

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

**DIRECTORS' REPORT**  
**AND**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2008**

TUESDAY



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23/06/2009  
COMPANIES HOUSE

## **RANK OVERSEAS HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

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The directors present their report and financial statements for the year ended 31 December 2008.

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

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 (2007: Nil).

#### **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 2 to 30 of the group's 2008 annual report and financial statements which does not form part of this report. The directors do not anticipate any immediate or substantial variations in 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. R. Gill (resigned 1 June 2008)

Mrs P. M. Coles (resigned 9 May 2008)

Mrs S.A. Wren (appointed 9 May 2008)

Mr P.J. Gallagher (appointed 2 June 2008)

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

The directors are responsible for preparing 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 Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all steps that ought to be taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**RANK OVERSEAS HOLDINGS LIMITED**  
**DIRECTORS' REPORT**

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**Auditors**

In accordance with s487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will continue as auditors of the Company.

By order of the board



Mrs S. A. Wren

Director

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

22 June 2009

## **RANK OVERSEAS HOLDINGS LIMITED**

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

We have audited the financial statements of Rank Overseas Holdings Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Recognised Income and Expense, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London

22 June 2009

**RANK OVERSEAS HOLDINGS LIMITED**  
**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £000	2007 £000
Other operating (expense) income	2	(77,991)	108,807
Dividend income from subsidiary undertakings		894	-
Net profit on sale of subsidiary undertakings	2	-	49,550
<b>Operating (loss) profit</b>		<b>(77,097)</b>	<b>158,357</b>
<b>Financing</b>			
- Interest payable and similar charges	3	(9,472)	(53,972)
- Interest receivable and similar charges	3	2,345	-
		<b>(7,127)</b>	<b>(53,972)</b>
<b>(Loss) profit before tax</b>	2	<b>(84,224)</b>	<b>104,385</b>
Taxation	4	20,389	3,643
<b>(Loss) profit for the year</b>		<b>(63,835)</b>	<b>108,028</b>

All results are from continuing operations

**RANK OVERSEAS HOLDINGS LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2008**

	Note	2008 £000	2007 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets:			
- Investment in subsidiaries	5	295,234	308,228
Deferred tax	8	-	1,650
		<u>295,234</u>	<u>309,878</u>
<b>Current assets</b>			
Trade and other receivables	6	246,120	220,842
		<u>246,120</u>	<u>220,842</u>
<b>Total assets</b>		<u>541,354</u>	<u>530,720</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7	(296,501)	(222,032)
		<u>(296,501)</u>	<u>(222,032)</u>
<b>Net current liabilities</b>		<u>(50,381)</u>	<u>(1,190)</u>
		<u>244,853</u>	<u>308,688</u>
<b>Net assets</b>			
<b>Shareholder's equity</b>			
Ordinary share capital	9	900,000	900,000
Other reserves	10	(655,147)	(591,312)
<b>Total equity</b>	10	<u>244,853</u>	<u>308,688</u>

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

These accounts were approved by the board on 22 June 2009 and signed on its behalf by:



Mrs S. A. Wren  
Director

**RANK OVERSEAS HOLDINGS LTD****STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £000	2007 £000
(Loss) profit for the year	10	(63,835)	108,028
Total recognised (expense) income for the year		<u>(63,835)</u>	<u>108,028</u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £000	2007 £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	-	-
Interest received		2,345	-
Interest paid		<u>(9,472)</u>	<u>(53,972)</u>
Net cash used in operating activities		<u>(7,127)</u>	<u>(53,972)</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments		-	793,657
Net cash from investing activities		<u>-</u>	<u>793,657</u>
<b>Cash flows from financing activities</b>			
Funding provided from (to) fellow subsidiary undertakings		<u>7,127</u>	<u>(739,685)</u>
Net cash from (used in) financing activities		<u>7,127</u>	<u>(739,685)</u>
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		<u>-</u>	<u>-</u>

## **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 are prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial information is prepared under the historical cost convention as modified by the revaluation of available for sale investments and, financial assets and liabilities held for trading. A summary of the more important Company accounting policies is set out below.

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 directors may differ from the actual results.

##### *(a) Standards, amendments and interpretations effective 2008 but not relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are either not material or relevant to the Company's operations:

- IFRIC 11, Group and treasury share transactions;
- IFRIC 12, Service concession arrangements.

The directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the Company's financial statements in the period of initial application.

The Company's ultimate parent The Rank Group Plc has confirmed its intention to provide support to the Company to enable the Company to meet its liabilities as they fall due. As a result, the directors have deemed it appropriate to prepare the accounts on a going concern basis.

##### **B 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.

##### **C Investments**

Investments in subsidiaries and associates are held at cost, after adjustment for foreign currency retranslation, less impairment. Dividends received from the pre-acquisition profits of subsidiaries are deducted from the cost of investment.

Investments in group undertakings are stated at cost. As permitted by section 133 of the Companies Act 1985, where the relief afforded under section 131 of the Companies Act 1985 applies, cost is the aggregate of the nominal value of the relevant number of the company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.



## **RANK OVERSEAS HOLDINGS LIMITED**

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

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#### **D 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 for the amount by which the 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 flows (cash generating units). The expected cash flows generated by the assets are discounted using asset specific discount rates, which reflect the risks associated with the groups of assets.

#### **E 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 substantially 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.

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.

#### **F New standards and interpretations not applied**

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

	<b>Effective date*</b>
• Annual improvements to IFRSs	1 January 2009

\*For annual periods beginning on or after

In addition, the IASB and IFRIC have issued the following standards, interpretations or amendments that are not applicable to the Company:

- Amendment to IFRS 1, First time adoption of IFRS
- Amendment to IAS 1, Presentation of financial statements
- Amendment to IAS 27, Consolidation and separate financial statements
- Amendment to IAS 32, Financial instruments
- Amendments to IAS 39, Financial instruments
- IFRS 8, Operating segments
- IAS 1, Presentation of financial statements (Revised)
- IAS 27, Consolidated and separate financial statements (Revised)
- IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interaction
- IFRIC 15, Agreements for construction of real estate
- IFRIC 16, Hedges of a net investment in a foreign operation
- IFRIC 17, Distributions of non-cash assets to owners
- IFRIC 18, Transfers of assets from customers
- IFRS 3, Business combinations (Revised)
- IAS 23, Borrowing Costs (Revised)
- IFRIC 13, Customer Loyalty Schemes
- IFRS 2, Share based payments (Amendment)

The directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the Company's financial statements in the period of initial application.

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

**2. (Loss) profit for the year**

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

	Note	2008 £'000	2007 £'000
Profit on disposal of investment in subsidiary undertakings		-	49,550
Reversal of impairment of investment in subsidiary undertaking	5	47,206	141,716
Impairment of investment in subsidiary undertakings	5	(60,200)	(4,731)
Exchange loss		(64,997)	(28,178)

The audit fee is borne by Rank Leisure Holdings Limited.

On 5 March 2007 the Company disposed of its subsidiary undertaking HRC Canada Inc resulting in a profit of £3,756,000.

On 8 November 2007 Rank Insurance Limited, a wholly owned subsidiary undertaking, cancelled and returned to the Company 14,500,000 ordinary shares of £1 each.

On 18 December 2007 Rank America Inc, a wholly owned subsidiary undertaking, repurchased 74,109 of the 74,585 shares the Company held for the consideration of US\$1,558.3 million.

Further details are disclosed in the table below:

	Rank America Inc £000	HRC Canada Inc £000	Rank Insurance Limited £000	Total 2007 £000
Proceeds received	773,524	5,633	14,500	793,657
Cost of investment disposed	(727,730)	(1,877)	(14,500)	(744,107)
Profit on disposal of investment in subsidiary undertakings	45,794	3,756	-	49,550

**3. Financing**

	2008 £000	2007 £000
Interest receivable from Group companies	2,345	-
Interest payable to Group companies	(9,472)	(53,972)
Total	(7,172)	(53,972)

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

**4. Taxation**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
- UK corporation tax in respect of current year	(20,301)	(11,648)
- Adjustment in respect of prior years	(1,738)	9,655
<b>Total current tax</b>	<b>(22,039)</b>	<b>(1,993)</b>
<b>Deferred tax</b>		
- Restatement of deferred tax	-	118
- Adjustment in respect of prior years	1,650	(1,768)
<b>Total deferred tax</b>	<b>1,650</b>	<b>(1,650)</b>
<b>Tax credit in the income statement</b>	<b>(20,389)</b>	<b>(3,643)</b>

The tax on the Company's profit before tax differs from the standard rate of UK corporation tax (28.5%). The differences are explained below.

<b>(Loss) profit before tax</b>	<b>(84,224)</b>	<b>104,385</b>
<b>Tax credit on loss before tax multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)</b>	<b>(24,004)</b>	<b>31,316</b>
<b>Effects of:</b>		
- Income not subject to tax	-	(57,380)
- Expenses not deductible for tax purposes	3,703	14,416
- Restatement of deferred tax from 30% to 28%	-	118
- Adjustment in respect of prior years	(88)	7,887
<b>Tax credit in the income statement</b>	<b>(20,389)</b>	<b>(3,643)</b>

**5. Financial assets - Investment in subsidiaries**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Shares in subsidiary undertakings</b>		
Cost at 1 January	571,586	1,372,103
Currency translation adjustment	-	(20,877)
Disposals	-	(779,640)
<b>Cost at 31 December</b>	<b>571,586</b>	<b>571,586</b>
<b>Impairment in subsidiary undertakings</b>		
At 1 January	(263,358)	(435,876)
Disposals	-	35,533
Reversal of impairment for year	47,206	141,716
Impairment charge for year	(60,200)	(4,731)
<b>At 31 December</b>	<b>(276,352)</b>	<b>(263,358)</b>
<b>Net cost of investment in subsidiary undertakings</b>		
<b>At 31 December</b>	<b>295,234</b>	<b>308,228</b>

Following the significant deterioration in the economy, changes in market sentiment and the deterioration of sterling against the Euro the directors performed an impairment review of the carrying value of its investment in subsidiary undertakings. This resulted in an impairment charge of £60,200,000 and an impairment reversal of £47,206,000 (where certain investments increased in value due to the foreign exchange movement).

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

**5. Financial assets - Investment in subsidiaries (contd)**

Principal subsidiary undertakings

Except where otherwise stated, at 31 December 2008 Rank Overseas Holdings Limited owns either directly or indirectly interests in the share capital 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

On 22 December 2008 Rank Holdings (France) SA, an indirectly owned subsidiary, was liquidated.

On 5 March 2007 the Company disposed of its subsidiary undertaking HRC Canada Inc resulting in a profit of £3,756,000.

In the opinion of the directors, the aggregate value of the Company's investment in its subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

**6. Trade and other receivables**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Amounts owed by fellow subsidiary undertakings	74,035	48,757
Amounts owed by parent undertakings	172,085	172,085
	<u>246,120</u>	<u>220,842</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>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to subsidiary undertakings	296,501	222,032
	<u>296,501</u>	<u>222,032</u>

Amounts owed to related undertakings are repayable on demand and accordingly have no set maturity date. The Company has provided no collateral as security.

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

**8. Deferred tax**

	2008 £000	2007 £000
Other timing differences	-	1,650
<b>Deferred tax asset</b>	<b>-</b>	<b>1,650</b>
Other timing differences	(1,650)	1,650
<b>Deferred tax (expense) credit in the income statement</b>	<b>(1,650)</b>	<b>1,650</b>

The reconciliation of movement in the deferred tax asset is as follows:

At 1 January	1,650	-
Deferred tax (expense) credit in the income statement	(1,650)	1,650
<b>At 31 December</b>	<b>-</b>	<b>1,650</b>

**9. Ordinary Share capital**

	2008 £000	2007 £000
Authorised, issued and fully paid 900,000,000 ordinary shares of £1 each	900,000	900,000

**10. Shareholders' funds and statement of changes in equity**

	Share capital £000	Other reserves £000	Total £000
Balance as at 1 January 2007	900,000	(699,340)	200,660
Profit for the year	-	108,028	108,028
<b>Balance as at 31 December 2007</b>	<b>900,000</b>	<b>(591,312)</b>	<b>308,688</b>
Loss for the year	-	(63,835)	(63,835)
<b>Balance as at 31 December 2008</b>	<b>900,000</b>	<b>(655,147)</b>	<b>244,853</b>

Other reserves comprise of retained losses.

**11. Directors and employees**

The directors received no remuneration in the year in respect of their services to the Company, which were of negligible value (2007: nil). There were no employees of the Company during the year (2007: nil).

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

**12. Cash generated from operations**

Reconciliation of operating (loss) profit to cash generated from operations:

	2008 £000	2007 £000
Operating (loss) profit	(77,097)	158,357
Dividend received through Intercompany	(894)	
Exchange loss	64,997	28,178
Profit on disposal of investment in subsidiary undertaking	-	(49,550)
Reversal of impairment for year	(47,206)	(141,716)
Impairment charge for year	60,200	4,731
<b>Cash generated from operations</b>	<b>-</b>	<b>-</b>

**13. Financial Assets and liabilities**

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

	<b>Loans and receivables</b>	
	2008 £000	2007 £000
Trade and other receivables	246,120	220,842
<b>Total</b>	<b>246,120</b>	<b>220,842</b>

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

	<b>Other financial liabilities</b>	
	2008 £000	2007 £000
Trade and other payables	296,501	222,032
<b>Total</b>	<b>296,501</b>	<b>222,032</b>

**14. 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**

The Company has certain investments in foreign subsidiaries denominated in foreign currency. However the cost of investment has been fully impaired, and accordingly any currency revaluation associated with revaluation of the cost of investment is matched by a currency revaluation of the impairment provision.

The Company has a loan with a foreign operation which is exposed to foreign currency translation risk. This loan is denominated in Euros. Loans in US dollars and Canadian Dollars held by the company in 2007 were converted to UK sterling in January 2008. Currency exposure arising from the loan with this foreign operation is managed primarily at group level through the matching of borrowings to assets and by the purchase of derivatives denominated in the relevant foreign currencies. Group policy is to hedge 90% of identified exposures. None of these derivatives were held in the name of the Company.

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

**14. Financial risk management (contd)**

**Market Risk (contd)**

At 31 December 2008, if the Euro had weakened/strengthened by 5% against the UK sterling with all other variables held constant, post-tax profit for the year would have been £11.4m lower/£10.2m higher (2007: £7.5m lower/£8.3m higher), as a result of foreign exchange gains/losses on translation of loans with foreign operations.

**(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. The group has committed financing facilities until 2012, of which £250.0m (2007: £250.0m) was undrawn at 31 December 2008.

The funding policy of the group is to maintain, as far as practicable, a broad portfolio of funding diversified by source and maturity to maintain committed facilities sufficient to cover the liquidity requirements of all subsidiary undertakings. These requirements are funded through loan accounts, which are repayable on demand and accordingly have no set maturity date.

**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.

## **RANK OVERSEAS HOLDINGS LIMITED**

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

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#### **15. Related party transactions**

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 4.247% (2007: 5.025%) on the loan from its subsidiary undertaking Rank Holdings (Netherlands) BV, and received interest at an average rate of 5.24% (2007 interest payable : 6.46%) on the loan to its fellow subsidiary undertaking, Rank Group Finance Plc.

Rank Overseas Holdings Limited paid interest to its subsidiary undertaking, Rank Holdings (Netherlands) BV for the year ended 31 December 2008 of £9,472,000 (2007: £9,156,000) and received interest from its fellow subsidiary, Rank Group Finance Plc of £2,345,000 (2007: paid to £44,816,000)

As at 31 December 2008 the Company was due £74,035,000 (2007: £48,757,000) from Rank Group Finance Plc, a fellow subsidiary undertaking. It was also due £172,085,000 (2007: £172,085,000) from Rank Leisure Holdings Limited, its parent company. The Company owed £296,501,000 (2007: £222,032,000) to its subsidiary undertakings.

The Company's ultimate parent undertaking is The Rank Group Plc. Both the Company and The Rank Group Plc are incorporated and registered in England and Wales. The ultimate parent undertaking and controlling party is The Rank Group Plc, which is 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/investor/fininfo/reports/2009](http://www.rank.com/investor/fininfo/reports/2009) or by written request to the Company Secretary at Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1 AY.