

**GROSVENOR CASINOS LIMITED**  
**Registered No. 877080**

**DIRECTORS' REPORT**

**AND**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2009**

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## **GROSVENOR CASINOS LIMITED**

### **DIRECTORS' REPORT**

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The directors present their report and financial statements for the year ended 31 December 2009

#### **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 £17.0m (2008 £12.5m) for the year and revenue of £201.4m (2008 £189.6m). The Company recorded an exceptional loss of £1.5m in relation to an impairment charge. During the year, the Company acquired the Casino at the Ricoh Arena in Coventry from Isle of Capri Limited. The Company also opened a new G Casino at Dundee and a fully electronic casino at Leeds.

The directors do not recommend the payment of a dividend (2008 £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 with limited supply 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 12 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 our understanding of customer preferences, that will enable us to anticipate what our customers want from their leisure experiences, that will give the Company a competitive advantage in the market it operates in
- 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 effect of macro economic conditions on consumer confidence. 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 2010, the Company will open two G Casinos, converting the Grosvenor casinos at Brighton and Newcastle-upon-Tyne. The Company aims to have built a portfolio of 20 G Casinos in Britain by the end of 2012 by developing new casinos and re-branding existing casinos to the G casino format.

The Company participates in the Rank group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary undertakings. The directors, having assessed the responses of the directors of the Company's ultimate parent undertaking, The Rank Group Plc, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Rank Group to continue as a going concern or its ability to continue with the current banking arrangements. On this basis the directors have a reasonable expectation that the Company will continue in existence for the foreseeable future and therefore have adopted the going concern basis of accounting in preparing the financial statements.

## **GROSVENOR CASINOS LIMITED**

### **DIRECTORS' REPORT**

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#### **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 1 to 39 of the Group's 2009 annual report and financial statements which do not form part of this report. The directors do not anticipate any immediate or substantial variations to the Company's current activities.

#### **Directors**

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

Mr M I Burke

Mr P J Gallagher

Mr P C Urban

#### **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 2009 is calculated at 20 days (2008: 17 days).

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

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

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

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

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

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

## **GROSVENOR CASINOS LIMITED**

### **DIRECTORS' REPORT**

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#### **Insurance and indemnities**

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

#### **Auditors**

PricewaterhouseCoopers LLP (PwC) has audited the Company's ultimate parent company's consolidated accounts since 1996. The board of the ultimate parent company agreed unanimously that it was appropriate to put the 2010 audit out to tender. A tender process was approved in July 2009 and several firms were invited to take part, including PwC. Following the tender process, the board of the ultimate parent company proposed to its shareholders that Ernst & Young LLP be appointed auditors and, at the ultimate parent company's annual general meeting on 22 April 2010, shareholders resolved to appoint Ernst & Young LLP as auditors for the 2010 audit of the ultimate parent company's consolidated accounts.

Consequent upon this, following completion of the audit of the Company's 2009 financial statements on 24 June 2010, PwC resigned as auditors of the Company and Ernst & Young LLP was appointed in its place.

By order of the board



Mr P J Gallagher

Director

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

Registered Number: 877080

Date: 24 June 2010

## **GROSVENOR CASINOS LIMITED**

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

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We have audited the financial statements of Grosvenor Casinos Limited for the year ended 31 December 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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



John Ellis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place, London WC2N 6RH

Date 24 June 2010

**GROSVENOR CASINOS LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £000	2008 (restated)* £000
<b>Revenue</b>		201,446	189,638
Cost of sales		(122,971)	(115,224)
<b>Gross profit</b>		78,475	74,414
Other operating costs		(62,945)	(65,423)
Exceptional items	2	(1,500)	(2,423)
<b>Operating profit</b>	2	14,030	6,568
<b>Financing</b>			
– finance income	3	3,168	6,279
– finance costs	3	(205)	(301)
		2,963	5,978
<b>Profit before tax</b>		16,993	12,546
<b>Taxation</b>	4	(5,011)	(4,304)
<b>Profit for the year</b>		11,982	8,242

All results are from continuing operations

\*Further details of changes made to the disclosure of promotions and customer bonuses are disclosed in note 1A

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 £000	2008 £000
Profit for the year	11,982	8,242
<b>Total recognised income for the year</b>	11,982	8,242


The tax effect of items of comprehensive income is disclosed in note 4

**GROSVENOR CASINOS LIMITED**  
**BALANCE SHEET**  
**AT 31 DECEMBER 2009**

	Note	2009 £000	2008 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	6	69,912	71,199
Property, plant and equipment	7	69,209	59,836
Financial assets - Investments	8	7,843	7,843
		<u>146,964</u>	<u>138,878</u>
<b>Current assets</b>			
Inventories	9	846	833
Trade and other receivables	11	124,812	117,300
Cash at bank and in hand	16	18,123	14,723
		<u>143,781</u>	<u>132,856</u>
<b>Total assets</b>		<u>290,745</u>	<u>271,734</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities – loan capital and borrowings	12	(51)	(47)
Trade and other payables	13	(40,978)	(36,808)
Provisions for other liabilities and charges	14	(460)	(864)
		<u>(41,489)</u>	<u>(37,719)</u>
<b>Net current assets</b>		<u>102,292</u>	<u>95,137</u>
<b>Non-current liabilities</b>			
Financial liabilities – loan capital and borrowings	12	(2,498)	(2,549)
Trade and other payables	13	(3,038)	(2,514)
Deferred tax liability	10	(12,454)	(9,988)
Provisions for other liabilities and charges	14	(1,484)	(1,326)
		<u>(19,474)</u>	<u>(16,377)</u>
<b>Total liabilities</b>		<u>(60,963)</u>	<u>(54,096)</u>
<b>Net assets</b>		<u>229,782</u>	<u>217,638</u>
<b>Shareholder's equity</b>			
Ordinary share capital	15	39,000	39,000
Other reserves		190,782	178,638
<b>Total equity</b>		<u>229,782</u>	<u>217,638</u>

The notes on pages 8 to 25 are an integral part of these financial statements

These accounts were approved by the board on 24 June 2010 and signed on its behalf by

  
Mr P J Gallagher  
Director

Date 24 June 2010

**GROSVENOR CASINOS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Ordinary share capital £000	Other reserves £000	Total £000
<b>At 1 January 2008</b>	39,000	170,318	209,318
<b>Comprehensive Income:</b>			
Profit for the year	-	8,242	8,242
<b>Transactions with owners:</b>			
Credit in respect of employee share schemes	-	78	78
<b>At 31 December 2008</b>	<u>39,000</u>	<u>178,638</u>	<u>217,638</u>
<b>Comprehensive Income:</b>			
Profit for the year	-	11,982	11,982
<b>Transactions with owners:</b>			
Credit in respect of employee share schemes	-	162	162
<b>At 31 December 2009</b>	<u>39,000</u>	<u>190,782</u>	<u>229,782</u>

Other reserves include retained earnings and 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.

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £000	2008 £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	27,089	18,352
Interest paid		(125)	(150)
<b>Net cash from operating activities</b>		<u>26,964</u>	<u>18,202</u>
<b>Cash flows from investing activities</b>			
Acquisition of business	17	(159)	-
Proceeds from sale of property, plant and equipment		65	369
Purchase of property, plant and equipment		(15,206)	(9,826)
<b>Net cash used in investing activities</b>		<u>(15,300)</u>	<u>(9,457)</u>
<b>Cash flows from financing activities</b>			
Finance lease principal repayment		(47)	(513)
Funding provided to other fellow subsidiary undertakings		(8,217)	(7,104)
<b>Net cash used in financing activities</b>		<u>(8,264)</u>	<u>(7,617)</u>
<b>Net increase in cash and cash equivalents</b>		3,400	1,128
Cash and cash equivalents at 1 January		14,723	13,595
<b>Cash and cash equivalents at 31 December</b>	16	<u>18,123</u>	<u>14,723</u>



## GROSVENOR CASINOS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. Accounting policies

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

##### A Basis of preparation

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC interpretations and with those parts of the Companies Act 2006 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.

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

The Company has adopted the following standards, amendments and interpretations to existing standards as of 1 January 2009:

- IFRS 2 Share-based payment (amendment) - Vesting conditions and cancellations
- IFRS 7 Financial instruments (amendments) - Disclosures
- IFRS 8 Operating segments
- IAS 1 Presentation of financial statements (revised)
- IAS 23 Borrowing costs (revised)
- IAS 27 Consolidated and separate financial statements (amendments) – Cost of an investment in a subsidiary, jointly controlled entity or associate
- IAS 32 Financial instruments: Presentation and IAS 1 Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation (amendments)
- IFRIC 9 Reassessment of embedded derivatives and IAS 39 Financial instruments: Recognition and measurement (amendments)
- IFRIC 13 Customer loyalty programmes
- IFRIC 14 The limit on a defined benefit pension asset, minimum funding requirements and their interaction
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation
- Improvements to IFRSs (issued May 2008)

Where the adoption of the standard, amendment or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below.

**IAS 1 Presentation of financial statements (revised)** The revised standard prohibits the presentation of items of income and expense (that is, 'non-owner changes in equity') in the statement of changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has elected to present two statements, an income statement and a statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard.

##### **IAS 23 Borrowing costs (revised)**

The revised standard requires borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 to be capitalised. The Company previously recognised all borrowing costs as an expense immediately. In accordance with the transition provisions of the standard, comparative figures have not been restated. The Company had no qualifying assets in 2009.

**IFRS 2 Share-based payment (amendment)** The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment also requires that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Company's financial statements.

## GROSVENOR CASINOS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning after 1 January 2009 or later periods, but they have not been early adopted by the Company

- IFRIC 17 Distribution of non-cash assets to owners – Effective 1 July 2009
- IFRIC 18 Transfer of assets from customers – Effective 31 October 2009
- IFRIC 19 Extinguishing financial liabilities with equity instruments – Effective 1 July 2010
- IFRS 2 Share-based payment (amendment) – Effective 1 January 2010
- IFRS 3 Business combinations (revised) – Effective 1 July 2009
- IFRS 9 Financial instruments – Effective 1 January 2013
- IAS 27 Consolidated and separate financial statements (revised) – Effective 1 July 2009
- Improvements to IFRS (issued April 2009) – Effective 1 January 2010
- Improvements to IFRS (issued May 2010) – Effective 1 January 2011

#### (iii) Change to revenue reporting

In previous years, the Company has reported revenue as gaming win net of VAT where applicable. However, an alternative definition of revenue has become more widely reported among betting and gaming companies. This revised definition makes a further deduction for the fair value of free bets, promotions and customer bonuses. The Company previously reported the fair value of these items as an expense in the income statement. To bring the Company in line with this revised definition of revenue, the Company has restated its 2008 comparatives. The restatement has no impact on operating profit.

The following table provides a reconciliation of the impact of the change in definition on the income statement

	2009			2008 (restated)		
	Previous policy £000	Adjustment £000	Revised policy £000	Previous policy £000	Adjustment £000	Revised policy £000
Revenue	202,683	(1,237)	201,446	190,224	(586)	189,638
Cost of sales	(124,188)	1,217	(122,971)	(115,788)	564	(115,224)
Gross profit	78,495	(20)	78,475	74,436	(22)	74,414
Other operating costs	(62,965)	20	(62,945)	(65,445)	22	(65,423)
Exceptional items	(1,500)	-	(1,500)	(2,423)	-	(2,423)
Operating profit	14,030	-	14,030	6,568	-	6,568

#### B Revenue

Revenue consists of casino gaming win, net of the fair value of promotions and customer bonuses, and before deduction of gaming duty, membership fees and guest fees. Catering revenue 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.

## **GROSVENOR CASINOS LIMITED**

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

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#### **C Intangible assets (continued)**

(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

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 – Investments in subsidiaries**

Investments in subsidiaries are held at cost less impairment.

#### **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.

## **GROSVENOR CASINOS LIMITED**

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

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#### **H Employee benefit costs**

(i) *Pension obligations* - The Company participates in a group pension scheme operated by The Rank Group Plc. Following the transfer of the group's defined benefit scheme in 2008, the remaining pension scheme was a defined contribution scheme. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

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.

The group also operates a defined contribution scheme, the Rank Group Stakeholder Pension Plan. A charge is made to operating profit for contributions payable to the scheme.

(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.

#### **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**

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#### **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.

**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	2009 £000	2008 £000
Staff costs	18	69,571	65,697
Cost of inventories recognised as expense		6,324	5,400
Depreciation of property, plant and equipment			
- owned assets		7,130	7,576
- finance lease assets		57	6
Redundancy costs		1,234	155
Amortisation of intangibles		205	131
Profit on disposal of fixed assets		(29)	(99)
Exceptional items (see below)		1,500	2,423
Operating lease rentals			
- minimum lease payments		17,071	14,038
- sub lease income		(492)	(462)
Repairs and maintenance expenditure on property, plant and equipment		1,195	1,318

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

		2009 £000	2008 £000
Net profit on club closures and disposals		-	(108)
Impairment charge on property, plant and equipment	5	1,500	2,837
Provision for onerous leases	14	-	(306)
Exceptional loss		1,500	2,423

**2009**

During 2009 an impairment charge of £1,500,000 has been recognised in relation to a non-operating casino licence at Liverpool. The licence has been subjected to a prolonged period of inactivity, and although the Company continues to investigate uses for the licence, the directors believe it is appropriate to recognise an impairment of £1,500,000 against the carrying value of £2,000,000

**2008**

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

**3. Financing**

	2009 £000	2008 £000
<b>Finance income</b>		
Interest receivable from Group companies	3,168	6,279
<b>Total</b>	3,168	6,279
<b>Finance costs</b>		
Interest payable on finance leases	(125)	(150)
Preference dividends payable	(23)	(67)
Unwinding of discount in provisions	(57)	(84)
<b>Total</b>	(205)	(301)

**GROSVENOR CASINOS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**4. Taxation**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
UK corporation tax in respect of current year	2,734	3,542
Exceptional items	-	186
Adjustment in respect of prior years	(189)	28
Total current tax	2,545	3,756
<b>Deferred tax</b>		
Origination and reversal of timing differences	3,011	1,613
Exceptional items	(420)	(484)
Adjustment in respect of prior years	(125)	(581)
Total deferred tax	2,466	548
<b>Tax charge in the income statement</b>	<b>5,011</b>	<b>4,304</b>

2009 Deferred tax on exceptional items includes a tax credit of £420,000 on the impairment of fixed assets

2008 Current tax on exceptional items includes a tax charge of £186,000 relating to the reduction in the onerous lease provisions for properties

2008 Deferred tax on exceptional items includes 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 (28.0%)  
The differences are explained below

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Profit before tax	16,993	12,546
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.0% (2008 28.5%)	4,758	3,576
Effects of		
Expenses not deductible for tax purposes	1,007	1,316
Other timing differences	(440)	(15)
Restatement of deferred tax from 30% to 28%	-	(20)
Adjustment in respect of prior years	(314)	(553)
<b>Tax charge in the income statement</b>	<b>5,011</b>	<b>4,304</b>

**GROSVENOR CASINOS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**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 2009 was £69,281,000 (2008 - £70,604,000). With the exception of a prolonged non-operation of a licence, the directors do not believe that there are any reasonably possible changes to the key assumptions that would result in a material impairment of a casino licence.

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 12.2% (2008: 14.1%).

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

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

(ii) Spend per visit - 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 or other adverse tax charges.

(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 2009 an impairment charge of £1,500,000 was recognised (2008: £2,837,000). 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**

	<b>Computer software £000</b>	<b>Casino licences £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January 2008	1,466	78,055	79,521
Additions	553	-	553
Disposals	(22)	-	(22)
<b>At 31 December 2008</b>	<b>1,997</b>	<b>78,055</b>	<b>80,052</b>
Additions	225	77	302
Business acquired	-	100	100
<b>At 31 December 2009</b>	<b>2,222</b>	<b>78,232</b>	<b>80,454</b>
<b>Aggregate amortisation and impairment</b>			
At 1 January 2008	(1,278)	(7,451)	(8,729)
Charge for the year (recognised in cost of sales)	(131)	-	(131)
Impairment	(17)	-	(17)
Disposals	24	-	24
<b>At 31 December 2008</b>	<b>(1,402)</b>	<b>(7,451)</b>	<b>(8,853)</b>
Charge for the year (recognised in cost of sales)	(205)	-	(205)
Impairment reversal (charge)	16	(1,500)	(1,484)
<b>At 31 December 2009</b>	<b>(1,591)</b>	<b>(8,951)</b>	<b>(10,542)</b>
<b>Net book value</b>			
<b>At 31 December 2008</b>	<b>595</b>	<b>70,604</b>	<b>71,199</b>
<b>At 31 December 2009</b>	<b>631</b>	<b>69,281</b>	<b>69,912</b>

**GROSVENOR CASINOS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**7. Property, plant and equipment**

	<b>Freehold land and buildings £000</b>	<b>Leasehold land and buildings £000</b>	<b>Fixtures, fittings, plant and machinery £000</b>	<b>Total £000</b>
<b>Cost</b>				
At 1 January 2008	3,185	30,721	81,117	115,023
Additions	42	2,423	5,203	7,668
Disposals	-	(1,082)	(2,630)	(3,712)
<b>At 31 December 2008</b>	<b>3,227</b>	<b>32,062</b>	<b>83,690</b>	<b>118,979</b>
Additions	231	758	12,944	13,933
Inter group transfer	6,796	-	-	6,796
Acquisition of business	-	-	660	660
Reallocation	-	(8,031)	8,031	-
Disposals	-	(6)	(178)	(184)
<b>At 31 December 2009</b>	<b>10,254</b>	<b>24,783</b>	<b>105,147</b>	<b>140,184</b>
<b>Aggregate depreciation and impairment</b>				
At 1 January 2008	(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
<b>At 31 December 2008</b>	<b>(867)</b>	<b>(10,366)</b>	<b>(47,910)</b>	<b>(59,143)</b>
Charge for the year	(32)	(917)	(6,238)	(7,187)
Inter group transfer	(4,786)	-	-	(4,786)
Reallocation	-	419	(419)	-
Disposals	-	-	141	141
<b>At 31 December 2009</b>	<b>(5,685)</b>	<b>(10,864)</b>	<b>(54,426)</b>	<b>(70,975)</b>
<b>Net book value</b>				
<b>At 31 December 2008</b>	<b>2,360</b>	<b>21,696</b>	<b>35,780</b>	<b>59,836</b>
<b>At 31 December 2009</b>	<b>4,569</b>	<b>13,919</b>	<b>50,721</b>	<b>69,209</b>

A review of property, plant and equipment in the year has resulted in a reallocation of £8,031,000 of assets at cost, together with associated accumulated depreciation of £419,000, from leasehold land and buildings to fixtures, fittings, plant and machinery

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

	<b>2009 £000</b>	<b>2008 £000</b>
Cost	2,007	2,007
Aggregate depreciation and impairment	(1,115)	(1,058)
<b>Net book value</b>	<b>892</b>	<b>949</b>

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

	<b>2009 £000</b>	<b>2008 £000</b>
<b>Net book value</b>	<b>972</b>	<b>972</b>

**GROSVENOR CASINOS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8. Investment in subsidiaries**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Shares group undertakings</b>		
<b>Cost</b>		
At 1 January and 31 December	14,785	14,785
<b>Impairment</b>		
At 1 January and 31 December	(6,942)	(6,942)
<b>Net book value</b>		
At 1 January and 31 December	7,843	7,843

At 31 December 2009, 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

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

**9. Inventories**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Finished goods	846	833

**10. Deferred tax**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	6,283	6,341
Other temporary differences	673	3,520
<b>Deferred tax asset</b>	6,956	9,861
Business combinations	(12)	(80)
Casino licences	(19,398)	(19,769)
<b>Deferred tax liability</b>	(19,410)	(19,849)
<b>Net deferred tax liability</b>	(12,454)	(9,988)
Accelerated capital allowances	(3,031)	(1,547)
Other temporary differences	565	999
<b>Deferred tax expense in the income statement</b>	(2,466)	(548)

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

Net deferred tax liability at 1 January	(9,988)	(9,440)
Deferred tax expense in the income statement	(2,466)	(548)
<b>Net deferred tax liability at 31 December</b>	(12,454)	(9,988)

**GROSVENOR CASINOS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**11. Trade and other receivables**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by parent and fellow subsidiary undertakings	117,332	110,500
Other receivables	2,090	1,771
Prepayments and accrued income	5,390	5,029
<b>Amounts falling due within one year</b>	<b>124,812</b>	<b>117,300</b>

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**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Finance lease obligations	51	47
<b>Current</b>	<b>51</b>	<b>47</b>
Preference shares (see below)	1,000	1,000
Finance lease obligations	1,498	1,549
<b>Non-current</b>	<b>2,498</b>	<b>2,549</b>
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**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Trade payables	4,734	3,793
Amounts owed to subsidiary undertakings	8,385	8,149
Other tax and social security	16,056	13,334
Accruals	11,723	11,323
Deferred consideration	80	-
Preference dividends payable	-	209
<b>Current</b>	<b>40,978</b>	<b>36,808</b>
Other payables	2,718	2,514
Deferred consideration	320	-
<b>Non-current</b>	<b>3,038</b>	<b>2,514</b>

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**

		<b>Onerous leases £000</b>
At 1 January 2009		2,190
Utilised in year		(303)
Unwinding of discount		57
<b>At 31 December 2009</b>		<b>1,944</b>

	<b>2009 £000</b>	<b>2008 £000</b>
Current	460	864
Non-current	1,484	1,326
<b>Total</b>	<b>1,944</b>	<b>2,190</b>

**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 980 years. Provisions have been discounted at a risk free interest rate of 4.1% (2008: 3.6%) where the effects of inflation will have a material impact.

**15. Ordinary share capital**

	<b>2009 £000</b>	<b>2008 £000</b>
<b>Authorised, issued and fully paid</b>		
39,000,000 ordinary shares of 100p each	39,000	39,000

**16 Cash and cash equivalents**

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

	<b>2009 £000</b>	<b>2008 £000</b>
Cash at bank and in hand	18,123	14,723

**GROSVENOR CASINOS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**17. Cash generated from operations and acquisition of business**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Reconciliation of operating profit to cash generated from operations		
Operating profit	14,030	6,568
Exceptional items	1,500	2,423
Payments in respect of exceptional items and provisions	(303)	(152)
Depreciation and amortisation	7,392	7,713
Decrease in working capital	4,447	1,615
Other items	23	185
<b>Cash generated from operations</b>	<b>27,089</b>	<b>18,352</b>

On 23 April 2009, the Company acquired the casino at the Ricoh Arena in Coventry from Isle of Capri Limited for a total purchase consideration of £693,000. The consideration includes £400,000 of deferred consideration payable in five equal annual instalments on the anniversary of the date of acquisition. No goodwill arose on the acquisition.

The cash outflow from the acquisition of the business is as follows

	<b>2009</b>
	<b>£000</b>
Purchase consideration	(693)
Less deferred consideration	400
Less cash and cash equivalents acquired	134
<b>Cash outflow</b>	<b>(159)</b>

**18. Employees and directors**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Employee benefit expense during the year</b>		
Wages and salaries	62,819	58,691
Social security costs	5,744	5,427
Other pension costs	850	1,501
Share based payments	158	78
<b>Total</b>	<b>69,571</b>	<b>65,697</b>

The average monthly number of employees was 3,250 (2008 2,978)

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Directors</b>		
Aggregate emoluments	1,295	1,103
Compensation for loss of office	-	378
Company contributions to pension schemes	139	164
<b>Total</b>	<b>1,434</b>	<b>1,645</b>
<b>Highest paid director</b>		
Aggregate emoluments	463	456
Company contributions to pension schemes	92	92
<b>Total</b>	<b>555</b>	<b>548</b>

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 which has been recharged to the Company. 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**

**19. Retirement benefits**

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

The group operates stakeholder pensions for some members of staff. Company contributions in 2009 were £850,000 (2008: £648,000).

Company contributions paid to The Rank Pension Plan, a defined benefit scheme, up until transfer of the scheme in 2008 were £1,202,000. Contributions outstanding at 31 December 2008 were £nil.

**20. 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 15 and 999 years.

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

	2009 £000	2008 £000
Not later than one year	14,123	14,129
After one year but not more than five years	39,729	42,645
After five years	88,548	95,478
Total future minimum rentals payable	<u>142,400</u>	<u>152,252</u>
 Total future minimum sub-lease income expected	 <u>430</u>	 <u>1,148</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	
	2009 £000	2008 £000	2009 £000	2008 £000
Not later than one year	172	172	51	47
After one year but not more than five years	687	687	249	230
After five years	2,161	2,333	1,249	1,319
	<u>3,020</u>	<u>3,192</u>	<u>1,549</u>	<u>1,596</u>
Less future finance charges	(1,471)	(1,596)		
Present value of minimum lease payments	<u>1,549</u>	<u>1,596</u>		

**21. Capital commitments**

	2009 £000	2008 £000
Contracts placed for future capital expenditure but not provided in the financial information	<u>600</u>	<u>490</u>

**22. Contingent liabilities**

The Company has provided a joint and several guarantee together with its ultimate parent undertaking, The Rank Group Plc, and eleven other fellow subsidiary undertakings over a facility taken out during 2007 by Rank Group Finance Plc, a fellow subsidiary. The facility consists of a £150.0m term loan and a £250.0m multi-currency revolving credit facility. At 31 December 2009, Rank Group Finance Plc had drawings of £222.0m against the facility. The fair value of the guarantor group's guarantee at 31 December 2009 of £1.4m (2008: £0.9m) has been provided in the accounts of The Rank Group Plc.

**GROSVENOR CASINOS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**23. Financial assets and liabilities**

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

	<b>Loans and receivables</b>	
	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Trade and other receivables	117,332	110,500
Cash at bank and in hand	18,123	14,723
Total	135,455	125,223

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

	<b>Other financial liabilities</b>	
	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Borrowings	2,549	2,596
Onerous leases	1,944	2,190
Trade and other payables	27,960	25,988
Total	32,453	30,774

**24. 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.



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**Financial risk management (continued)**

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

	2009 £000	2008 £000
A	-	2,515
AA	1,055	-
Cash floats	17,068	12,208
Cash and cash equivalents	18,123	14,723

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 £78.0m (2008: £250.0m) was undrawn at 31 December 2009.

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.

**25. 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/investors/reports\\_2010.jsp](http://www.rank.com/investors/reports_2010.jsp) 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 2.57% (2008: 5.24%). Amounts owed to subsidiary undertakings are unsecured, repayable on demand and interest free.

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**26. Post balance sheet events**

The Company lodged a claim for the repayment of VAT alleging that the tax treatment of gaming machines was inconsistently applied and therefore breached the European Union's principle of fiscal neutrality. In August 2008, the VAT and Duties Tribunal ruled that, from November 2003 at least the UK's VAT treatment of certain types of gaming machine was inconsistent with the European Union's principle of fiscal neutrality. This was an interim decision and a second stage was heard at the VAT and Duties Tribunal in October 2009. The latest ruling was also in favour of the Company. Consequently the Company's claim is valid for the entire period under dispute (2002-2005).

The Company received £4.0m in May 2010, plus associated interest of £0.7m in June 2010, after requesting repayment of the claim.

However, HMRC are continuing to appeal and the case will now be considered by the European Court of Justice ('ECJ'). The Company expects that a decision from the ECJ will be received by June 2012 at the latest. In the event of an adverse ruling, the Company would be required to repay the £4.7m.

The Company has not recognised any gain in its financial statements at 31 December 2009 in respect of the above claim.