

The Rank Group Plc
IFRS Briefing

July 2005

Cautionary statement

International Financial Reporting Standards ('IFRS') are being applied in the European Union for the first time. There are a number of new and revised Standards included in the body of Standards that comprise IFRS. There is not yet a significant body of established practice upon which to draw in forming opinions regarding their interpretation and application. Accordingly, practice is continuing to evolve. At this preliminary stage, therefore, the full financial effect of reporting under IFRS, as it will be applied and reported on in the Group's first IFRS financial statements, cannot be determined with certainty and may be subject to change.

The purpose of this presentation is to provide information on the expected impact of the adoption of IFRS. The financial information which follows represents our current view and may be impacted by changes in the business or to IFRS or the interpretation thereof. This presentation should be treated with appropriate caution.

IFRS Headlines

2004 Adjusted profit*	£m
UK GAAP	151.0
IFRS	156.0

2004 net assets	£m
UK GAAP	414.7
IFRS	400.0

2004 Adjusted EPS	
UK GAAP	18.0p
IFRS	18.8p

*** Adjusted Group profit - pre-exceptional profit before tax excluding DMS less foreign exchange movements on inter company taken to profit & loss account under IFRS**

Outlook

- IFRS adoption will not materially impact
  - 2005 adjusted profit
  - how the business operates, cashflow generation

Additional 2005 considerations:

- IAS 39 & 39 adopted 1 January 2005
  - Amortisation of equity component of convertible bond (2005 onwards)
  - IAS 32 & 39 adoption will increase P&L volatility
- Full year of intangible amortisation on 2004 acquisitions
- Employee share scheme costs cover an additional year (2003-2005)
- Risk of asset impairments increases volatility

Operating profit* divisional reconciliation

Year ended 31 December 2004	UK GAAP £m	IFRS Adjs £m	DMS Adjs £m	IFRS £m
Gaming	112.0	5.0	-	117.0
Hard Rock	27.8	0.1	-	27.9
Deluxe Film	57.4	2.4	-	59.8
Deluxe Media Services	8.9	-	(8.9)	-
Resorts USA	4.2	(0.1)	-	4.1
Central costs	(13.2)	0.3	-	(12.9)
Associates and joint ventures	0.5	(0.5)	-	-
Total	197.6	7.2	(8.9)	195.9

* before exceptional items

2004 Income Statement

	UK GAAP	IFRS Adjs	DMS Adjs	IFRS
	£m	£m	£m	£m
Revenue	1,953.3	-	(385.1)	1,568.2
Operating profit - pre-exceptional	197.6	7.2	(8.9)	195.9
Exceptional operating losses	(58.1)	(10.5)	27.1	(41.5)
Operating profit	139.5	(3.3)	18.2	154.4
Non-operating items	(185.5)	4.1	181.4	-
Net financing costs	(37.3)	9.2	(0.4)	(28.5)
Associates and joint ventures	-	-	-	-
(Loss) profit before tax	(83.3)	10.0	199.2	125.9
Tax	(35.4)	12.1	1.2	(22.1)
Discontinued operations	-	-	(118.1)	(118.1)
Loss after tax	(118.7)	22.1	82.3	(14.3)
Attributable to:				
Minority Interests	0.7	-	-	0.7
Equity shareholders	(119.4)	22.1	82.3	(15.0)

2004 Adjusted Profit Reconciliation

	£m	£m
UK loss before tax		(83.3)
- DMS operating profit (pre-exceptional)	(8.9)	
- DMS interest	(0.4)	
- Exceptional items	243.6	
		234.3
Adjusted UK GAAP profit		151.0
IFRS profit before tax		125.9
- Exceptional items	41.5	
- Gains on inter-company balances	(11.4)	
		30.1
Adjusted IFRS profit		156.0

Pre-exceptional operating profit reconciliation

	£m	£m	
2004 Operating profit* - UK GAAP		197.6	
DMS UK GAAP profit removed		(8.9)	
		188.7	
IFRS adjustments (excluding DMS):			
Goodwill amortisation	5.8		Goodwill no longer amortised
Acquired intangible amortisation	(0.1)		2004 acquisitions
Operating lease costs	2.2		Reclassified as finance leases / rent savings
Employee benefit costs	(2.1)		Share based payments, holiday pay
Mecca Impairment	2.0		Depreciation saving
Mecca Impairment	0.3		Onerous lease rent savings
Associates & joint venture	(0.5)		Presentation
Operating lease incentives	(0.7)		Spread over life of lease
Other	0.3		Other minor changes
IFRS adjustments (excluding DMS)		7.2	
2004 Operating profit* - IFRS		195.9	

*** - before exceptional items**

Post exceptional operating profit reconciliation

	£m	£m	
2004 Operating profit - UK GAAP			
Pre-exceptional	197.6		
Exceptional items	(58.1)		DMS (£27.1m), Hard Rock (£31m)
UK GAAP operating profit		139.5	
DMS reclassification:			Reclassified as held for sale
Pre-exceptional operating profit	(8.9)		
Exceptional items	27.1		
IFRS adjustments:		18.2	
- Pre-exceptional adjustments	7.2		
- Loss on disposal of continuing ops	(4.1)		Transferred from UK GAAP non-operating
- Additional Mecca CGU	(6.4)		2004 impairments
IFRS adjustments		(3.3)	
2004 Operating profit - IFRS		154.4	

Operating profit* divisional reconciliation

Year ended 31 December 2004	UK GAAP £m	IFRS Adjs £m	DMS Adjs £m	IFRS £m
Gaming	112.0	5.0	-	117.0
Hard Rock	27.8	0.1	-	27.9
Deluxe Film	57.4	2.4	-	59.8
Deluxe Media Services	8.9	-	(8.9)	-
Resorts USA	4.2	(0.1)	-	4.1
Central costs	(13.2)	0.3	-	(12.9)
Associates and joint ventures	0.5	(0.5)	-	-
Total	197.6	7.2	(8.9)	195.9

* - before exceptional items

Operating profit* reconciliation - Gaming

	£m	£m	
Operating profit*- UK GAAP		112.0	
IFRS adjustments:			
Goodwill amortisation amortised	2.8		Goodwill no longer
Operating leases finance leases	0.5		Reclassified as
Employee benefit costs payments, holiday pay	(0.6)		Share based
Mecca CGU	2.0		Depreciation savings
Onerous leases	0.3		Rent savings
IFRS adjustments		5.0	
Operating profit *- IFRS		117.0	

*** - before exceptional items**

Operating profit* reconciliation - Hard Rock

	£m	£m	
Operating profit* - UK GAAP		27.8	
IFRS adjustments:			
Operating lease costs	0.4		Reclassified as finance leases
Employee benefit costs	(0.3)		Share based payments, holiday pay
IFRS adjustments		0.1	
Operating profit*- IFRS		27.9	

*** - before exceptional items**

Operating profit reconciliation - Deluxe Film

	£m	£m	
Operating profit - UK GAAP		57.4	
IFRS adjustments:			
Goodwill amortisation	3.0		Goodwill no longer amortised
Acquired intangibles amortisation	(0.1)		Excess consideration on intangibles
Employee benefit costs	(0.9)		Share based payments, holiday pay
Other	0.4		Minor adjustments
IFRS adjustments		2.4	
Operating profit - IFRS		59.8	

Financing costs reconciliation

	£m	£m	
2004 Net financing costs - UK GAAP		37.3	
DMS interest		0.4	Presentation
		37.7	
IFRS adjustment:			
Leases	2.7		Finance cost of reclassified leases
Associates	(0.5)		Presentation
Foreign exchange on I/co loans	(11.4)		No impact on net assets
		(9.2)	
2004 Net financing costs - IFRS		28.5	

Rank has not elected to restate its 2004 comparatives to reflect IAS 39. As a result the amortisation of the equity component of the £167m convertible bond is not reflected above (£3m p.a.)

Net assets and net debt

As at 31 December 2004	UK GAAP £m	IFRS Adjs £m	IFRS* £m
Net assets	414.7	(14.7)	400.0
Net debt	606.7	29.6	636.3

** IFRS net assets at 1 January 2005 will be amended to reflect adoption of IAS 32 & 39*

Net assets reconciliation

	£m	£m	
2004 net assets - UK GAAP		414.7	
IFRS adjustments:			
Opening net asset adjustment	(24.4)		
2004 adjustments:			
Income statement adjustments	104.4		As per restated income statement
Foreign exchange on I/co loans	(11.4)		Taken to income statement under IFRS
Tax	(15.3)		
Dividends	5.6		03 final dividend recognised, 04 final derecognised
Employee benefit costs	2.0		Share based payments taken to reserves
Pensions	1.1		Actuarial gains taken to reserves
DMS goodwill	(76.7)		Goodwill written off not recycled
IFRS adjustments		(14.7)	
2004 Closing net assets - IFRS		400.0	

Net debt reconciliation

	£m	£m	
2004 Net Debt - UK GAAP		**606.7**	
IFRS adjustments:			
Finance Leases	31.0		Land and building leases split into component parts before lease classification test performed
DMS net debt	(1.4)		transferred to held for sale
IFRS adjustments		29.6	
2004 Net debt - IFRS		**636.3**	**As at 31 December 2004**
IAS 39 adopted 1 January 2005			
- equity component of convertible bond		(13.6)	
- accrued interest		10.3	
Opening 2005 net debt		**633.0**	

Summary

- IFRS adoption will not materially impact
  - 2005 adjusted profit
  - how the business operates

Additional 2005 considerations:

- IAS 39 adopted 1 January 2005
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- Full year of intangible amortisation on 2004 acquisitions
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Appendix: Mecca CGU adjustment

UK GAAP

- Impairment tests performed for the business as a whole
- The future cash flows from Mecca support the carrying value

IFRS

- Impairment tests performed at individual club level
- A number of clubs impaired. Net assets reduced by £43.7m
- No uplift for clubs where future cash flows exceed the carrying value

Grosvenor and Hard Rock - no impact as impairment tests already performed at individual casino/cafe level

Appendix: Foreign exchange on inter-company loans

UK GAAP

- Foreign exchange movements on inter-company loans taken to reserves
- These movements net off against foreign exchange on translation of foreign subsidiaries' inter-company loans on consolidation

IFRS

- Foreign exchange movements on inter-company loans taken to income statement
- Foreign exchange on translation of foreign subsidiaries' inter-company loans on consolidation remains in reserves - mismatch
- No GAAP difference when calculating assets
- Exposure will be hedged from 2005, on adoption of IAS 39

Appendix: Lease accounting

UK GAAP

- Land and building leases accounted for as a single, combined lease
- Majority of the leases were classified as operating leases

IFRS

- Land and building leases split into their component parts
- Some separate building leases now classed as finance leases
- Leased asset and lease obligation brought on balance sheet
- Operating lease expense replaced by asset depreciation and finance lease interest

Appendix: Business acquisitions

UK GAAP

- Excess consideration classified as goodwill
- Amortised over the shorter of 20 years and useful economic life

IFRS

- Separately identifiable intangible assets recognised and amortised over their useful economic life
- Goodwill not amortised but reviewed annually for impairment

Appendix: Tax

UK GAAP

- Deferred tax provided on timing differences

IFRS

- Wider in scope than UK GAAP
- Requires deferred tax to be provided on all temporary differences
- Awaiting HMRC clarification on treatment on some adjustments
- Decreases deferred tax asset by £20.1m
- Group's effective tax rate expected to be more volatile