

RANK NEMO (TWENTY-FIVE) LIMITED

Registered No. 4521994

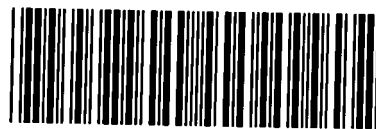
DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2018

THURSDAY



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COMPANIES HOUSE

Corporate information

Directors

Mr J.P. O'Reilly
Mr J.C. Pizey

Secretary

Ms L.A. Wright

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered Office

TOR, Saint-Cloud Way
Maidenhead
Berkshire
SL6 8BN
United Kingdom

RANK NEMO (TWENTY-FIVE) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018

The directors present their report and financial statements for the year ended 30 June 2018.

Business review and principal activities

The Company is a limited company incorporated and domiciled in England and Wales. The principal activity of the Company throughout the period was that of an investment holding company. The directors do not anticipate any change in the activity of the Company in the foreseeable future.

The results for the Company show a pre-tax loss of £19.4m (2017: profit of £227.2) for the year. This is due to a £52.4m impairment of an investment in a subsidiary undertaking. This impairment was made based on an estimate of its fair value which considered anticipated future trading performance of the entity.

Due to a Group restructuring and simplification project, the Company approved a special dividend of £549.4m to The Rank Group Plc ('Parent' and 'Group'), which was settled through intercompany debt and has resulted in a reduction in net current assets, which at 30 June 2018 were £nil (30 June 2017: £477.6m).

The Group will continue to use the Company as an investment holding company and there are no current plans to liquidate the entity. Rank Group Finance Plc, has indicated that it will provide support to the Company for a period of at least 12 months from the approval of these financial statements. On this basis, the directors concluded it was appropriate to prepare the financial statements on the going concern basis.

Future outlook and uncertainties

As an investment holding company the main outlook and uncertainties surround the financial performance of its subsidiary undertakings. The principal activities of its subsidiaries are within the UK gaming industry. The directors' focus is on increasing customer numbers, visits and revenue by bringing enjoyable gaming-based leisure experiences to a broader base of customers. Against this backdrop, the key elements of the strategy are:

- Creating a compelling multi-channel offer – by building on the existing portfolio of venues, membership systems, reward programmes and high level engagement between team members and customers;
- Building digital capability – replicating the strong position of the venues across digital channels;
- Developing our venues – continuing to invest in existing venues (in terms of product, environment and service) and by creating new ones;
- Investing in our brands and marketing – increased brand marketing programmes, providing appropriate support for the established brands and development of new brands for the digital market; and
- Using technology to drive efficiency and improve customer experience – by speeding up processes, harnessing technological developments and increasing digital technologies in venues.

Key performance indicators (KPI)

The directors of the Group 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 10 to 51 of the Group's 2018 Annual Report and Accounts ('ARA') which do not form part of this report. The directors do not anticipate any immediate or substantial variations to the Company's current activities.

Principal risks and uncertainties

The principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 44 to 46 of the Group's ARA for the year ended 30 June 2018.

As the company is an investment holding company, the main risks and uncertainties surround the financial performance of its subsidiary undertakings. The risks and uncertainties and their mitigations pertaining to the Company are on the following page.

Additional risks not presently known to management, or currently deemed less material, may also have an adverse effect on the business. Examples of other risks include ongoing changes in the macroeconomic environment and Brexit implications.

RANK NEMO (TWENTY-FIVE) LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

Principal risks and uncertainties (continued)

Principal risk		Change in risk/Impact	Risk mitigation strategy
Laws and regulations	<p>Regulatory and legislative regimes for betting and gaming in key markets are constantly under review and can change at short notice. These changes could benefit or have an adverse effect on the business and additional costs might be incurred in order to comply.</p> <p>Current key risk areas include:</p> <ul style="list-style-type: none"> • responsible gambling (including adverse impact on brand and reputation); • anti-money-laundering enhanced due diligence requirements; and • jurisdiction management. 	<p><i>Increasing</i></p> <p>With the increased focus of regulators, the risk here is considered to be increasing, and the impact of non-compliance could result in the imposition of licence conditions, the loss of gaming licences and/or fines.</p>	<p>The Group ensures that it actively provides and promotes a compliant environment in which customers can play safely. The Group participates in trade bodies' representations to political and regulatory bodies to ensure that such stakeholders clearly understand the positive contribution that the business provides to the economy.</p> <p>The Group also works with stakeholders, customers and regulators to help public understanding of the gaming offers it provides.</p> <p>The Group engages with regulators as appropriate and examines the learnings from, and measures adopted by, other operators and sectors of the gambling industry.</p>
Taxation	<p>Changes in fiscal regimes for betting and gaming in key markets can change at short notice. These changes could benefit or have an adverse effect and additional costs might be incurred in order to comply with any fiscal requirements.</p> <p>Current key risk areas include:</p> <ul style="list-style-type: none"> • Remote Gaming Duty; • Machine Gaming Duty; and • Gaming Duty. 	<p><i>Increasing</i></p> <p>In October 2018, HMRC announced an increase in Remote Gaming Duty from 15% to 21% effective from April 2019. The risk and impact of this change and of current regimes is understood.</p> <p>It is envisaged that there will be no further changes in taxation in the immediate future.</p>	<p>The Group continues to monitor taxation levels, performs regular analysis of the financial impact to the organisation of changes to taxation rates and develops organisational contingency plans as appropriate.</p>

RANK NEMO (TWENTY-FIVE) LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

Principal risks and uncertainties (continued)

Principal risk		Change in risk/Impact	Risk mitigation strategy
Changing customer needs	Progressive changes over time in retail consumer spending habits are resulting in lower numbers of customer visits. This can also be attributable to the overall retail proposition declining in relevance to the consumer and changes in the macroeconomic environment	<i>Increasing</i> With the retail macroeconomic environment, changes in consumer spending habits and need to continually assess the relevance of this proposition, this is requiring an ever-increasing focus by the Group.	The Group monitors financial performance across the clubs with clubs performing adversely being raised for remedial attention. Changing the club product and service offering to have greater appeal to today's more leisure-oriented customer is being developed through segmentation and new product offerings
Strategic projects	Key strategic projects could fail to deliver resulting in missed market opportunities, and/or take longer to deliver resulting in missed synergies and savings. Current key strategic projects include: • Grosvenor One; and • content management system.	<i>Increasing</i> A failure to deliver key strategic projects impacts on customer loyalty and the strategic growth of the organisation.	Key strategic projects are subject to detailed management oversight from a project team as well as having sponsorship from a senior-level stakeholder. The Group has a structured and disciplined project delivery methodology to ensure that critical projects are robustly managed to achieve their outcome. A comprehensive project risk approach is also undertaken within the project, managed by experienced project managers
Business continuing planning	Planning and preparation of the organisation to ensure it overcomes serious incidents or disasters and resumes its normal operations within a reasonably short period is critical to ensure that minimal impact occurs to its operations, customers and reputation. Typical disasters that business continuity covers can include: natural disasters including fires and floods, accidents impacting key people, insolvency of key suppliers, negative media campaigns and market upheavals.	<i>Stable</i> The geographical nature of the operating environment and key risk exposures have not changed significantly and are known and understood.	Group business continuity plans have been developed and are in place for key business areas, with an ongoing refresh to ensure that they remain current for all business areas. This approach includes the development, embedding and refinement of the incident and crisis management approach for the Group in order to proactively manage these incidents.

RANK NEMO (TWENTY-FIVE) LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

Principal risks and uncertainties (continued)

Principal risk		Change in risk/Impact	Risk mitigation strategy
Customer data management	<p>Processing of personal customer data (including name, address, age, bank details and betting/ gaming history) is performed and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates, such as GDPR.</p> <p>The Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulations. This could result in prosecutions including potential financial penalties and the loss of the goodwill of its customers. It could also deter new customers</p>	<p>Stable</p> <p>The Group has developed a robust control environment in relation to customer data controls and the regulatory requirements.</p>	<p>Awareness, training and recruitment of a data protection officer to oversee ongoing data regulation compliance.</p> <p>A programme of activity has been initiated to ensure the Group meets the GDPR requirements and continues to improve its current control environment.</p>
Cyber security and resilience	<p>Cyber attacks can disrupt and cause considerable financial and reputational damage to the Group. If a cyber attack were to occur the Group could lose assets, reputation and business, and potentially face regulatory fines and litigation – as well as the costs of remediation.</p> <p>Operations are highly dependent on technology and advanced information systems (such as cloud computing) and there is a risk that such technology or systems could fail or outages occur.</p>	<p>Increasing</p> <p>Due to the persistent nature of this threat and reliance on core technology systems, this is considered an increasing risk to the Group.</p>	<p>External cyber benchmarking has been performed to understand the maturity of controls with a roadmap of further work planned to enhance them within the current IT estate.</p> <p>A programme of work is ongoing to enhance cyber security and resilience within the IT estate with dedicated specialised resources.</p>
Third party supply chain	<p>The Group is dependent on a number of third-party suppliers for the operation of its business. The withdrawal or removal from the market of one or more of these third-party suppliers, or failure of these suppliers to comply with contractual obligations, could adversely affect operations, especially where these suppliers are niche.</p>	<p>Stable</p> <p>The third-party operating environment and key risk exposures remain unchanged.</p>	<p>The Group has a central team in place to oversee the process for acquisition of suppliers across the Group.</p> <p>Close communication and relationships are in place with suppliers to ensure that Group requirements can be met.</p>

RANK NEMO (TWENTY-FIVE) LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

Principal risks and uncertainties (continued)

Principal risk		Change in risk/Impact	Risk mitigation strategy
Volatility of gaming win	<p>The nature of the games played means that win margin can fluctuate in the short term, although it will generally perform at a stable average over a longer period.</p> <p>The important VIP sector of the business in both retail and digital contains a small volume of customers who can themselves create volatility in the overall margin given the value of their gaming play.</p> <p>Issues with misfeasance or the accurate management of the games can also affect win margins.</p>	<p><i>Stable</i></p> <p>Fluctuations in gaming win margin directly affect profitability.</p>	<p>Gaming limits are utilised across all areas of gaming operations to continually manage risk exposure. Such limits are reviewed as appropriate.</p>

By order of the board


J.C. Pizey
Director

RANK NEMO (TWENTY-FIVE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

Directors

The following were directors of the Company during the year and up to the date of these accounts:

Mr H.B. Birch (resigned 7 May 2018)
Mr C.A.R. Jennings (resigned 17 August 2018)
Mr J.P. O'Reilly (appointed 7 May 2018)
Mr J.C. Pizey (appointed 18 August 2018)
Ms F. Bingham (Company Secretary - resigned 1 May 2018)
Ms L.A. Wright (Company Secretary - appointed 1 May 2018)

Dividends

The directors have approved a dividend of £549.4m which was settled via intercompany (2017: £nil).

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 period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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:

- present fairly the financial position, financial performance, and cash flows of the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in UK Generally Accepted Accounting Practice is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and final performance;
- state whether the financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements for the Company on the going concern basis, unless it is appropriate to assume that the Company will not continue in business, in which case there should be supporting assumptions or qualifications.

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 each person who was a director at the date of approving this report 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 Group 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.

RANK NEMO (TWENTY-FIVE) LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

Financial instruments

The Company finances its activities with intercompany funding, details of which are disclosed in note 7. Other financial assets and liabilities arise directly from the Company's operating activities.

These financial instruments give rise to market, credit and liquidity risks. As a wholly owned subsidiary of the Group many of these risks are combined on a group basis and managed by a centralised treasury team. Details of the financial risk management objectives and policies of this centralised team are disclosed in note 19 of Group's ARA. Details of how to obtain this report are shown in note 10.

Auditors

So far as each person who was a director at the date of approving this report 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.

In accordance with s487(2) of the Companies act 2006, Ernst & Young LLP will continue as auditors of the Company.

Small company's exemption

In preparing the Directors' Report, advantage has been taken of the small company's exemption under the Companies Act 2006. As a result of this exemption, the Company is not required to prepare a strategic report.

By order of the board



Director: Mr J.C Pizey

Date: 7 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANK NEMO (TWENTY-FIVE) LIMITED

Opinion

We have audited the financial statements of Rank Nemo (Twenty-Five) Limited (the 'company') for the year ended 30 June 2018 which comprise the Income Statement, the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 11, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANK NEMO (TWENTY-FIVE) LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

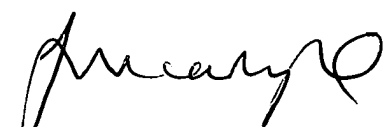
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Julie Carlyle (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 10 December 2011

RANK NEMO (TWENTY-FIVE) LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

		Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Impairment – exceptional item	Note 2	(52.4)	(1,391.8)
Operating loss		<u>(52.4)</u>	<u>(1,391.8)</u>
Dividend from shares in Group undertakings		71.8	1,619.0
Profit from ordinary activities before taxation		19.4	227.2
Taxation	3	-	-
Profit for the year		<u>19.4</u>	<u>227.2</u>

All results are from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit for the year	19.4	227.2
Total comprehensive income for the year	<u>19.4</u>	<u>227.2</u>

RANK NEMO (TWENTY-FIVE) LIMITED
BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2018

	Note	At 30 June 2018 £m	At 30 June 2017 £m
Fixed assets			
Investment in subsidiary undertaking	5	950.8	1,003.2
Current assets			
Other debtors	6	-	477.6
Net current assets		-	477.6
Net assets		950.8	1,480.8
Capital and reserves			
Ordinary share capital	8	-	-
Retained earnings		950.8	1,480.8
Total equity		950.8	1,480.8

The notes on pages 14 to 21 are an integral part of these financial statements.

These accounts were approved by the board on 7 December 2018 and signed on its behalf by:



Director: Mr J.C. Pizey

RANK NEMO (TWENTY-FIVE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Share capital £m	Retained earnings £m	Total £m
At 1 July 2016	-	1,253.6	1,253.6
Total comprehensive income:			
Profit for the year	-	227.2	227.2
At 30 June 2017	-	1,480.8	1,480.8
Total comprehensive income:			
Profit for the year	-	19.4	19.4
Dividends paid to equity holders		(549.4)	(549.4)
At 30 June 2018	-	950.8	950.8

There are 1 ordinary share in issue at 30 June 2018, with a nominal value per share of 100p, meaning a cumulative value of £1.

RANK NEMO (TWENTY-FIVE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies are in accordance with applicable accounting standards and have been consistently applied to all the periods presented, unless otherwise stated.

A Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The Company has taken advantage of the following disclosure exemptions under FRS101:

- the requirement of IAS7 'Statement of Cash Flows';
- the requirements in IAS24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- the requirements of IFRS7 'Financial Instruments: Disclosures'; and
- the requirements of paragraphs 10(d) and 134-136 of IAS1 'Presentation of Financial Statements'.

The results of the Company, along with the equivalent disclosures in respect of the exemptions listed above are included in the Group ARA, details of which are contained in note 10.

The financial statements have been prepared under the historical cost convention. 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 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 below.

(i) Exceptional items

The Company separately discloses material one-off items as it believes it assists shareholders to understand underlying performance and trends between periods. Judgement is required in determining whether an item should be classified as an exceptional item or included within underlying results. In the current year impairment charges, restructuring costs and onerous property lease costs have been disclosed as exceptional items. Further details are disclosed in note 2.

(ii) Estimated impairment of Investments in subsidiaries.

Details of the Company's accounting policy in relation to impairments and impairment reversals are disclosed in part C of this note.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of each subsidiary held by the Investment. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Estimates of fair value less costs of disposal are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external experts or, if applicable, offers received. Value in use is calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each subsidiary undertaking held by the investment. The best estimate of the directors may differ from the actual results

Standards, amendments to and interpretations of existing standards adopted by the Company

The Company has not adopted any new standards, amendments or interpretations in the year.

Standards, amendments to and interpretations of existing standards that are not yet effective

The Company is not expected to be materially impacted any new standards, amendments or interpretations of existing standards, that have been published and are mandatory for accounting periods starting after 1 July 2018.

RANK NEMO (TWENTY-FIVE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

A Basis of preparation (continued)

Standards, amendments to and interpretations of existing standards that are not yet effective (continued)

With the exception of IFRS 16 'Leases', which is effective for annual periods starting on or after 1 January 2019, the Company is not expected to be materially impacted by any new standards, amendments or interpretations of existing standards, that have been published and are mandatory for the first time for accounting periods starting after 1 July 2018. IFRS 16 'Leases' will become mandatory for the Company's reporting period ending 30 June 2020 and it is anticipated that this will have a material impact upon the Company's financial statements. Since the impact is influenced by the Company open lease position, it is not yet possible to reasonably quantify its effects.

IFRS 15 will be effective for our June 2019 financial reporting period. The Company does not anticipate a material impact on the results or net assets from these standards, which are in issue but not yet effective.

IFRS 9 will be effective for our June 2019 financial reporting period. The Company does not anticipate a material impact on the results or net assets from these standards.

B Investment in subsidiaries

Investments in subsidiaries are held at cost less impairment.

Investments in subsidiaries are tested annually for impairment.

An impairment loss is recognised for the amount by which the investment's carrying amount exceeds the valuation of the subsidiary in which the investment is held. The valuation of the subsidiary represents its net assets, including the net assets of its own subsidiaries, less its cost of investment in those subsidiaries.

If an impairment loss is recognised, the carrying amount of the investment is reduced to match the valuation of the subsidiary in which the investment is held. An impairment loss is recognised as an expense in the income statement immediately. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised valuation of the subsidiary in which the investment is held, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been deferred had no impairment loss been recognised for the investment in prior years.

C Taxation

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

D Other creditors

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

E Exceptional items

The Company separately discloses those items which are required to give a full understanding of the Company's financial performance and aid comparability of the Company's results between periods. Exceptional items are considered by the directors to require separate disclosure due to their size or nature in relation to the Company.

F Financial assets and Liabilities

Financial assets include loans and receivables and cash (and cash equivalents), or where the Company has a contractual right owed to it. A financial asset is derecognised when substantially all the risk and rewards or control have been transferred.

Financial liabilities include trade and other payables and loans and borrowings (including bank overdrafts), but exclude statutory liabilities such as social security and other taxes.

RANK NEMO (TWENTY-FIVE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Operating loss for the year

The following items have been charged in arriving at operating profit for the year:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Exceptional costs (see below)	<u>52.4</u>	<u>1,391.8</u>

The audit fee is borne by another Group company.

The analysis of the exceptional items during the year is as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Impairment of Investments	<u>52.4</u>	<u>1,391.8</u>
Total exceptional cost	<u>52.4</u>	<u>1,391.8</u>

Year ended 30 June 2018

An investment in Rank Leisure Holdings Limited was impaired during the year. The estimated value of investments are assessed based on an estimated earnings valuation of the subsidiary.

Year ended 30 June 2017

The impairment in the year reflects the impairment to the investments in Rank Leisure Holdings Limited, Rank America Inc, Rank Interactive Gaming Limited and DGMS Blackburn Holdings Limited as part of the Group restructuring and simplification project undertaken by the Group, see note 4 for further details.

The impairment of £1,379.8m in Rank Leisure Holdings Limited is impaired to the estimated earnings valuation of the investment, based on the anticipated trading performance of its subsidiaries. The other impairments totalling £12.0m relate to capital contributions in subsidiary undertakings in order to prepare them for dissolution and therefore were not recoverable. For further detail see the Business review and principal activities section of the Directors Report, as well as the disclosure in note 5.

3. Taxation

The tax on the Company's result before tax differs from the standard rate of UK corporation tax of 19.00% (2017: 19.75%). The differences are explained below:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit before tax	<u>19.4</u>	<u>227.2</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(3.7)	(44.9)
Transfer pricing adjustment	-	-
Income not subject to tax	13.7	319.8
Expenses not deductible	<u>(10.0)</u>	<u>(274.9)</u>
Total tax credit in the income statement	<u>-</u>	<u>-</u>

On 8 July 2015, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 19.0% for the year starting 1 April 2018 and a further 1.0% reduction to 18.0% from 1 April 2020. These changes were substantively enacted in October 2015.

RANK NEMO (TWENTY-FIVE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Taxation (continued)

On 16 March 2016, the Chancellor of the Exchequer announced a further 1.0% reduction to the previously announced 18.0% main rate of UK corporation tax to 17.0% from 1 April 2020. This change was substantively enacted in September 2016.

The rate reductions will reduce the amount of cash tax payments to be made by the Company in future periods.

4. Dividends

Amounts recognised as distributions to equity holders in the year:

	At 30 June 2018 £m	At 30 June 2017 £m
Dividend for the year ended 30 June 2017 of £549.4m per ordinary share on 31 January 2018	549.4	-
	<u>549.4</u>	<u>-</u>

The dividend was approved by the directors during the year.

5. Investment in subsidiary undertaking

	Total £m
Cost	
At 1 July 2017 and 30 June 2018	<u>2,395.0</u>
Aggregate impairment	
At 1 July 2017	(1,391.8)
Impairment	(52.4)
At 30 June 2018	<u>(1,444.2)</u>
Net book value	
At 1 July 2017	<u>1,003.2</u>
At 30 June 2018	<u>950.8</u>

During the year, the Company impaired its investment in Rank Leisure Holdings Limited. Please see note 2 for further details. A list of all investments in subsidiaries is given in note 11.

6. Other debtors

	At 30 June 2018 £m	At 30 June 2017 £m
Amounts owed by fellow subsidiary undertakings	<u>-</u>	<u>477.6</u>

The carrying values of other debtors are assumed to approximate to their fair value due to the short-term nature of the debtors. This includes amounts owed by fellow subsidiary undertakings which are unsecured, repayable on demand.

The movement year on year reflects the net dividend approved by the directors in the year.

RANK NEMO (TWENTY-FIVE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Financial assets and liabilities

The accounting policies for other debtors have been applied to the line items below:

	Other financial assets	
	At 30 June 2018	At 30 June 2017
	£m	£m
Other debtors	-	477.6

The movements in the amounts owed by the parent company is due to the Group restructuring and simplification project. Please see the Strategic Report for more details.

8. Ordinary share capital

	At 30 June 2018	At 30 June 2017
	£	£
Authorised, issued and fully paid 1 ordinary shares of £1 each	1	1

9. Directors and employees

The directors received no remuneration in the year in respect of their qualifying services to the Company (2017: nil). There were no employees of the Company during the year (2017: nil).

10. Parent undertakings and related party transactions

The Company's immediate parent undertaking was The Rank Group Plc, a company incorporated in England and Wales.

The ultimate parent undertaking is Hong Leong Company (Malaysia) Berhad (Hong Leong), which is incorporated in Malaysia. Hong Leong is the parent undertaking of the largest group to consolidate these financial statements (from the date Hong Leong became the ultimate parent undertaking).

The Rank Group Plc was also the parent undertaking of the smallest group to consolidate these financial statements. Copies of the Group's consolidated ARA can be obtained from <http://www.rank.com/en/investors/results--reports---presentations.all.year2018.html> or by written request to the Company Secretary at TOR, Saint-Cloud Way, Maidenhead, Berkshire, SL6 8BN.

11. Subsidiaries

The Company owns directly or indirectly 100% of the issued share capital and voting rights of the following companies:

Name	Country of incorporation	Principal activities	Registered office address
Grosvenor Casinos Limited	England and Wales	Casinos	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Grosvenor Casinos (GC) Limited	England and Wales	Casinos	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
The Gaming Group Limited	England and Wales	Casinos	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Mecca Bingo Limited	England and Wales	Social and bingo clubs	TOR, Saint-Cloud Way, Maidenhead SL6 8BN

RANK NEMO (TWENTY-FIVE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. Subsidiaries (continued)

Rank Leisure Limited	England and Wales	Adult gaming centres in Mecca and Grosvenor Casinos venues	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Digital Limited	England and Wales	Support services to interactive gaming	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Upperline Marketing Limited	England and Wales	Interactive gaming	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Digital Gaming (Alderney) Limited	Alderney	Interactive gaming	La Corvee House, Alderney, Channel Islands, GY9 3TQ
QSB Gaming Limited	Channel Islands	Intermediate holding company	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Mindful Media Limited	Channel Islands	Support service to interactive gaming	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Digital Services (Gibraltar) Limited	Gibraltar	Support services to interactive gaming	124 Irish Town, Gibraltar
Bingosoft Plc	Malta	Interactive gaming	Vault 14, Level 2, Valletta Waterfront, Floriana, FRN 1914, Malta
Rank Digital España SA (Previously Rank Malta Operations p.l.c.)	Spain	Interactive gaming	Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain
Conticin SL	Spain	Social and bingo clubs	Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain
Gotfor SA	Spain	Social and bingo clubs	Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain
Rank Cataluña SA	Spain	Social and bingo clubs	Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain
Rank Centro SA	Spain	Social and bingo clubs	Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain
Top Rank Andalucía SA	Spain	Social and bingo clubs	Conde Robledo 1, 14008, Cordoba, Spain
Verdiales SA	Spain	Social and bingo clubs	Sala Andalucía, Ronda, Capuchinos 19, 41008, Sevilla, Spain
Blankenberge Casino-Kursaal NV	Belgium	Casino	Zeedijk (Casino), B-84030 Middelkerke, Belgium
Middelkerke Casino-Kursaal NV	Belgium	Casino	Zeedijk (Casino), B-84030 Middelkerke, Belgium
Rank Holding España SA	Spain	Intermediary holding company	Calle Balmes Nº 268-270 1st Floor, 08006, Barcelona, Spain
Rank Leisure Holdings Limited ⁽¹⁾	England and Wales	Intermediary holding company for UK Casino entities	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Casino Holdings Limited	England and Wales	Intermediary holding company for UK Casino entities	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Group Gaming Division Limited	England and Wales	Intermediary holding company for UK Bingo entities and provision of shared services	TOR, Saint-Cloud Way, Maidenhead SL6 8BN

RANK NEMO (TWENTY-FIVE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. Subsidiaries (continued)

Rank Overseas Holdings Limited	England and Wales	Intermediary holding company for overseas entities	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank (U.K.) Holdings Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Digital Holdings Limited ⁽¹⁾	England and Wales	Intermediary holding company for Digital entities	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Associated Leisure (Amusement Machines) Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Grosvenor Victoria Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Leisure Holidays Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Luda Bingo Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Linkco Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
MRC Developments Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Pleasurama Properties Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Pleasurama Property Investments Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank (DMS) Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank (FF) Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Group Holdings Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Holidays Division Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Hotels (Management) Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Leisure Machine Services Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Nemo (DGMS) Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Nemo (DMS) Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Nemo (DPL) Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Nemo (HGY) Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Nemo (RC) Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
The Rank Organisation Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Overseas Finance Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Precision Industries Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN

RANK NEMO (TWENTY-FIVE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. Subsidiaries (continued)

Rank Radio International Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Speciality Catering Limited ⁽²⁾	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
RO Nominees Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Associated Leisure France SARL	France	Dormant	4 Rue Joseph Monier, 92859 Rueil Malmaison, Cades, France
Associated Leisure France Properties SCI	France	Dormant	Zi Sud, 12 Rue des Petits Champs, 35400, St Malo, France
Rank America Inc.	U.S.A.	Dormant	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801, USA

⁽¹⁾ Directly held by the Company.

⁽²⁾ First Gazette notice for voluntary strike off 9 Oct 2018

The principal activities are carried out in the country of incorporation as indicated above. All subsidiary undertakings have a 30 June year end with the exception of MRC Developments Limited which has a 31 December year end.