4% and the win percentage was 18.9% (2000 - 17.9%). These casinos experienced an improving trend as the year progressed; admissions were up 2% and handle per head 6% in the second half of the year. The London Hard Rock casino, to be located off Leicester Square, is expected to open in late 2002.

Trading in the provincial casinos was strong throughout the year with turnover up 13% and operating profit up 30%. Results were also particularly encouraging in the second half of the year, with a combination of the successful relocation of the Birmingham, Blackpool and Great Yarmouth casinos, later opening in selected clubs, and the introduction of electronic roulette machines, leading to admissions growth of 4%, handle per head growth of 18%, and turnover growth of 24%. A further four provincial casinos are scheduled to be relocated over the next eighteen months and the new Hard Rock casino in Manchester is expected to open in July 2002.

Rank Leisure Machine Services

Rank Leisure Machine Services' operating profit was broadly in line with last year at £2.3m.

Rank.com

The Group's internet gaming site, Rank.com, was launched in November 2001. The site currently offers a range of exclusive fun-to-play and pay-to-play games. On 22 January 2002, the Group was awarded a licence by the Isle of Man Government to operate an on-line casino which will be launched by June 2002.

HARD ROCK

	Turnover*		Operating Profit*	
	2001 £m	2000 £m	2001 £m	2000 £m
Owned cafes	233.3	248.6	41.5	54.3
Cafe franchise and other income	7.6	7.1	7.5	7.9
Hotel franchise and other income	3.3	0.1	2.3	0.1
Territory sales	4.2	4.4	4.2	4.4
Advertising and promotion			(1.7)	(5.0)
Overheads			(14.1)	(15.4)
Restructuring charge			(1.7)	-
	248.4	260.2	38.0	46.3

* Results for 2001 are for 52 weeks (2000 – 53 weeks)

Hard Rock operating profit was £38.0m. Satisfactory progress was made in the first eight months of 2001 following the major changes made in 2000. The like for like sales trend had improved and had been particularly encouraging in the two months following the half year, helped by the successful reconfigurations of 13 of the major cafes. At the end of August operating profit was 6% ahead of 2000.

The tragic events of 11 September had an immediate negative impact on the business, in particular in the major tourist markets such as Orlando, New York, Washington DC, Las Vegas, Hollywood, Paris, London and Rome. Like for like sales in the period from 11 September to the year end were down 17.1%, with the more tourist dependent merchandise sales down 22.1%.

Hard Rock like for like sales %	**2001**	**Pre 11 Sep**	**Post 11 Sep**	**2002 to date**
Total	**-6.7**	**-3.0**	**-17.1**	**-4.4**
Food and Beverage	-4.1	-0.6	-13.4	-0.6
Merchandise	-9.8	-5.8	-22.1	-10.6
North America	-8.0	-4.6	-17.9	-4.0
Europe	-0.5	4.4	-13.9	-6.7

There has been a steady recovery in sales trends over the last 3 months. In December like for like sales were down 10.6% and in the eight weeks since the year end sales are down 4.4%. Within this food and beverage sales have been relatively strong reflecting the success of local marketing initiatives. Merchandise has improved but remains difficult due to lower levels of tourist traffic; more than half of the merchandise shortfall is concentrated in four US cafes.

We firmly believe that the events of 11 September will have no lasting impact on the prospects for Hard Rock. Plans to expand the cafe network are unaffected; Birmingham and Munich have recently opened as part of the development plan for a further 10 cafes in the UK and continental Europe. Sites have been acquired in Nottingham, Lisbon and Cologne. In the US, Pittsburgh, Minneapolis and Austin will open in 2002 and Phoenix will be relocated. New franchised cafes opened in Belfast, Queenstown (New Zealand), Cairo, Universal Studios Osaka, Bogota and Osaka City. Interest from potential franchisees remains at a high level with a number of new cafes expected to open in 2002 including Moscow, Sicily, Puerto Allegre, Kuwait and a second cafe in Tokyo.

The prospect for licensing the brand within hotels and casinos also remains strong. The Hard Rock hotel in Orlando contributed £2.2m in its first year despite being impacted by 11 September. A resort hotel in Pattaya, Thailand opened in November and the Chicago hotel is scheduled to open in 2003. The Seminole Indian Nation development in Florida is currently going through an exercise to raise $410m in municipal bonds in the US market. The development, which will consist of two Hard Rock resorts including casinos and hotels, is expected to open in 2004.

DELUXE

	Turnover		Operating Profit*	
	2001	2000	2001	2000
	£m	£m	£m	£m
Film processing	341.5	300.2	53.9	48.6
Video duplication & distribution	285.9	346.8	22.9	29.4
DVD replication	7.2	4.1	(2.7)	(4.7)
	634.6	651.1	74.1	73.3

* *before exceptional items*

Film processing had another excellent year. Film footage was up 9%, turnover 14% and operating profit 11%. The operating profit is stated after a charge of £3.2m associated with the relocation of the Toronto laboratory; the 2000 profit was stated after a similar charge of £3.7m also relating to the Toronto relocation. The profit margin in 2001, after adjusting for the one-off charges, was slightly lower due to the high level of front end work in the first half of the year and the delay of the new Rome laboratory, which opened in June. The margin in the second half was in line with last year. Films processed in the year included Lord of the Rings, A Beautiful Mind, Moulin Rouge and Planet of the Apes. The schedule for 2002 is strong. The new Toronto laboratory began processing film in November and will become fully operational by April 2002. Rome is now fully operational.

The video business continued to prove resilient. In the US the number of video cassettes duplicated for our major studio customers (excluding Fox) was broadly in line with 2000. Turnover was £60.9m behind 2000, all of which is accounted for by the loss of the Fox contract, but the successful restructuring undertaken in the US mitigated the impact on operating profit. A similar restructuring exercise took place in Europe with the closure of duplication plants in France and Holland and restructuring in the UK and Germany. The cost of this exercise was £8.9m and has been charged as an exceptional item.

The restructuring exercises in the US and Europe are a key part of our strategy to maximise cash returns from the video business as volumes decline. A further initiative was to combine the US and European businesses under one management team, to facilitate more effective co-ordination. An immediate benefit of this combination is in the area of information technology and systems, which are to be consolidated globally. As a consequence of this decision an exceptional charge of £28.6m has been recognised in the year, primarily relating to the impairment of the carrying value of information systems.

A sale and leaseback of the real estate, plant and machinery at the Arkansas duplication facility was completed during 2001 for proceeds of £49.1m, resulting in a gain of £12.3m, included within exceptional items.

The DVD replication plant in California achieved improved volume and a reduced loss of £2.7m. The DVD market remains difficult but we continue to believe that the capability to replicate DVDs is an important component of Deluxe's offering to its customers. Deluxe distributed some 90m (2000 – 56m) DVDs during the year.

US HOLIDAYS

US Holidays operating profit was £9.5m (2000 - £10.0m). The business generated net cash of £13.3m (2000 - £13.5m).

Central costs and other

	2001 £m	2000 £m
Central costs	(10.2)	(10.6)
Other	2.6	1.7
	(7.6)	(8.9)

Associates and joint ventures

	2001 £m	2000 £m
British Land	1.6	1.9
ETS	1.1	0.3
Universal Studios	-	(11.6)
	2.7	(9.4)

The profit from the British Land joint venture declined following the disposal of properties accounting for around 20% of the value of the joint venture. The net loss on disposal of these properties is included within exceptional items.

The increased contribution from ETS, a distributor of release prints and trailers, reflects the acquisition of a further 25% of the share capital on 1 April 2001 for £1.7m and a full year's share of profits from the original 25% investment. The Group now has a 50% interest in this business.

Interest before exceptional items

	2001 £m	2000 £m
Interest payable and other charges	34.6	75.4
Interest receivable	(7.5)	(8.0)
Net profit on redemption of fixed rate debt	(2.8)	-
	24.3	67.4
Average interest rate	7.1%	7.5%
Interest cover (times)	8.6	3.9
Fixed charge cover (times)	4.6	3.0

The net interest charge was £43.1m lower than 2000, reflecting the substantial reduction in average net debt, a lower average rate and the net one-off profit of £2.8m on early redemption of fixed rate debt.

Taxation

The effective tax rate on Rank managed businesses, excluding exceptional items, is 17.0% (2000 – 21.5%). The effective rate benefits from the refinancing of the Group's US interests as well as from prior year capital allowance disclaimers and US tax losses.

Exchange rates

The net translation effect of changes in average exchange rates between 2000 and 2001 was to increase turnover by £28.8m and profit before tax and exceptional items by £3.0m. The increase in profit before tax comprises an increase in operating profit of £4.0m (Deluxe £2.4m, Hard Rock £1.1m, US Holidays £0.4m, Gaming £0.1m) offset by higher interest payable of £1.0m. The average rates are given below.

	2001	2000
US dollar	1.43	1.50
Canadian dollar	2.23	2.21
Euro	1.61	1.66

Exceptional items

	£m
Exceptional items within operating profit	
Restructuring charge at Deluxe Video Europe	(8.9)
Write-off of information systems within Deluxe Video	(28.6)
	(37.5)
Non-operating exceptional items within joint ventures	(0.6)
Non-operating exceptional items	
Disposal of Arkansas real estate, plant and equipment	12.3
Other	(1.8)
	(27.6)

Following the successful restructuring within the US video business in 2000 a similar, albeit smaller scale, exercise was undertaken in Europe. This exercise involved the closure of duplication plants in France and Holland and restructuring in the UK and Germany. The total cost was £8.9m.

In August 2001, the Deluxe video businesses in the US and Europe were combined under the US management team. As part of the combination of these businesses, a decision was taken to consolidate information systems and support arrangements. As a consequence of this decision an exceptional charge of £28.6m has been recognised in the year, primarily relating to the impairment of the carrying value of information systems.

The non-operating exceptional item within joint ventures is a net loss incurred on the disposal of six properties by the British Land joint venture.

On 6 June 2001, Deluxe completed the sale and leaseback of the plant and machinery at the video duplication facility in Arkansas for proceeds of £27.3m. On 28 December 2001, Deluxe also completed the sale and leaseback of the real estate in Arkansas for proceeds of £21.8m. The two transactions taken together realised a profit on disposal of £12.3m.

Cash flow

	2001 £m	2000 £m
Cash inflow from operating activities	266.4	358.0
Capital expenditure	(103.3)	(144.6)
Fixed asset disposals	15.2	20.1
Operating cash flow	178.3	233.5
Distributions from associates and joint ventures	2.4	2.6
Acquisitions and investments	(14.4)	(45.3)
Disposals (including sale and leaseback transactions)	52.9	1,212.9
	219.2	1,403.7
Interest, tax and dividend payments	(151.1)	(179.5)
	68.1	1,224.2
Purchase of Ordinary share capital	-	(304.3)
	68.1	919.9

The Group generated net cash inflow of £68.1m in the year. Excluding acquisitions, investments and disposals, the Group generated £29.6m of cash, thereby again meeting the objective of being cash positive at this level, after generating £57.9m in 2000.

Operating cash flow was £178.3m (2000 - £233.5m). The 2000 figure includes operating cash flow of £28.0m from discontinued businesses. The decline in continuing businesses is largely due to £29.8m additional capital expenditure in 2001.

Capital expenditure

	2001 £m	2000 £m
Gaming	48.5	34.3
Hard Rock	20.0	13.9
Deluxe	33.5	24.2
US Holidays	1.3	1.1
Total on continuing businesses	103.3	73.5
Discontinued businesses	-	71.1
Total	103.3	144.6

All three principal businesses incurred more capital expenditure as the Group accelerated its expansion plans. Gaming invested in club relocations and improved facilities within its estate; Hard Rock opened a new cafe in Birmingham, rebuilt Toronto and invested £9m in the reconfiguration of 13 of its largest cafes; Deluxe completed the Rome laboratory and embarked on the relocation of the Toronto laboratory.

Acquisitions and investments includes expenditure in respect of the Group's interest in the Universal Hotels, the acquisition of a further 25% of ETS, the acquisition of an equity interest in the Chicago Hard Rock hotel and an investment of £1.9m in The Rank Group Plc Ordinary shares in connection with the Group's long term incentive plan.

Disposals largely comprises £49.1m in respect of the sale and leaseback of the Arkansas video duplication facility, plant and machinery.

Interest, tax and dividend payments includes £13.6m in respect of early redemption of the US private placements. An exceptional provision was made in respect of this item within the 2000 results.

Net debt

Net debt at 31 December 2001 was £248.1m compared with £319.9m at 31 December 2000. Net debt as a percentage of shareholders' funds was 42% compared with 58% at 31 December 2000.

Pensions

An actuarial valuation of the Group's defined benefit pension scheme for UK employees was conducted at 5 April 2001. At the valuation date the market value of the assets of £589.9m exceeded the market value of the liabilities by 9%, giving a surplus of £49.2m. At December 2001, the recoverable surplus on the pension fund would be £36.0m calculated in accordance with the provisions of Financial Reporting Standard 17 "Retirement Benefits".

SHAREHOLDER INFORMATION

Accounting Policies

Financial Reporting Standard ("FRS") 17 "Retirement Benefits" was issued in November 2000 but will not require full implementation for the Group and Company until the year ended 31 December 2003. Prior to this phased transitional disclosures are required from 31 December 2001.

In accordance with the requirements of FRS 18 "Accounting Policies", management have reviewed the accounting policies currently adopted by the Group and consider them to be the most appropriate against the objectives of relevance, reliability comparability and understandability. As a consequence of the review of Group accounting policies, the accounting treatment and recognition of contract advances within Deluxe Film has been amended to ensure a consistency of treatment with Deluxe Video. Within Deluxe Film, advances payable under a contract were previously recognised on cash payment but are now accrued for in full on entering into a contract. This brings the treatment in Deluxe Film in line with Deluxe Video. This change in accounting policy has been implemented retrospectively as required by FRS 18 with a prior year adjustment made to debtors and creditors. This change has no impact on the profit and loss account.

FRS 19 "Deferred Tax" will be adopted in the 2002 financial year.

Dividend

The proposed final dividend of 8.4p per Ordinary share, together with the interim dividend of 4.2p per Ordinary share, makes a total for the year of 12.6p per Ordinary share (2000 – 12.0p). The total dividend for 2001 will be covered 1.8 times by earnings before exceptional items, based on 591.9 million Ordinary shares outstanding at 31 December 2001. The record date for the final dividend is 12 April 2002 and the payment date is 10 May 2002.

Annual General Meeting

The annual general meeting will be held at 11:30am on Thursday 25 April 2002 at the Royal Garden Hotel, 2-24 Kensington High Street, London, W8 4PT.

Report and Accounts

The Report and Accounts and the Notice of the annual general meeting will be posted to shareholders on 25 March 2002. Copies will be available from The Rank Group Plc, 6 Connaught Place, London W2 2EZ.

General

The financial information contained in this announcement is based on that contained in the full audited financial statements for the year ended 31 December 2001 dated 1 March 2002. The Directors approved this announcement on 1 March 2002.

This announcement does not constitute full accounts within the meaning of S.240 Companies Act 1985. The 2000 accounts for The Rank Group Plc have been delivered to the Registrar of Companies. The 2001 accounts for The Rank Group Plc have not yet been delivered to the Registrar of Companies.

GROUP PROFIT AND LOSS ACCOUNT
For the year ended 31 December

	2001			2000		
	Before Exceptional Items £m	**Exceptional Items £m**	**Total £m**	**Before Exceptional Items £m**	**Exceptional Items £m**	**Total £m**
Turnover						
Continuing operations (Note 1)	1,366.9	-	1,366.9	1,404.1	-	1,404.1
Discontinued operations	-	-	-	389.3	-	389.3
	1,366.9	-	1,366.9	1,793.4	-	1,793.4
Operating profit						
Continuing operations (Notes 1 & 2)	209.7	(37.5)	172.2	203.1	(43.5)	159.6
Discontinued operations	-	-	-	59.7	-	59.7
	209.7	(37.5)	172.2	262.8	(43.5)	219.3
Share of associates and joint ventures (Note 2)	6.3	-	6.3	17.7	(13.8)	3.9
	216.0	(37.5)	178.5	280.5	(57.3)	223.2
Non-operating items (Note 2)	-	9.9	9.9	-	(449.5)	(449.5)
Profit (loss) before interest	216.0	(27.6)	188.4	280.5	(506.8)	(226.3)
Interest:						
Group	(24.3)	-	(24.3)	(67.4)	(20.3)	(87.7)
Share of associates and joint ventures	(3.6)	-	(3.6)	(27.1)	-	(27.1)
	(27.9)	-	(27.9)	(94.5)	(20.3)	(114.8)
Profit (loss) before tax	188.1	(27.6)	160.5	186.0	(527.1)	(341.1)
Tax (Note 3)	(32.3)	-	(32.3)	(42.0)	65.7	23.7
Profit (loss) after tax	155.8	(27.6)	128.2	144.0	(461.4)	(317.4)
Equity minority interests	(1.9)	-	(1.9)	(3.0)	-	(3.0)
Preference dividends	(21.0)	-	(21.0)	(21.0)	-	(21.0)
Earnings (loss)	132.9	(27.6))	105.3	120.0	(461.4)	(341.4)
Earnings (loss) per Ordinary share (note 4)	22.5p	(4.7)p	17.8p	17.3p	(66.4)p	(49.1)p

GROUP BALANCE SHEET

At 31 December	2001 £m	2000 £m restated
Fixed assets		
Intangible assets	7.4	7.6
Tangible assets	726.0	775.8
Investments	65.2	56.3
	798.6	839.7
Current assets		
Stocks	69.4	65.2
Debtors (including amounts falling due after more than one year)	510.2	512.5
Investments	6.3	11.7
Cash and deposits	117.6	156.0
	703.5	745.4
Creditors (amounts falling due within one year)		
Loan capital and borrowings	(7.9)	(42.6)
Other	(363.7)	(367.7)
	(371.6)	(410.3)
Net current assets	331.9	335.1
Total assets less current liabilities	1,130.5	1,174.8
Creditors (amounts falling due after more than one year)		
Loan capital and borrowings	(364.1)	(445.0)
Other including provisions	(167.0)	(157.6)
	599.4	572.2
Capital and reserves		
Called up share capital	104.6	104.6
Share premium account	8.5	8.5
Other reserves	471.1	443.2
Shareholders' funds	584.2	556.3
Equity interests	359.8	334.1
Non-equity interests	224.4	222.2
Equity minority interests	15.2	15.9
	599.4	572.2

GROUP CASH FLOW STATEMENT

For the year ended 31 December	2001 £m	2000 £m
Net cash inflow from operating activities (Note 5)	266.4	358.0
Distributions from joint ventures and associated undertakings	2.4	2.6
Returns on investment and servicing of finance		
Interest received	7.5	8.3
Interest paid	(49.2)	(96.5)
Dividends paid to preference shareholders and minorities	(21.8)	(20.4)
	(63.5)	(108.6)
Tax (paid) received	(15.4)	12.8
Capital expenditure and financial investment		
Purchase of investments	(12.0)	(6.2)
Purchase of tangible fixed assets	(103.3)	(144.6)
Sale of fixed assets and assets held for disposal	64.3	20.1
	(51.0)	(130.7)
Acquisitions and disposals		
Purchase of subsidiaries	-	(25.9)
Investments in joint ventures and associates	(2.4)	(13.4)
Sale of businesses and investments	3.8	1,219.3
Net cash disposed	-	(6.2)
	1.4	1,173.8
Ordinary dividends paid	(72.2)	(83.7)
Cash inflow before use of liquid resources and financing	68.1	1,224.2
Management of liquid resources	5.4	1.1
Financing		
Purchase of Ordinary share capital	-	(304.3)
Changes in debt and lease financing		
Net decrease in loans and borrowings	(116.5)	(829.2)
Capital element of finance lease rental payments	(0.8)	(19.4)
(Decrease) increase in cash (Note 6)	(43.8)	72.4

GROUP RECOGNISED GAINS AND LOSSES

For the year ended 31 December	2001 £m	2000 £m
Profit (loss) for the financial year	126.3	(320.4)
Currency translation differences on foreign currency net investments	(1.9)	(5.1)
Tax on exchange adjustments offset in reserves	(3.2)	(17.9)
Total recognised gains and losses for the year	121.2	(343.4)

MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 December	2001 £m	2000 £m
Profit (loss) for the financial year	126.3	(320.4)
Dividends payable excluding provision for redemption premium	(93.3)	(87.9)
Retained profit (loss) for the year	33.0	(408.3)
Other recognised gains and losses (net)	(5.1)	(23.0)
Purchase of Ordinary share capital	-	(304.3)
Goodwill realised on disposal	-	108.1
Net movement in shareholders' funds	27.9	(627.5)
Opening shareholders' funds	556.3	1,183.8
Closing shareholders' funds	584.2	556.3

Notes to the accounts:

1. Geographical analysis of continuing operations, before exceptional items:

	Turnover by origin		Operating profit by origin	
	2001 **£m**	**2000** **£m**	**2001** **£m**	**2000** **£m**
United Kingdom	529.4	531.3	95.0	77.7
North America	710.2	743.6	95.6	103.9
Rest of the World	127.3	129.2	19.1	21.5
Continuing operations	1,366.9	1,404.1	209.7	203.1

2. Exceptional and non-operating items:

	2001 **£m**	**2000** **£m**
Exceptional items:		
Impairment of information systems at Deluxe Video	(28.6)	-
Restructuring charge at Deluxe Video Europe	(8.9)	-
Restructuring charge at Deluxe Video US	-	(41.3)
Group restructuring charge	-	(2.2)
	(37.5)	(43.5)
Exceptional item within Associates	-	(13.8)
	(37.5)	(57.3)
Non-operating items:		
Net profit on disposal of fixed assets	12.3	-
Net loss on disposal of continuing operations	(0.7)	(0.6)
Net loss on disposal of discontinued operations	(1.1)	(448.9)
Net loss on disposal of fixed assets in Joint Ventures	(0.6)	-
	9.9	(449.5)

3. The tax charge before exceptional items may be analysed as follows:

	2001 **£m**	**2000** **£m**
Rank managed businesses	31.4	42.0
Associates and joint ventures	0.9	-
	32.3	42.0

4. The weighted average number of Ordinary shares used in the calculation of earnings per share is 590.7m (2000 – 695.6m). The number of Ordinary shares as at 31 December 2001 was 591.9m.

5. Reconciliation of operating profit to cash flow from operating activities:

	2001 £m	**2000 £m**
Operating profit	172.2	219.3
Exceptional costs charged	37.5	43.5
	209.7	262.8
Cash payments in respect of exceptional costs and provisions	(27.4)	(49.6)
Depreciation and amortisation	81.1	134.0
Decrease in working capital	9.4	6.4
Other items	(6.4)	4.4
Net cash inflow from operating activities	266.4	358.0

6. Reconciliation to net debt:

	2001 £m	**2000 £m**
(Decrease) increase in cash	(43.8)	72.4
Decrease in loans, borrowings and finance leases	117.3	848.6
Decrease in liquid resources	(5.4)	(1.1)
Decrease in net debt from cash flows	68.1	919.9
New finance leases	(1.4)	(2.0)
Gain on repayment of fixed rate debt	7.7	-
Foreign exchange difference	(2.6)	(75.9)
	71.8	842.0
Net debt at 1 January	(319.9)	(1,161.9)
Net debt at 31 December	(248.1)	(319.9)