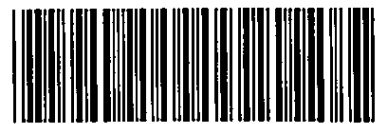


**RANK OVERSEAS HOLDINGS LIMITED**  
**Registered No. 412917**

**DIRECTORS' REPORT**  
**AND**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2010**

MONDAY



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## **RANK OVERSEAS HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

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The directors present their report and financial statements for the year ended 31 December 2010

#### **Business review and principal activities**

The Company is a limited company incorporated and domiciled in England and Wales

The principal activity of the Company is an investment holding company. The directors do not anticipate any change in the activity of the Company in the foreseeable future. The details of principal subsidiary undertakings are given in note 5.

The results of the Company for the year are set out on page 4. The directors do not recommend the payment of a dividend (2009 Nil).

#### **Going concern**

The Company participates in centralised treasury arrangements and so shares banking arrangements with fellow group companies headed by The Rank Group Plc ('the Group'). The Group is currently financed by a syndicated £200.0m multi-currency revolving credit facility, which was arranged in April 2007 and matures in April 2012. The Group has always fully complied with its banking covenants and the current drawdown on this facility at the date of signing these accounts is euros 63m. The bank facility incorporates a change of control clause that, should it be exercised by banks providing two thirds of the facility would require the cancellation of the facility and the repayment of any outstanding drawdown. This clause has not been invoked following the acquisition of a majority shareholding by Guoco Group Limited and the directors believe it unlikely that the panel of banks will request repayment. Even in the unlikely event that the change of control clause is invoked the directors believe the Group has sufficient cash resources to repay the facility.

For the purpose of operational flexibility, the Group intends to negotiate a replacement banking facility during the second half of 2011 and commenced initial discussions with its existing lenders in May 2011, although these were delayed during the recent offer for the Group. Based on these discussions with its existing lenders the directors do not envisage any difficulty in arranging a new facility.

The Group does not currently require this funding for the working capital needs of the business unless they are required to repay the amounts received from HMRC to date in relation to the litigation concerning the VAT treatment of income from interval bingo and gaming machines ('the VAT case').

The VAT case was heard in the European Court of Justice ('ECJ') on the 30 June 2011, and the directors continue to be very confident of the merits of the Group's claim and believe the likelihood of losing the case remains low. The ECJ judgements are expected in the latter part of 2011.

If the ECJ judgement means that the case is referred back to the UK courts and Rank loses, the VAT claim amount must be repaid plus interest. This payment is likely to be required 30 days after the decision of the referring court is handed down, which is expected in July 2012 at the earliest. Given the timeframe between the ECJ judgement and the obligation to pay, the directors are confident that there would be sufficient time to secure further financing facilities for the Group. Therefore the directors do not consider that the contingent liabilities involved invalidate the going concern basis of preparation.

In adopting the going concern basis for preparation the directors have considered not only the impact of the current status of the facilities and contingent liabilities described above, but have also considered the Group's trading cash flow forecasts and operating budgets. Assuming there is no significant deterioration in trading from current levels or change in the circumstances outlined above, the directors believe that the Group will generate sufficient cash to meet its requirements for at least the next 12 months and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate for the Group.

On this basis the directors have a reasonable expectation that the Company will continue in existence for the foreseeable future and therefore have adopted the going concern basis of accounting in preparing the financial statements.

#### **Post balance sheet event**

On 7 June 2011 Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange, acquired a controlling interest in The Rank Group Plc, a parent undertaking.

At 15 September 2011, Guoco owned 74.5% of The Rank Group Plc through two controlled undertakings, Asia Fountain Investment Company Limited and All Global Investments Limited. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad which is incorporated in Malaysia.

## **RANK OVERSEAS HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

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#### **Key performance indicators (KPI)**

The directors of The Rank Group Plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance, and position of the Group, which includes the Company, is discussed in more detail on pages 1 to 41 of the Group's 2010 annual report and financial statements which do not form part of this report. The directors do not anticipate any immediate or substantial variations to the Company's current activities.

#### **Directors**

The following were directors of the Company during the year and at the date of these accounts -

Mr M I Burke

Mr P J Gallagher (resigned 31 August 2011)

Mr C A R Jennings (appointed 31 August 2011)

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all the steps that ought to have been taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Insurance and indemnities**

The Rank Group Plc has arranged insurance cover in respect of legal action against the directors of the Company. To the extent permitted by English law, the Company also indemnifies the directors. Neither the insurance nor the indemnity provides cover in situations where a director has acted fraudulently or dishonestly.

#### **Auditors**

Ernst and Young LLP were appointed as auditors during the year and in accordance with s487(2) of the Companies Act 2006, Ernst and Young LLP will continue as auditors of the Company.

By order of the board



Mr C A R Jennings

Director

Registered Office: Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY

Registered Number: 412917

Date: 15 September 2011

## **RANK OVERSEAS HOLDINGS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANK OVERSEAS HOLDINGS LIMITED**

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We have audited the financial statements of Rank Overseas Holdings Limited for the year ended 31 December 2010 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the Accounting Policies and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Iain Wilkie (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
1 More London Place  
London SE1 2AF  
Date 15 September 2011

*Ernst & Young LLP.*

**RANK OVERSEAS HOLDINGS LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £000	2009 £000
Other operating expense	2	(25,672)	(154,477)
Dividend income from subsidiary undertakings		25,672	160,411
<b>Operating profit</b>		-	5,934
<b>Financing</b>			
– Interest payable and similar charges	3	(320)	(5,326)
– Interest receivable and similar charges	3	-	1,323
		(320)	(4,003)
<b>(Loss) profit before tax</b>	2	(320)	1,931
Taxation	4	(162)	(2,848)
<b>Loss for the year</b>		(482)	(917)

All results are from continuing operations

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

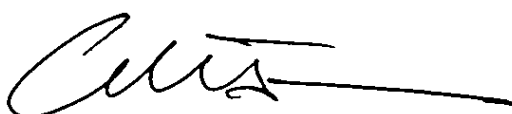
	2010 £000	2009 £000
Loss for the year	(482)	(917)
<b>Total comprehensive expense for the year</b>	(482)	(917)

**RANK OVERSEAS HOLDINGS LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2010**

	Note	2010 £000	2009 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets - Investment in subsidiaries	5	94,684	120,356
<b>Current assets</b>			
Trade and other receivables	6	172,085	172,085
<b>Total assets</b>		<u>266,769</u>	<u>292,441</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7	(23,315)	(48,505)
<b>Net current assets</b>		<u>148,770</u>	<u>123,580</u>
<b>Net assets</b>		<u>243,454</u>	<u>243,936</u>
<b>Shareholder's equity</b>			
Ordinary share capital	8	1,000	900,000
Other reserves		<u>242,454</u>	<u>(656,064)</u>
<b>Total equity</b>		<u>243,454</u>	<u>243,936</u>

The notes on pages 7 to 15 are an integral part of these financial statements

These accounts were approved by the board on 15 September 2011 and signed on its behalf by



Mr C A R Jennings  
Director

**RANK OVERSEAS HOLDINGS LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share capital £000	Other reserves £000	Total £000
At 1 January 2009	900,000	(655,147)	244,853
<b>Comprehensive income:</b>			
Loss for the year	-	(917)	(917)
<b>At 31 December 2009</b>	<b>900,000</b>	<b>(656,064)</b>	<b>243,936</b>
<b>Comprehensive income:</b>			
Loss for the year	-	(482)	(482)
<b>Transactions with owners:</b>			
Capital reduction (see note 8)	(899,000)	899,000	-
<b>At 31 December 2010</b>	<b>1,000</b>	<b>242,454</b>	<b>243,454</b>

There were no transactions with owners in 2009

Other reserves represent retained (losses) earnings

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £000	2009 £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	10	-	-
Interest received		-	1,323
Interest paid		(320)	(5,326)
<b>Net cash used in operating activities</b>		<b>(320)</b>	<b>(4,003)</b>
<b>Cash flows from financing activities</b>			
Funding provided from other fellow subsidiary		320	4,003
<b>Net cash used in financing activities</b>		<b>320</b>	<b>4,003</b>
<b>Net movement in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at 1 January		-	-
<b>Cash and cash equivalents at 31 December</b>		<b>-</b>	<b>-</b>

## **RANK OVERSEAS HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **1. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **A Basis of preparation**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. A summary of the more important Company accounting policies is set out below.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out in the relevant accounting policies below. The best estimate of the director may differ from the actual results.

##### *(i) Standards, amendments and interpretations to existing standards adopted by the Company*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 2 Share-based Payment (Amended) – The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of the amendment had no effect on the financial position or performance of the Company.
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) – The revisions to the standards apply from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 Consolidated and Separate Financial Statements (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The revisions will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The revisions have been applied prospectively and had no impact during the period.

- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items – The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position or performance of the Company.
- IFRIC 17 Distribution of Non-cash Assets to Owners – The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Company.



## **RANK OVERSEAS HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **1 Accounting policies (continued)**

- IFRIC 18 Transfers of Assets from Customers – The interpretation provides guidance on accounting for transfers of assets received from customers. The interpretation had no effect on the financial position or performance of the Company.
- Improvements to IFRSs (issued April 2009) – In April 2009 the second set of amendments to standards was issued, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the amendments had no effect on the financial position or performance of the Company.

The Company has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

#### **(ii) Standards, amendments and interpretations to existing standards that are not yet effective**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning after 1 January 2010 or later periods, but they have not been early adopted by the Company.

- IAS 24 Related Party Disclosures (Amendment) – Effective 1 January 2011
- IAS 32 Financial Instruments Presentation, Classification of Rights Issues – Effective 1 February 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement – Effective 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – Effective 1 July 2010
- IFRS 9 Financial Instruments – Effective 1 January 2013
- Improvements to IFRSs (issued May 2010) – Effective either 1 July 2010 or 1 January 2011

It is not anticipated that the adoption of the above standards, amendments and interpretations of existing standards will have a material impact on the Company financial statements in the period of initial application.

#### **B Going concern**

The Company participates in centralised treasury arrangements and so shares banking arrangements with fellow group companies headed by The Rank Group Plc ('the Group'). The Group is currently financed by a syndicated £200.0m multi-currency revolving credit facility, which was arranged in April 2007 and matures in April 2012. The Group has always fully complied with its banking covenants and the current drawdown on this facility at the date of signing these accounts is euros 63m. The bank facility incorporates a change of control clause that, should it be exercised by banks providing two thirds of the facility, would require the cancellation of the facility and the repayment of any outstanding drawdown. This clause has not been invoked following the acquisition of a majority shareholding by Guoco Group Limited and the directors believe it unlikely that the panel of banks will request repayment. Even in the unlikely event that the change of control clause is invoked, the directors believe the Group has sufficient cash resources to repay the facility.

For the purpose of operational flexibility, the Group intends to negotiate a replacement banking facility during the second half of 2011 and commenced initial discussions with its existing lenders in May 2011, although these were delayed during the recent offer for the Group. Based on these discussions with its existing lenders the directors do not envisage any difficulty in arranging a new facility.

The Group does not currently require this funding for the working capital needs of the business unless they are required to repay the amounts received from HMRC to date in relation to the litigation concerning the VAT treatment of income from interval bingo and gaming machines ('the VAT case').

The VAT case was heard in the European Court of Justice ('ECJ') on the 30 June 2011, and the directors continue to be very confident of the merits of the Group's claim and believe the likelihood of losing the case remains low. The ECJ judgements are expected in the latter part of 2011.

If the ECJ judgement means that the case is referred back to the UK courts and Rank loses, the VAT claim amount must be repaid plus interest. This payment is likely to be required 30 days after the decision of the referring court is handed down, which is expected in July 2012 at the earliest. Given the timeframe between the ECJ judgement and the obligation to pay, the directors are confident that there would be sufficient time to secure further financing facilities for the Group. Therefore the directors do not consider that the contingent liabilities involved invalidate the going concern basis of preparation.

## **RANK OVERSEAS HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **1. Accounting policies (continued)**

##### **B Going concern (continued)**

In adopting the going concern basis for preparation the directors have considered not only the impact of the current status of the facilities and contingent liabilities described above, but have also considered the Group's trading cash flow forecasts and operating budgets. Assuming there is no significant deterioration in trading from current levels or change in the circumstances outlined above, the directors believe that the Group will generate sufficient cash to meet its requirements for at least the next 12 months and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate for the Group.

On this basis the directors have a reasonable expectation that the Company will continue in existence for the foreseeable future and therefore have adopted the going concern basis of accounting in preparing the financial statements.

##### **C Foreign currency translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedging criteria are met.

##### **D Investments**

Investments in subsidiaries and associates are held at cost, after adjustment for foreign currency retranslation, less impairment.

##### **E Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an exceptional expense in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as exceptional income in the income statement immediately.

##### **F Taxation**

Current tax is applied to taxable profits at the rates ruling in the relevant country.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

# **RANK OVERSEAS HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 Accounting policies (continued)**

#### **F Taxation (continued)**

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

#### **G Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **H Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement.

### **2. Loss for the year**

The following items have been included in arriving at the loss for the year:

		<b>2010</b>	<b>2009</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Other expenses		-	(62)
Impairment of investment in subsidiary undertakings	5	(25,672)	(173,978)
Exchange profit		-	19,563

The audit fee is borne by Rank Leisure Holdings Limited.

### **3. Financing**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from Group companies	-	1,323
Interest payable to Group companies	(320)	(5,326)
<b>Total</b>	<b>(320)</b>	<b>(4,003)</b>

**RANK OVERSEAS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**4 Taxation**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
- UK corporation tax in respect of current year	(90)	717
- Adjustment in respect of prior years	252	2,131
<b>Total current tax</b>	162	2,848
<b>Deferred tax</b>		
- Origination and reversal of timing differences	-	1,989
- Adjustment in respect of prior years	-	(1,989)
<b>Total deferred tax</b>	-	-
<b>Tax charge in the income statement</b>	162	2,848

The tax on the Company's profit before tax differs from the standard rate of UK corporation tax of 28 0%. The differences are explained below

(Loss) profit before tax	(320)	1,931
(Loss) profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28 0% (2009 28 0%)	(90)	541
Effects of		
- Income not subject to tax	(7,188)	(44,915)
- Utilisation of unrecognised tax losses	-	(1,650)
- Expenses not deductible for tax purposes	7,188	48,730
- Adjustment in respect of prior years	252	142
<b>Tax charge in the income statement</b>	162	2,848

The company has capital losses of £249m. These losses are available for offset against future UK chargeable gains. No deferred tax asset has been recognised in respect of these losses as no further utilisation is currently anticipated.

**5 Financial assets - Investment in subsidiaries**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Shares in subsidiary undertakings</b>		
Cost at 1 January	570,686	571,586
Return of capital	-	(900)
<b>Cost at 31 December</b>	570,686	570,686
<b>Impairment in subsidiary undertakings</b>		
At 1 January	(450,330)	(276,352)
Impairment charge for year	(25,672)	(173,978)
<b>At 31 December</b>	(476,002)	(450,330)
<b>Net book value at 31 December</b>	94,684	120,356

During 2010, the directors performed an impairment review of the carrying value of its investment in subsidiary undertakings, following the receipt of a dividend from a subsidiary undertaking. The review resulted in an impairment charge equivalent to the dividend received of £25,672,000.

During 2009, Rank Insurance Limited returned £900,000 to the Company from a capital reduction. The directors also performed an impairment review of the carrying value of its investment in subsidiary undertakings, following the receipt of dividends from subsidiary undertakings and the waiver of an inter-company receivable by a subsidiary undertaking during the year. The review resulted in an impairment charge of £173,978,000.

**RANK OVERSEAS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**5 Financial assets - Investment in subsidiaries (continued)**

At 31 December 2010, the Company owned directly or indirectly 100% of the ordinary share capital and voting rights of the following companies

<u>Principal subsidiary undertaking</u>	<u>Country</u>	<u>Principal activities</u>	<u>Class</u>	<u>Percentage</u>
Rank America Inc	USA	Owens the Group's investments in the USA	Ordinary	100%
Rank Holding España SA	Spain	Owens the Group's investments in Spain	Ordinary	100%*
Rank Holdings (Netherlands) BV	Netherlands	Owens the Group's investments in the Netherlands	Ordinary	100%

\* Indirectly owned

**6 Trade and other receivables**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year		
Amounts owed by parent undertakings	172,085	172,085
	<u>172,085</u>	<u>172,085</u>

The Company held no trade receivables at either balance sheet date and accordingly no provision for trade receivables was held. The other classes within trade and other receivables do not contain impaired or past due assets.

The carrying value of trade and other receivables are assumed to approximate to their fair value due to the short term nature of the receivables. This includes amounts owed by related undertakings which are unsecured and repayable on demand. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable disclosed above. The Company does not hold any collateral as security.

**7 Trade and other payables – current**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to subsidiary undertakings	23,315	48,505
	<u>23,315</u>	<u>48,505</u>

The carrying value of trade and other payables are assumed to approximate to their fair value. Amounts owed to related undertakings are unsecured and repayable on demand and accordingly have no set maturity date. The Company has provided no collateral as security.

**8. Ordinary Share capital**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Authorised		
900,000,000 ordinary shares of £1 each	900,000	900,000
Issued and fully paid		
1,000,000 (2009: 900,000,000) ordinary shares of £1 each	1,000	900,000

On 18 June 2010, the Company's share capital was reduced by cancelling 899,000,000 issued ordinary shares of £1.00 each. The effect of the reduction was to increase retained earnings by £899,000,000 and therefore extinguishing the accumulated losses. The reduction was effected by means of a solvency statement under s643 of Companies Act 2006 made for the purposes of s642 of Companies Act 2006.

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**9. Directors and employees**

The directors received no remuneration in the year in respect of their services to the Company, which were of negligible value (2009 nil) There were no employees of the Company during the year (2009 nil)

**10. Cash generated from operations**

Reconciliation of operating profit to cash generated from operations

	2010 £000	2009 £000
Operating profit	-	5,934
Dividend received through inter-company	(25,672)	(160,411)
Exchange profit	-	(19,563)
Inter-company write off	-	62
Impairment charge for year	25,672	173,978
<b>Cash generated from operations</b>	<b>-</b>	<b>-</b>

**11 Financial assets and liabilities**

The accounting policies for financial assets have been applied to the line items below

	<b>Loans and receivables</b>	
	2010 £000	2009 £000
Trade and other receivables	172,085	172,085
Total	172,085	172,085

The accounting policies for financial liabilities have been applied to the line items below

	<b>Other financial liabilities</b>	
	2010 £000	2009 £000
Trade and other payables	23,315	48,505
Total	23,315	48,505

**12. Financial risk management**

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. However, as a wholly owned subsidiary of The Rank Group Plc many of these risks are combined on a group basis and managed by a centralised treasury team. The treasury team identifies, evaluates and hedges financial risk in close co-operation with the Company and with the overall aim to minimise potential adverse effects on performance.

**Market risk**

**(i) Foreign currency risk**

At the end of 2008, the Company had a loan with a foreign subsidiary which was exposed to foreign currency translation risk. This loan was settled in 2009 and was denominated in euros.

There were no loans denominated in foreign currency outstanding at either reporting date.

On 1 January 2011, the Company was granted a euro-denominated loan facility from Rank Group Finance Plc (a fellow subsidiary undertaking of The Rank Group Plc). At the date of signature of these accounts, the balance drawn on the facility was €64,000,000.

Currency exposure arising from the loan is managed primarily at group level through the matching of borrowings to assets. Group policy is to hedge 90% of identified exposures.

With the exception of the balances with related parties, the Company's operations are all located in the UK and transacted in UK Sterling.

## **RANK OVERSEAS HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **12 Financial risk management (continued)**

##### **(ii) Cash flow and fair value interest rate risk**

The Company's interest rate risk arises from loan balances between related parties. Interest on these loans is fixed annually by the central treasury team at the commencement of each financial year.

As a result of no significant interest rate risk exposure of financial instruments at entity level, changes in the risk variables are not considered to have a significant effect on the Company's income statement or equity.

##### **Credit risk**

The Company is exposed to credit risk on amounts owed by related undertakings. The performance of all subsidiary undertakings of The Rank Group Plc are monitored at group level, including frequent projections of future performance to ensure funding to related undertakings provide a suitable return to the group and remain recoverable. Where losses are forecast actions are taken to mitigate the loss and maximise the recoverability of receivables.

Further credit quality information on trade and other receivables is disclosed in Note 6.

##### **Liquidity risk**

The Rank Group Plc manages the liquidity risk of its subsidiaries on a group basis. Regular cash forecasts, which include forecasts of the Company, are produced to identify the liquidity requirements of the group. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly to ensure sufficient headroom exists for at least a 12 month period.

Due to the dynamic nature of the group, the central treasury team aim to maintain flexibility in funding by keeping committed credit lines available. A four year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages the group's financing requirements and the range of maturities on its debt.

The group's core debt facility is a £300.0m (2009 £400.0m) syndicated bank facility which expires in April 2012. The group considers the counterparties to this facility to be of high quality and proactively manages its relationships with its lending group.

The funding policy of the group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

##### **Capital risk management**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company defines shareholders' equity as capital and aims to maintain positive equity. In order to monitor the capital structure the Company performs regular forecasts and carries out an annual strategic plan for the next four years. The Company may pay dividends, return capital to shareholders or issue new shares to adjust capital.

#### **13. Contingent liabilities**

The Company has provided a joint and several guarantee together with The Rank Group Plc and eleven other fellow subsidiary undertakings over a facility taken out during 2007 by Rank Group Finance Plc, a fellow subsidiary. The facility consists of a £100.0m term loan and a £200.0m multi-currency revolving credit facility. At 31 December 2010, Rank Group Finance Plc had drawings of £168.6m against the facility. The fair value of the guarantor group's guarantee at 31 December 2010 of £0.1m (2009 £1.4m) has been provided in the accounts of The Rank Group Plc. The £100.0m term loan was repaid by Rank Group Finance Plc subsequent to year end.

## **RANK OVERSEAS HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **14 Parent undertakings and related party transactions**

Throughout the year ended 31 December 2010 and to the date of signing these financial statements, the Company's immediate parent company was Rank Leisure Holdings Limited. Both the Company and Rank Leisure Holdings Limited are incorporated and registered in England and Wales.

Throughout the year ended 31 December 2010 and to 6 June 2011, the ultimate holding company was The Rank Group Plc, a company incorporated and registered in England and Wales.

The Rank Group Plc, was the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of The Rank Group Plc consolidated financial statements can be obtained from [www.rank.com/investors/reports\\_2011.jsp](http://www.rank.com/investors/reports_2011.jsp) or by written request to the Company Secretary at Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.

With effect from 7 June 2011, the ultimate holding company became Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

At 31 December 2010, the Company owed £6,046,000 (2009 £31,236,000) to Rank Group Finance Plc, a fellow subsidiary undertaking. The Company also owed £17,269,000 (2009 £17,269,000) to its subsidiary undertakings. It was due £172,085,000 (2009 £172,085,000) from Rank Leisure Holdings Limited, its parent company.

The loan to the parent undertaking is unsecured, interest free and repayable on demand. All other loans are unsecured and repayable on demand. All related parties have expressed they do not intend to call in the loans in the next 12 months.

The Company paid interest at an average rate of 3.25% (2009 received interest at an average rate of 2.57%) on the loan with its fellow subsidiary undertaking, Rank Group Finance Plc. During 2010 the Company paid interest on the loan of £320,000 (2009 received £1,323,000).

During 2009, the Company paid interest at a rate of 2.60% to its subsidiary undertaking, Rank Holdings (Netherlands) BV of £5,326,000.

#### **15. Post balance sheet event**

On 7 June 2011 Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange, acquired a controlling interest in The Rank Group Plc, a parent undertaking.

At 15 September 2011, Guoco owned 74.5% of The Rank Group Plc through two controlled undertakings, Asia Fountain Investment Company Limited and All Global Investments Limited. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad which is incorporated in Malaysia.