

GROSVENOR CASINOS LIMITED
Registered No. 877080

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2008

TUESDAY



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GROSVENOR CASINOS LIMITED

DIRECTORS' REPORT

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 the operation of a number of clubs in the UK providing gaming and restaurant facilities for members.

The results for the Company show a pre-tax profit of £12.5m (2007: £24k) for the year and revenue of £190.2m (2007: £196.4m). The Company recorded an exceptional loss of £2.4m primarily in relation to impairment charges. The Company also closed its Leeds Moortown Casino and relocated its Casino in Ramsgate to Thanet. In April 2009 the Company completed the acquisition of the casino at the Ricoh Arena in Coventry from Isle of Capri for a purchase price of £650,000.

The directors do not recommend the payment of a dividend (2007: £nil).

Research and development

The Company continues to invest in the design and layout of its clubs, which include its G Casino brand, a concept designed specifically for the mainstream leisure gaming market. The directors regard the investment in research and development as integral to the continuing success of the business.

Future outlook and uncertainties

The Company operates in a competitive market and the action of its competitors, particularly new or relocated casinos, can impact on the performance of the Company. The Company actively defends its position against new entrants to the market in existing locations.

The Company's aim is to capitalise on the market growth opportunity through the development of its 13 non-operating licences, the relocation or conversion of existing casinos and participation in the process to allocate new '2005 Gambling Act' casino licences.

The directors' focus is on increasing customer visits to the Company's businesses by bringing enjoyable gaming-based leisure experiences to a broader base of customers. Against this backdrop, the key elements of the strategy are:

- Deepen customer understanding to shape product innovation, create service differentiation and sharpen customer communication.
- Strengthen the Company's position in the UK market while assessing longer term growth opportunities overseas.
- Work positively with government, the Gambling Commission and the other relevant stakeholders to achieve the aims of the 2005 act to help shape the regulatory environment.

In the short-term the directors recognise that the UK gaming market faces a number of risks. These include increases in gaming taxation, changes in regulation, competition and the deteriorating economic environment for consumers. The strategy is to take vigorous action to meet these challenges while retaining long-term focus on growth opportunities.

The Company will continue to look for opportunities to expand the G Casino portfolio through relocations and conversions of existing operations. In 2009, the Company will rebrand its Bolton casino, following a major refurbishment. In addition the Company aims to develop casinos in the remaining six locations where it holds licences that are not currently being utilised. This will involve the development of smaller format casinos with lower operating costs than those of a standard G Casino.

Key performance indicators (KPI)

The directors of The Rank Group Plc, the Company's ultimate parent undertaking, 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 casino division 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 do not form part of this report. The directors do not anticipate any immediate or substantial variations to the Company's current activities.

GROSVENOR CASINOS LIMITED

DIRECTORS' REPORT

Directors

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

Mr P. R. Gill (resigned 1 June 2008)

Mr P. McCann (resigned 1 June 2008)

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

Mr P.C. Urban (appointed 2 June 2008)

Mr M. I. Burke

Human resources

The Company recognises that the contribution made by its employees is crucial to the success of the business. Substantial investment is therefore made in the training, development and motivation of employees with particular attention to ensuring customer satisfaction through the consistent achievement of high standards of service and delivery of quality products.

Employee involvement in the direction and objectives of the business is encouraged through the use of incentive schemes to focus employees on key performance indicators. In addition, communication and consultation programmes exist at site and Company level.

The Company endorses the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age, disability or sexual orientation.

Policy on payment of suppliers

The Company agrees terms and conditions for its business transaction with its suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. The number of days' purchases outstanding at 31 December 2008 is calculated at 17 days (2007: 20 days).

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 ('IFRS') 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 IFRS 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.

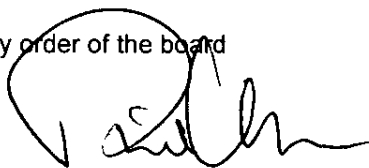
So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all steps that ought to be taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors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

GROSVENOR CASINOS LIMITED
DIRECTORS' REPORT

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

A handwritten signature in black ink, appearing to be 'P. C. Urban', written over a circular stamp or seal.

Mr P. C. Urban
Director

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

22 June 2009

GROSVENOR CASINOS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GROSVENOR CASINOS LIMITED

We have audited the financial statements of Grosvenor Casinos Limited for the year ended 31 December 2008 which comprise of the Income Statement, Balance Sheet, 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

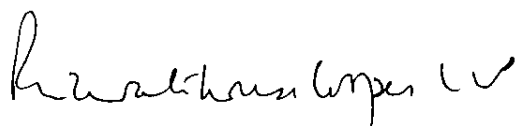
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 profit 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

 June 2009

GROSVENOR CASINOS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £000	2007 £000
Revenue		190,224	196,402
Cost of sales		(115,788)	(120,680)
Gross profit		74,436	75,722
Other operating costs		(65,445)	(64,506)
Exceptional items	2	(2,423)	(18,403)
Operating profit (loss)	2	6,568	(7,187)
Financing			
– finance income	3	6,279	7,492
– finance costs	3	(301)	(281)
		5,978	7,211
Profit before tax		12,546	24
Taxation	4	(4,304)	(3,243)
Profit (loss) for the year	16	8,242	(3,219)

All results are from continuing operations.

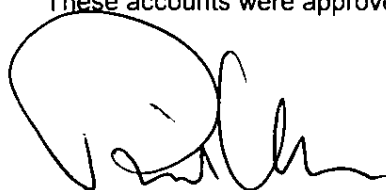
The notes on pages 8 to 23 are an integral part of these financial statements.

GROSVENOR CASINOS LIMITED
BALANCE SHEET
AT 31 DECEMBER 2008

	Note	2008 £000	2007 £000
Assets			
Non-current assets			
Intangible assets	6	71,199	70,792
Property, plant and equipment	7	59,836	63,102
Financial assets - Investments	8	7,843	7,843
		<u>138,878</u>	<u>141,737</u>
Current assets			
Inventories	9	833	766
Trade and other receivables	11	117,300	106,343
Cash and cash equivalents	17	14,723	13,595
		<u>132,856</u>	<u>120,704</u>
Total assets		<u>271,734</u>	<u>262,441</u>
Liabilities			
Current liabilities			
Financial liabilities – loan capital and borrowings	12	(47)	(252)
Trade and other payables	13	(36,808)	(35,491)
Provisions for other liabilities and charges	14	(864)	(282)
		<u>(37,719)</u>	<u>(36,025)</u>
Net current assets		<u>95,137</u>	<u>84,679</u>
Non-current liabilities			
Financial liabilities – loan capital and borrowings	12	(2,549)	(2,857)
Trade and other payables	13	(2,514)	(2,383)
Deferred tax liability	10	(9,988)	(9,440)
Provisions for other liabilities and charges	14	(1,326)	(2,418)
		<u>(16,377)</u>	<u>(17,098)</u>
Total liabilities		<u>(54,096)</u>	<u>(53,123)</u>
Net assets		<u>217,638</u>	<u>209,318</u>
Shareholder's equity			
Ordinary share capital	15	39,000	39,000
Other reserves	16	178,638	170,318
Total equity	16	<u>217,638</u>	<u>209,318</u>

The notes on pages 8 to 23 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:



Mr P. C. Urban
Director

GROSVENOR CASINOS LIMITED
STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2008

		2008	2007
		£000	£000
Profit (loss) for the year	16	8,242	(3,219)
Total recognised income (expense) for the year		8,242	(3,219)

The notes on pages 8 to 23 are an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008	2007
		£000	£000
Cash flows from operating activities			
Cash generated from operations	18	18,352	22,141
Interest paid		(150)	(156)
Net cash from operating activities		18,202	21,985
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		369	6,085
Purchase of property, plant and equipment		(9,826)	(16,258)
Net cash used in investing activities		(9,457)	(10,173)
Cash flows from financing activities			
Finance lease principal repayment		(513)	(192)
Funding provided to other fellow subsidiary undertakings		(7,104)	(14,719)
Net cash used in financing activities		(7,617)	(14,911)
Net increase (decrease) in cash and cash equivalents		1,128	(3,099)
Cash and cash equivalents at 1 January		13,595	16,694
Cash and cash equivalents at 31 December	17	14,723	13,595

The notes on pages 8 to 23 are an integral part of these financial statements.

GROSVENOR CASINOS 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 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 not material or relevant to the Company's operations:

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

B Revenue

Revenue consists of casino gaming win, gaming machine income before deduction of gaming duty, membership fees, guest fees and catering revenue and is stated net of value added tax. The Company's business operates solely in the United Kingdom. Although disclosed as revenue, gaming win is accounted for and meets the definition of a gain under IAS 39 Financial instruments: Recognition and measurement.

C Intangible assets

(i) *Computer software and other development costs* - Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include employee costs for software development.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives.

(ii) *Casino licences* - The Company capitalises purchased casino licences. The amount capitalised is the difference between the price paid for a casino property and the associated licence and the fair value of a similar property without a casino licence. Management believes that casino licences have indefinite lives as based on all relevant factors there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows. Each licence is reviewed annually for impairment. Any costs incurred to obtain a 'cold' casino licence or renewing casino licences annually are expensed as incurred.

D Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

- Freehold and leasehold property 50 years or their useful life if less;
- Property enhancements 5 - 20 years; and
- Equipment and others 3 - 20 years.

GROSVENOR CASINOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

D Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and included in the income statement.

E Impairment of intangible assets and property, plant and equipment

Assets that have an indefinite life are not subject to amortisation and 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.

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 income immediately, unless the relevant asset is carried at a revalued amount.

F Financial assets

(i) *Investments in subsidiaries* - Investments in subsidiaries are held at cost less impairment. 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. Dividends received from the pre-acquisition profits of subsidiaries are deducted from the cost of investment.

G 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.

H Employee benefit costs

(i) *Pension obligations* - The Company participates in group pension schemes operated by The Rank Group Plc. The group (headed by The Rank Group Plc) operated both defined benefit and defined contribution schemes during 2008. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group transferred the assets and liabilities of the defined benefit plan during 2008.

The group (headed by The Rank Group Plc) operated a defined benefit scheme, the Rank Pension Plan, which was funded by both employer's and employees' contributions up until the date of transfer. It was not possible for the Company to separately identify its share of the underlying assets and liabilities of these schemes. Therefore, in accordance with IAS 19, the scheme was treated as a defined contribution scheme. The pension costs for the Company, which equate to the contributions payable, were assessed annually by an independent, qualified actuary.

GROSVENOR CASINOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

H Employee benefit costs (continued)

The group also operates a defined contribution scheme, the Rank Group Stakeholder Pension Plan. The Rank Group Stakeholder Pension Plan replaced the Rank Money Purchase Pension Scheme which closed to future contributions on 5 April 2006. A charge is made to operating profit for contributions payable to the schemes.

(ii) *Share-based compensation* - The Company operates an equity-settled, share-based compensation plan relating to its ultimate parent, The Rank Group Plc. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

(iii) *Termination benefits* - Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(iv) *Bonus plans* - The Company recognises a liability and an expense for bonuses based on a formula related to the trading performance of each casino. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) *Holiday pay* - The Company recognises an appropriate liability for the cost of holiday entitlements not taken at the balance sheet date.

I Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a "first in – first out" basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. When necessary, provision is made for obsolete and slow moving inventories.

J Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

K Trade payables

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

L Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

(i) *Onerous contracts* - The Company is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs.

GROSVENOR CASINOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

M Leases

Leases are tested to determine whether the lease is a finance or operating lease and treated accordingly. Property leases comprising a lease of land and a lease of buildings within a single contract are split into its two component parts before testing.

(i) Finance leases - Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in other long-term borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

(ii) Operating leases - Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of lease incentives or premiums, are charged to the income statement on a straight-line basis over the period of the lease.

N Exceptional items

The Company defines exceptional items as those items which, by their size or nature, are separately disclosed in order to give a full understanding of the Company's financial performance and aid comparability of the Company's result between periods. This would include, to the extent they are material, gains or losses on the disposal of property, impairments of the carrying value of clubs and associated onerous lease provisions, costs of club closures, onerous lease provisions on vacant properties and disposal of businesses.

O 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:

	Effective date*
• IFRS 2, Share based payments (Amendment)	1 January 2009
• IAS 23, Borrowing Costs (Revised)	1 January 2009
• IFRIC 13, Customer Loyalty Schemes	1 July 2008
• 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 3, Business combinations (Revised)
- 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

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.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2. Profit for the year

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

	Note	2008 £000	2007 £000
Staff costs	19	65,697	69,008
Cost of inventories recognised as expense		5,400	6,119
Depreciation of property, plant and equipment			
- owned assets		7,576	8,559
- finance lease assets		6	8
Redundancy costs		155	837
Amortisation of intangibles		131	101
(Profit) loss on disposal of fixed assets		(99)	22
Exceptional items (see below)		2,423	18,403
Operating lease rentals			
- minimum lease payments		14,038	13,063
- sub lease income		(462)	(414)
Repairs and maintenance expenditure on property, plant and equipment		1,318	1,373

Audit fees have been borne by the immediate parent company, Rank Group Gaming Division Limited.

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

		2008 £000	2007 £000
Sale and leaseback			
- loss on disposal of fixed assets		-	103
		-	103
Net (profit) loss on club closures and disposals		(108)	1,632
Impairment charge on property, plant and equipment	5	2,837	8,216
Impairment on investment in subsidiary undertakings	8	-	6,942
Provision for onerous leases	14	(306)	1,510
Exceptional loss		2,423	18,403

2008

During 2008 an impairment charge of £2,837,000 has been recognised in relation to a small number of clubs impacted by competitor openings.

2007

During 2007 the Company closed its Liverpool casino and a retail outlet at its Hard Rock casino in London (following the sale of Hard Rock by The Rank Group Plc the Hard Rock casino was re-branded as a G Casino). The Company also completed the sale and leaseback of its G Casino in Luton.

During 2007 the directors reviewed the carrying value of the cost of investment in subsidiary undertakings resulting in an impairment charge of £6,942,000.

Following the introduction of the smoking ban in England and Wales, the loss of Section 21 machine income and the unexpected rise in Casino Duty, an impairment charge and associated onerous lease provisions were recognised during 2007.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3. Financing

	2008	2007
	£000	£000
Finance income		
Interest receivable from Group companies	6,279	7,492
Total	6,279	7,492
Finance costs		
Interest payable on finance leases	(150)	(156)
Preference dividends payable	(67)	(74)
Unwinding of discount in provisions	(84)	(51)
Total	(301)	(281)

4. Taxation

	2008	2007
	£000	£000
Current tax		
UK corporation tax in respect of current year	3,542	9,719
Exceptional items	186	(514)
Adjustment in respect of prior years	28	676
Total current tax	3,756	9,881
Deferred tax		
Origination and reversal of timing differences	1,613	(2,864)
Exceptional items	(484)	(1,821)
Restatement of deferred tax from 30% to 28%	-	(674)
Adjustment in respect of prior years	(581)	(1,279)
Total deferred tax	548	(6,638)
Tax charge in the income statement	4,304	3,243

Current tax on exceptional items includes a tax charge of £186,000 relating to the reduction in the onerous lease provisions for properties.

Deferred tax on exceptional items included a tax credit of £484,000 on the impairment of fixed assets.

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:

	2008	2007
	£000	£000
Profit before tax	12,546	24
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	3,576	7
Effects of:		
Expenses not deductible for tax purposes	1,317	5,092
Income not subject to tax	-	(364)
Other timing differences	(15)	(215)
Restatement of deferred tax from 30% to 28%	(20)	(674)
Adjustment in respect of prior years	(554)	(603)
Tax charge in the income statement	4,304	3,243

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. Impairment review of intangible assets and property, plant and equipment

The inherent value of casino licences is deemed to be an intrinsic part of the value of the operation of casinos as a whole and is therefore not split out from total casino assets in an impairment review. The net book value of casino licences as at 31 December 2008 was £70,604,000 (2007 - £70,604,000) and management does not believe there is any impairment.

Each casino has been treated as a separate cash-generating unit, and tested for impairment on that basis. The recoverable amount of each casino including the licence and property, plant and equipment has been determined based on the higher of fair value less costs to sell and value in use. Value in use has been calculated using cash flow projections based on financial budgets approved by the Board for the next financial year along with projections for the following two years from the Business Plan which was also approved by the Board. A long-term growth rate of 2% was applied thereafter. The pre-tax discount rate applied to cash flow projections is 14.1% (2007: 9.4%).

The calculation for the value in use of a casino licence is most sensitive to the following assumptions:

(i) Admissions - the number of discrete visits by members to the casino and have been based on historic trends adjusted for the introduction of advertising. Admission levels may vary due to the impact of advertising, customer loyalty programmes and macro economic conditions.

(ii) Spend per head - the average amount of money (net of winnings) spent by a member on gaming tables, machines and food and beverages. This has been determined by historic trends and may be impacted by the number of new members, changes in gaming legislation and macro economic conditions.

(iii) Competition and regulation – competition from other casinos located in the same geographic area. The impact of this has been assessed by individual location. Competition from licences granted under the Gambling Act 2005 and Gaming Act 1968 could vary depending upon the number and location of new casinos as well as the date of opening. The calculation is also sensitive to any further Casino Duty rises.

(iv) Discount rate – the discount rate reflects management's estimate of the Company's pre-tax weighted average cost of capital. Management believes that the Company's weighted average cost of capital is an appropriate measure as there is no funding directly attributable to each cash-generating unit.

In 2008 an impairment charge of £2,837,000 was recognised (2007 – £8,216,000). Any impairment is allocated equally across all assets in a cash-generating unit unless a fair market value exists for one or more assets including the casino licence.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. Intangible assets

	Computer software £000	Casino licences £000	Total £000
Cost			
At 1 January 2007	1,389	78,055	79,444
Additions	105	-	105
Disposals	(28)	-	(28)
At 31 December 2007	1,466	78,055	79,521
Additions	553	-	553
Disposals	(22)	-	(22)
At 31 December 2008	1,997	78,055	80,052
Aggregate amortisation and impairment			
At 1 January 2007	(1,205)	(7,451)	(8,656)
Charge for the year (recognised in cost of sales)	(101)	-	(101)
Disposals	28	-	28
At 31 December 2007	(1,278)	(7,451)	(8,729)
Charge for the year (recognised in cost of sales)	(131)	-	(131)
Impairment	(17)	-	(17)
Disposals	24	-	24
At 31 December 2008	(1,402)	(7,451)	(8,853)
Net book value			
At 31 December 2007	188	70,604	70,792
At 31 December 2008	595	70,604	71,199

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

7. Property, plant and equipment

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures, fittings, plant and machinery £000	Total £000
Cost				
At 1 January 2007	12,598	26,470	70,074	109,142
Reclassifications	(3,120)	3,020	100	-
Additions	316	2,646	14,434	17,396
Disposals	(6,609)	(1,415)	(3,491)	(11,515)
At 31 December 2007	3,185	30,721	81,117	115,023
Additions	42	2,423	5,203	7,668
Disposals	-	(1,082)	(2,630)	(3,712)
At 31 December 2008	3,227	32,062	83,690	118,979
Aggregate depreciation and impairment				
At 1 January 2007	(320)	(8,019)	(30,647)	(38,986)
Reclassifications	-	229	(229)	-
Charge for the year	(83)	(1,240)	(7,244)	(8,567)
Impairments	-	(1,712)	(6,504)	(8,216)
Disposals	125	1,237	2,486	3,848
At 31 December 2007	(278)	(9,505)	(42,138)	(51,921)
Charge for the year	(55)	(1,035)	(6,492)	(7,582)
Impairments	(534)	(669)	(1,617)	(2,820)
Disposals	-	843	2,337	3,180
At 31 December 2008	(867)	(10,366)	(47,910)	(59,143)
Net book value				
At 31 December 2007	2,907	21,216	38,979	63,102
At 31 December 2008	2,360	21,696	35,780	59,836

Assets held under finance leases are capitalised and included in leasehold land and buildings above:

	2008 £000	2007 £000
Cost	2,007	2,577
Aggregate depreciation and impairment	(1,058)	(1,374)
Net book value	949	1,203

The net book value of land not depreciated is included above in freehold land and buildings:

	2008 £000	2007 £000
Net book value	972	972

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. Investment in subsidiaries

	2008	2007
	£'000	£'000
Shares group undertakings		
Cost		
At 1 January	14,785	14,785
At 31 December	14,785	14,785
Impairment		
At 1 January	(6,942)	-
Charge for the year (see note 2)	-	(6,942)
At 31 December	(6,942)	(6,942)
Net book value		
At 1 January	7,843	14,785
At 31 December	7,843	7,843

At 31 December 2008, the Company owned directly 100% of the ordinary share capital and voting rights of the following companies all of which are incorporated and registered in England and Wales:

<u>Subsidiary undertaking</u>	<u>Principal activity</u>
Society Club (Swansea) Limited	Dormant
Kingsway Casinos Limited	Dormant
Casino Royale Club (Newcastle) Limited	Dormant
Zealcastle Limited	Dormant

9. Inventories

	2008	2007
	£000	£000
Finished goods	833	766

10. Deferred tax

	2008	2007
	£000	£000
Accelerated capital allowances	6,341	7,890
Other temporary differences	3,520	2,535
Deferred tax asset	9,861	10,425
Business combinations	(80)	(96)
Casino licences	(19,769)	(19,769)
Deferred tax liability	(19,849)	(19,865)
Net deferred tax liability	(9,988)	(9,440)
Accelerated capital allowances	(1,547)	3,070
Share based payments	-	(14)
Other temporary differences	999	3,582
Deferred tax (expense)/credit in the income statement	(548)	6,638

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

Net deferred tax liability at 1 January	(9,440)	(16,078)
Deferred tax (expense)/credit in the income statement	(548)	6,638
Net deferred tax liability at 31 December	(9,988)	(9,440)

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. Trade and other receivables

	2008	2007
	£000	£000
Amounts owed by parent and fellow subsidiary undertakings	110,500	100,873
Other receivables	1,771	1,082
Prepayments and accrued income	5,029	4,388
Amounts falling due within one year	117,300	106,343

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.

12. Financial liabilities – loan capital and borrowings

	2008	2007
	£000	£000
Finance lease obligations	47	252
Current	47	252
Preference shares (see below)	1,000	1,000
Finance lease obligations	1,549	1,857
Non-current	2,549	2,857
Preference shares* – authorised, issued and fully paid 1,000,000 ordinary shares of 100p each	1,000	1,000

*Dividends on preference shares are payable at LIBOR plus 1.5%.

13. Trade and other payables

	2008	2007
	£000	£000
Trade payables	3,793	5,250
Amounts owed to subsidiary undertakings	8,149	8,150
Other tax and social security	13,334	9,581
Accruals	11,323	12,368
Preference dividends payable	209	142
Current	36,808	35,491
Other payables	2,514	2,383
Non-current	2,514	2,383

The Company's trade payables are all due within one year. Due to the short term nature of these payables the carrying value equates to the contractual amount due as the impact of discounting is not considered material.

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

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14. Provision for other liabilities and charges

	Onerous leases £000
At 1 January 2008	2,700
Released to the income statement	(306)
Utilised in year	(288)
Unwinding of discount	84
At 31 December 2008	2,190

	2008 £000	2007 £000
Current	864	282
Non-current	1,326	2,418
Total	2,190	2,700

Onerous leases - The Company is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. These leases have an unexpired life of between less than 1 and 981 years. Provisions have been discounted at a risk free interest rate of 3.6% (2007: 5%) where the effects of inflation will have a material impact.

15. Ordinary share capital

	2008 £000	2007 £000
Authorised, issued and fully paid		
39,000,000 Ordinary shares of 100p each	39,000	39,000

16. Statement of changes in shareholders' equity

	Ordinary share capital £000	Other reserves £000	Total £000
At 1 January 2007	39,000	173,844	212,844
Loss for the year	-	(3,219)	(3,219)
Debit in respect of employee share schemes	-	(307)	(307)
At 31 December 2007	39,000	170,318	209,318
Profit for the year	-	8,242	8,242
Credit in respect of employee share schemes	-	78	78
At 31 December 2008	39,000	178,638	217,638

Other reserves include an amount of undistributable reserves related to a previous revaluation of properties. The Company adopted a policy of revaluing these fixed assets under UK GAAP, and, in accordance with IFRS 1, these values have been frozen and treated as deemed cost on transition to IFRS.

17. Cash and cash equivalents

For the purposes of the Cash Flow statement, cash and cash equivalents comprise the following at 31 December:

	2008 £000	2007 £000
Cash at bank and in hand	14,723	13,595

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

18. Cash generated from operations

	2008	2007
	£000	£000
Reconciliation of operating profit (loss) to cash generated from operations:		
Operating profit (loss)	6,568	(7,187)
Exceptional items	2,423	18,403
Payments in respect of exceptional items and provisions	(152)	(434)
Depreciation and amortisation	7,713	8,668
Decrease in working capital	1,615	2,974
Other items	185	(283)
Cash generated from operations	18,352	22,141

19. Employees and directors

	2008	2007
	£000	£000
Employee benefit expense during the year		
Wages and salaries	58,691	61,247
Social security costs	5,427	5,549
Other pension costs	1,501	2,526
Share based payments	78	(314)
Total	65,697	69,008

The average monthly number of employees was 2,978 (2007: 3,122).

	2008	2007
	£000	£000
Directors		
Aggregate emoluments	1,103	780
Aggregate amounts receivable under long-term incentive schemes	-	65
Compensation for loss of office	378	-
Company contributions to pension schemes	164	192
Total	1,645	1,037

Highest paid director

Aggregate emoluments	456	332
Aggregate amounts receivable under long-term incentive schemes	-	25
Company contributions to pension schemes	92	92
Total	548	449

Directors are not paid directly by Grosvenor Casinos Limited. The figures shown represent the proportion of directors' emoluments relevant to the estimated time allocated to Grosvenor Casinos Limited. Retirement benefits are accruing to one director under the defined benefit pension scheme operated by The Rank Group Plc. No director exercised any share options or made any gains on the exercise of share options in either year.

All key management are directors of the Company.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

20. Retirement benefits

The Company and its subsidiary undertakings participate in group pension schemes operated by The Rank Group Plc. Further details of these schemes are included in note 1H.

Company contributions paid to The Rank Pension Plan, a defined benefit scheme, in 2008 were £1,202,000 (2007: £2,137,000). Contributions outstanding at 31 December 2008 were £nil (2007: £nil).

The Company also operates stakeholder pensions for some members of staff. Company contributions in 2008 were £648,000 (2007 £395,000).

21. Lease commitments

(i) *Operating leases* - The Company has entered into commercial leases on certain properties and items of machinery. The leases have durations of between 3 and 75 years.

Future minimum rentals payable and sub-lease income expected under non-cancellable operating leases are as follows:

	2008 £000	2007 £000
Not later than one year	14,129	12,393
After one year but not more than five years	42,645	39,985
After five years	95,478	105,488
Total future minimum rentals payable	<u>152,252</u>	<u>157,866</u>
 Total future minimum sub-lease income expected	 <u>1,148</u>	 <u>1,457</u>

(ii) *Finance leases* - The minimum lease payments under finance leases, together with the present value of the minimum lease payments, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2008 £000	2007 £000	2008 £000	2007 £000
Not later than one year	172	403	47	252
After one year but not more than five years	687	898	230	364
After five years	2,333	2,623	1,319	1,493
	<u>3,192</u>	<u>3,924</u>	<u>1,596</u>	<u>2,109</u>
Less future finance charges	(1,596)	(1,815)		
Present value of minimum lease payments	<u>1,596</u>	<u>2,109</u>		

22. Capital commitments

	2008 £000	2007 £000
Contracts placed for future capital expenditure but not provided in the financial information	<u>490</u>	<u>193</u>

23. Contingent liabilities

The Company has provided a joint and several guarantee together with its ultimate parent undertaking, The Rank Group Plc, and twelve other fellow subsidiary undertakings over a loan facility taken out during 2007 by Rank Group Finance Plc, a fellow subsidiary. At 31 December 2008 Rank Group Finance Plc had drawings of £150.0m against the facility. The fair value of the guarantor group's guarantee at 31 December 2008 of £0.9m (2007 £0.8m) has been provided in the accounts of The Rank Group Plc.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

24. Financial assets and liabilities

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

	Loans and receivables	
	2008	2007
	£000	£000
Trade and other receivables	110,500	100,873
Cash and cash equivalents	14,723	13,595
Total	125,223	114,468

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

	Other financial liabilities	
	2008	2007
	£000	£000
Borrowings	2,596	3,109
Trade and other payables	39,322	37,874
Total	41,918	40,983

25. 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's operations are all located in the UK and transacted in UK Sterling. Accordingly the Company has no foreign exchange risk arising from foreign currency exposures.

(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 foreign exchange or interest rate risk exposure of financial instruments on 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

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding receivables (including amounts owed by related undertakings).

The credit risk associated with banks and financial institutions is managed on a group basis. The group only deals with banks and financial institutions where The Rank Group Plc has a lending or advisory relationship. The credit risk associated with banks and financial institutions is checked against independent credit ratings and only parties with a minimum rating of 'A' are accepted. An internal rating is then allocated and an individual credit limit is set in accordance with limits set by the Board of The Rank Group Plc. Management reviews the ratings and utilisation of credit limits on a regular basis.

No credit limits were exceeded during the year and management does not expect any loss from non-performance of its counterparties.

GROSVENOR CASINOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25. Financial risk management (contd)

Credit risk (contd)

The table below shows the analysis of cash and cash equivalents at the balance sheet date by independent credit rating.

	2008 £000	2007 £000
A	2,515	4,686
Cash floats	12,208	8,909
Cash and cash equivalents	14,723	13,595

All retail sales are settled by cash or using major credit cards. There were no material balances outstanding at either balance sheet date.

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 11.

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.

26. Related party transactions

The Company's immediate parent undertaking is Rank Group Gaming Division Limited. The ultimate parent undertaking is The Rank Group Plc. The Company, Rank Group Gaming Division Limited 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 or by written request to the Company Secretary at Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.

Amounts due from the parent and fellow subsidiary undertakings are unsecured, repayable on demand and incurred interest at 5.24% (2007: 6.58%). Amounts owed to subsidiary undertakings are unsecured, repayable on demand and interest free.

27. Post Balance sheet events

On 23 April 2009 the Company completed the acquisition of the casino at the Ricoh Arena in Coventry from Isle of Capri for a purchase price of £650,000. The casino will be re-launched under the G Casino brand after an investment of £1 million to reconfigure the site.