Unaudited Reconciliation of differences between UK GAAP and International Financial Reporting Standards (IFRS)

In accordance with European Union regulations, United is required to prepare its financial statements for the year ending 31 December 2005 in accordance with International Financial Reporting Standards ("IFRS"). The group is also required to present comparative information for the year ended 31 December 2004 in accordance with IFRS.

To assist shareholders in understanding this change in the basis of preparation of the group's financial statements, the tables below set out reconciliations from UK GAAP to IFRS for profit attributable to members for the year ended 31 December 2004, together with a reconciliation of shareholders' funds from UK GAAP to IFRS as at 1 January 2004 and as at 31 December 2004. These reconciliations set out all significant differences which are expected to result from the conversion from UK GAAP to IFRS.

The reconciliations are unaudited: they do not form part of the audited financial statements for the year ended 31 December 2004 and are included for guidance purposes only. It should be noted that the actual IFRS profit and shareholders' equity which will be presented as part of the comparative information to be shown in the financial statements for the year ending 31 December 2005 may differ from the amounts shown below as a result of further implementation guidance or industry interpretations. It should also be noted that the format of the published financial statements will change as a result of the adoption of IFRS.

The IFRS restatement may also be amended as a result of future rulings by the US Securities and Exchange Commission, who may require foreign registrants to file two years of comparative information under IFRS in the 20-F filing for the year ending 31 December 2005. This would require the group to adopt IFRS with effect from 1 January 2003; the information presented below is based on a transition date of 1 January 2004.

United is taking advantage of the exemption not to apply IFRS 32 and IFRS 39 until 1 January 2005, and as such no adjustments relating to these Standards have been included.

Group profit and loss account

	Note	2004 £m
Profit for the financial year attributable to members of the parent company as reported in accordance with UK GAAP		**111.3**
Adjustments:		
Amortisation of goodwill	1	**126.0**
Amortisation of intangible assets	2	**(3.1)**
Share-based payments	3	**(1.5)**
Investments accounted for using the equity method	4	**1.7**
WIP overheads	5	**0.4**
Pensions	6	**0.1**
Taxation	7	**0.9**
Profit in accordance with IFRS		**235.8**

Group balance sheet

	Note	31 December 2004 £m	1 January 2004 £m
Shareholders funds as reported in accordance with UK GAAP		**180.3**	124.7
Adjustments:			
Goodwill	1	**126.0**	–
Intangible assets	2	**(3.1)**	–
Investments accounted for using the equity method	4	**1.7**	–
WIP overheads	5	**(0.9)**	(1.3)
Dividend creditor	8	**28.5**	19.5
Pension liability	6	**(0.8)**	(0.9)
Deferred taxation	7	**0.9**	–
Total equity in accordance with IFRS		**332.6**	142.0

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1. Goodwill

Under IFRS, goodwill on acquisitions is no longer amortised, but is held at its UK GAAP carrying value at the transition date and is then subject to an annual impairment review. The adjustment made reflects the reversal of amortisation under UK GAAP during 2004.

2. Amortisation of intangible assets

IFRS requires separable intangible assets that are acquired as part of a business acquisition to be identified separately from goodwill. These assets are amortised over their useful lives. United has taken advantage of the transition exemption which allows the identification of intangible assets to be applied only to those acquisitions which have taken place since the transition date. The adjustment represents an initial estimate of the amortisation charge in respect of the intangible assets acquired as part of the group's 2004 acquisitions.

3. Share-based payments

Under IFRS 2, the fair value of share options and other share-based payments is recognised as an expense through the profit and loss account over the expected period through to the expected date of exercise. The Standard requires recognition of the fair value of all share-based payments granted from November 2002 onwards. In determining the impact on the profit and loss account for 2004, the cost as calculated under IFRS 2 has been partially offset by existing charges made in respect of the group's MTIP and SEEPP arrangements.

4. Investments accounted for using equity method

Certain investments, which have been accounted for by the group as fixed asset investments under UK GAAP since 2001, will be equity accounted under IFRS.

5. Work in progress valuation

Under UK GAAP, it is acceptable for the valuation of work in progress to include attributable overheads. Under IFRS, the valuation of work in progress is restricted to direct costs incurred.

6. Pension liability

There are differences between the methodologies for the valuation of pension scheme assets under IFRS compared to FRS 17; under IFRS, equity investments are valued on a bid value basis, whereas FRS 17 uses the mid-point valuation.

7. Deferred Taxation

Under IFRS, a deferred tax liability is recognised on the difference between the balance sheet amount of intangible assets acquired as part of the group's 2004 acquisitions and the tax base of the intangible assets. Goodwill is grossed up by an equivalent amount and there is therefore no adjustment to net assets on recognition. The adjustment represents the reversal of this deferred tax liability due to the amortisation of the intangible assets during 2004.

8. Dividend creditor not accrued under IFRS

Under IFRS, the liability for dividends is not recognised until a formal obligation arises. As a result, the final dividend in respect of a particular year will not normally be recognised under IFRS until the following year.