

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

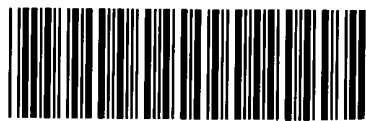
**REPORT**

**AND**

**FINANCIAL STATEMENTS**

**30 JUNE 2017**

TUESDAY



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COMPANIES HOUSE

## **Corporate information**

### **Directors**

Mr H. B. Birch  
Mr C. A. R. Jennings

### **Secretary**

Ms F. Bingham

### **Auditors**

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

### **Bankers**

RBS  
250 Bishopsgate  
London  
EC2M 4AA

### **Registered Office**

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

## **GROSVENOR CASINOS LIMITED**

### **STRATEGIC REPORT**

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#### **Principal activities**

The principal activity of the Company is the operation of a number of casino clubs in the UK providing gaming and restaurant facilities. The company is a limited company incorporated and domiciled in England and Wales. The directors do not anticipate any change in the activity of the Company in the foreseeable future.

#### **Review of the business**

The directors' focus is on increasing customer visits to the Company's business by bringing enjoyable gaming-based leisure experiences to a broader base of customers.

The strategy of the Company is managed as part of the overall casino operations of The Rank Group Plc ('Rank'), which includes Grosvenor (GC) Casinos Limited and The Gaming Group Limited. The main aims of the strategy for the casino operations are as follows:

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

During the year Rank undertook a strategic review of the organisation to improve customer service and simplify operations, known as the 'Group restructuring and simplification project'. This has resulted in changes to management and team structure which is expected to benefit the organisation in the future. The costs associated with this project are disclosed as exceptional items within note 3. As a result of this process the Company is considered to be in a good position to counter anticipated inflationary cost increases and potential declines in customer spending.

The Group restructuring and simplification project has impacted the Company through the elimination of the investment in Kingsway Casinos Limited, the net settling of intercompany debtors owed by a fellow subsidiary undertaking, creation of restructuring provisions and the approval and payment of a special dividend.

A combination of macro-economic conditions, customer due diligence, venue closures and competitor openings has contributed to a decrease in the performance of the Company year on year, resulting in the Company recording a pre-tax profit of £10.8m for the year (2016: £27.7m) and revenue of £236.5m (2016: £247.7m).

The balance sheet as at 30 June 2017 shows net current assets of £28.2m (2016: £213.9m), and the Company generates a positive operating cash inflow. This reduction in net current assets year on year is a direct result of the special dividend approved and paid by the directors in the year of £210.0m, as disclosed in note 6. The directors consider that is appropriate to prepare the financial statements on a going concern basis.

The Company recorded net exceptional costs in the year of £4.9m (2016: £1.0m). These costs include Group restructuring and simplification project costs, adjustments to onerous property lease provisions and impairment adjustments at clubs where there has been a change in expected future performance.

#### **Key performance indicators**

The directors of Rank 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 32 and 33 of the Group's 2017 Annual Report and Accounts ('ARA') which do not form part of this report. The directors do not anticipate any immediate or substantial variations to the Company's current activities.

#### **Principal risks and uncertainties**

The principle risks and uncertainties of Rank, which include those of the company, are discussed on pages 42 to 44 of the Group's ARA for the year ended 30 June 2017.

**GROSVENOR CASINOS LIMITED**  
**STRATEGIC REPORT (CONTINUED)**

**Principal risks and uncertainties (continued)**

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 risks and uncertainties and their mitigations pertaining to the Company are as follows:

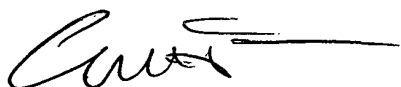
	<b>Principal Risk</b>	<b>Mitigation</b>
<b>Regulation</b>	<p>An adverse change in regulation could increase the administrative cost of operations.</p> <p>Enhanced requirements for companies around policies and procedures on anti-money laundering (AML), counter-terrorist financing (CTF) and anti-proceeds of crime (PoC). If not adhered to could lead to financial or reputational damage.</p>	<p>The business works hard to ensure it actively provides and promotes an environment for customers to play safely, supported by its long-running 'Keep it Fun' brand, which gives customers clear advice and guidance.</p> <p>The company also works with stakeholders, customers and regulators to help public understanding of the gaming offers it provides. Rank also participates in trade bodies' representations to political and regulatory bodies to ensure that such stakeholders clearly understand the positive contribution that its business provides to the economy.</p> <p>The directors and Group audit committee regularly review the Company's management of controls in regard to AML, CTF, PoC and legislative requirements.</p>
<b>Taxation</b>	New or increased taxation could have a material impact on the financial condition and results of the business.	The business continues to participate in all relevant consultations by government.
<b>Macroeconomic conditions</b>	Current macroeconomic conditions coupled with political uncertainty over the Brexit negotiations, are causing a reduction in confidence in the UK economy, with an impact on discretionary leisure spending.	Rigorous trading analysis and business planning ensures that the business is ready to respond to changing conditions in a rapid and flexible manner.
<b>Volatility of gaming win</b>	Win percentages for gambling activities can vary over a short period of time, although they will stabilise over a longer period. The business is also vulnerable to the potential impact of a small number of customers who can create volatility from the level of their gaming win.	Gaming limits are utilised across all gaming operations and the implementation of a new table management system provides to the minute information to aid management. The VIP population is monitored by senior management.
<b>Loss of licence</b>	There is a requirement to hold an operator's licence from the UK Gambling Commission in respect of each of the licensed activities undertaken. Additionally, it is necessary to hold premises licences from the relevant local authority being one for gambling activities and one for the sale of alcohol. The loss of licences could have an adverse effect on profitability and prevent the business from providing gambling services.	All staff undergo relevant training in order to fulfil their role. There is also a dedicated compliance function that is independent of the operational teams. Finally, there is an independent internal audit function who provide assessments of the compliance of all operating areas on a regular basis.

**GROSVENOR CASINOS LIMITED**  
**STRATEGIC REPORT (CONTINUED)**

**Principal risks and uncertainties (continued)**

<b>Single account and wallet</b>	The project to deliver an integrated wallet and account experience for customers across the digital and retail casinos is a key strategic enabler for the Company. Any failure to deliver this project could impact customer loyalty and growth.	The business has a structured and disciplined project delivery methodology, with key projects subject to detailed oversight from the project board.
<b>Business continuity and disaster recovery</b>	Due to the venues based nature of the business, the significant reliance on technology, and the criticality of staff in serving customers and running the business, serious disruptive events such as building fire, pandemic or serious technology failure may cause an interruption to the ability to operate elements of the business if business continuity and disaster recovery plans failed to operate successfully.	Business continuity plans are in place for key operations and are reviewed on a regular basis to ensure that they remain in a state of preparedness.  Plans for the recovery of critical IT services are similarly in place and reviewed on an ongoing basis.
<b>Data management, information technology and cyber risk</b>	In the course of its commercial business, and to comply with relevant regulatory and legal requirements, Rank collects and stores a considerable amount of data regarding its customers, staff and suppliers. The robust protection of this data is critical to ensuring that the Company acts responsibly in protecting these stakeholders from risk as well as complying with relevant data protection regulation.	The Group, on behalf of all of its subsidiaries, has invested resources in its information technology and cyber-security capabilities and continues to do so, with a team of specialist security resources guiding a comprehensive data and security strategy. A continuous process of risk assessment, identification and remediation is in place alongside robust change management protocols to minimise the risk of interruptions caused by IT changes.

By order of the board



C. A. R. Jennings  
 Director

Date: 23 November 2017

## **GROSVENOR CASINOS LIMITED**

### **DIRECTORS' REPORT**

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The directors present their report and financial statements for the year ended 30 June 2017.

#### **Directors**

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

Mr H. B. Birch

Mr C.A.R. Jennings

Ms F. Bingham (Company Secretary)

#### **Dividends**

The directors approved the payment of a special dividend of £210.5m (2016: £nil). This is a direct result of the Group restructuring and simplification project undertaken.

#### **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.

#### **Future developments**

Details of future developments are included in the Strategic Report on pages 2 to 4.

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

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

**GROSVENOR CASINOS LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**

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**Insurance and indemnities**

Rank 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.

**Financial instruments**

The Company finances its activities with a combination of finance leases, intercompany funding and cash at bank, details of which are disclosed in note 23. Other financial assets and liabilities arise directly from the Company's operating activities.


These financial instruments give rise to market, credit and liquidity risks. As a wholly owned subsidiary of Rank many of these risks are combined on a group basis and managed by a centralised treasury team. Details of the financial risk management objectives and policies of this centralised team are disclosed in note 19 of Group's ARA. Details of how to obtain this report are shown in note 24.

**Auditors**

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

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

By order of the board



C. A. R. Jennings  
Director

Date: 23 November 2017

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

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### **Opinion**

We have audited the financial statements of Grosvenor Casinos Limited for the year ended 30 June 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

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

### **Other information**

The other information comprises the information included in the annual report set out on pages 1 to 6, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.



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

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### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

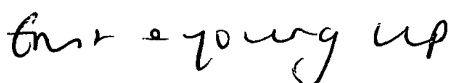
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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



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

Date: 24 November 2017

**GROSVENOR CASINOS LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
<b>Revenue</b>	2	236,523	247,654
Cost of sales		(149,451)	(150,800)
<b>Gross profit</b>		87,072	96,854
Other operating costs		(72,761)	(70,758)
Exceptional operating cost	3	(4,908)	(1,014)
<b>Operating profit</b>	3	9,403	25,082
– interest receivable	4	1,204	2,820
– interest payable	4	(302)	(180)
Net interest receivable		902	2,640
Dividend from shares in subsidiary undertakings		495	-
<b>Profit on ordinary activities before taxation</b>		10,800	27,722
<b>Taxation</b>	5	(2,069)	(4,495)
<b>Profit for the year</b>		8,731	23,227

All results are from continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

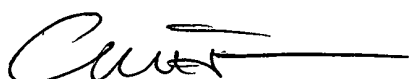
	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Profit for the year	8,731	23,227
<b>Total comprehensive income for the year</b>	8,731	23,227

**GROSVENOR CASINOS LIMITED**  
**BALANCE SHEET**  
**AT 30 JUNE 2017**

	Note	At 30 June 2017 £000	At 30 June 2016 £000
<b>Fixed assets</b>			
Intangible assets	8	70,522	71,347
Tangible assets	9	71,663	87,902
Investments	10	-	495
		<u>142,185</u>	<u>159,744</u>
<b>Current assets</b>			
Stock	11	773	785
Other debtors	13	47,910	241,682
Cash at bank and in hand	18	19,619	21,850
		<u>68,302</u>	<u>264,317</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	14	(29,560)	(37,059)
Income tax payable		(9,933)	(13,220)
Obligations under finance leases	15	(593)	(151)
		<u>(40,086)</u>	<u>(50,430)</u>
<b>Net current assets</b>		28,216	213,887
<b>Total assets less current liabilities</b>		170,401	373,631
<b>Creditors: amounts falling due after more than one year</b>			
Trade and other creditors	14	(2,502)	(2,510)
Obligations under finance leases	15	(2,121)	(1,048)
Deferred tax liability	12	(8,337)	(9,799)
		<u>(12,960)</u>	<u>(13,357)</u>
<b>Provisions for liabilities</b>	16	(2,179)	(3,231)
<b>Net assets</b>		<u>155,262</u>	<u>357,043</u>
<b>Capital and reserves</b>			
Ordinary share capital	17	39,000	39,000
Retained earnings		116,262	318,043
<b>Total equity</b>		<u>155,262</u>	<u>357,043</u>

The notes on pages 12 to 26 are an integral part of these financial statements.

These accounts were approved by the board on 23 November 2017 and signed on its behalf by:



Mr C. A. R. Jennings  
Director

**GROSVENOR CASINOS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Ordinary share capital £000	Retained earnings £000	Total £000
<b>At 1 July 2015</b>	39,000	294,891	333,891
<b>Total comprehensive Income:</b>			
Profit for the year	-	23,227	23,227
<b>Transactions with owners:</b>			
Debit in respect of employee share schemes including tax	-	(75)	(75)
<b>At 30 June 2016</b>	39,000	318,043	357,043
<b>Total comprehensive Income:</b>			
Profit for the year	-	8,731	8,731
<b>Transactions with owners:</b>			
Debit in respect of employee share schemes including tax	-	(12)	(12)
Dividends paid to equity holder	-	(210,500)	(210,500)
<b>At 30 June 2017</b>	39,000	116,262	155,262

Grosvenor Casinos Limited had unrealised profits relating to an intercompany receivable, however, in accordance with s846 of Companies Act 2006, the company was able to use these unrealised profits through a distribution of the receivable.

## **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 are in accordance with applicable accounting standards and have been consistently applied to all the periods presented, unless otherwise stated.

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

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

- The requirements of IAS7 'Statement of Cash Flows';
- The requirements of paragraph 17 of IAS24 'Related Party Disclosures';
- The requirements in IAS24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- The requirements of paragraph 45(b) and 46-52 of IFRS2 'Share Based Payments';
- The requirements of IFRS7 'Financial Instruments: Disclosures';
- The requirements of paragraph 134(d) – 134(f) and 135(c) – 135(e) of IAS36 'Impairment of Assets';
- The requirements of paragraphs 10(d) and 134 – 136 of IAS1 'Presentation of Financial Statements'; and
- The requirements of paragraph 38 of IAS1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 73(e) of IAS16 'Property, Plant and Equipment', and paragraph 118(e) of IAS38 'Intangible Assets'.

The results of the Company, along with the equivalent disclosures in respect of the exemptions listed above are included in the Group's ARA, details of which are contained in note 24.

The financial statements have been prepared under the historical cost convention. A summary of the more important Company accounting policies is set out below.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out below.

#### *(i) Estimated impairment of intangible assets and property, plant and equipment.*

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

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

#### *(ii) Provisions*

Provisions are recognised in accordance with the policy disclosed in part M of this note. Management's judgement is that the cost provided represents the lower of the cost of fulfilling the contract or the cost of exiting the contract. In calculating property lease provisions, estimates are made of the discounted cash flows associated with the property and its associated operations including sub-let income together with estimates of any dilapidation obligations. Estimates have also been made in determining (1) the remaining costs from the Group restructuring and simplification project (2) the amount and likelihood of settlement of indirect tax provisions. Further details of provisions made are disclosed in note 16. The best estimate of the directors may differ from the actual results.

## **GROSVENOR CASINOS LIMITED**

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

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

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

There are no new standards or amendments to existing standards that are mandatory for the first time for the financial year beginning 1 July 2017.

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

The Company is not expected to be materially impacted by any new standards, amendments or interpretations of existing standards that have been published and are mandatory for accounting periods starting after 1 July 2017.

With the exception of IFRS 16 'Leases', which is effective for annual periods starting on or after 1 January 2019, the Company is not expected to be materially impacted by any new standards, amendments or interpretations of existing standards, that have been published and are mandatory for the first time for accounting periods starting after 1 July 2016. IFRS 16 'Leases' will become mandatory for the Company's reporting period ending 30 June 2020 and it is anticipated that this will have a material impact upon the Company's financial statements. Since the impact is influenced by the Company open lease position, it is not yet possible to reasonably quantify its effects.

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

IFRS 9 will be effective for our June 2019 financial reporting period. The Company does not anticipate a material impact on the results or net assets from these standards, the final assessment is ongoing at the date of signing the accounts.

#### **B Revenue recognition**

Revenue consists of casino gaming win, net of the fair value of promotions and customer bonuses, and before deduction of gaming related duties, membership fees and guest fees. Food and beverage revenue is stated net of value added tax and is recognised at the point of sale. Although disclosed as revenue, gaming win (other than from poker) is accounted for and meets the definition of a gain under IAS 39 Financial instruments: Recognition and Measurement. The Company's business operates solely in the United Kingdom.

#### **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 for both externally purchased and internally developed software. 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 (three to five years).

(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 and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment. Any costs incurred renewing casino licences are expensed as incurred.

#### **D Tangible assets**

Tangible assets are stated at cost, net of accumulated depreciation and impairment. Such 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.

## **GROSVENOR CASINOS LIMITED**

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

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

##### **D Tangible assets (continued)**

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

- freehold and leasehold property 50 years or lease term if less;
- refurbishment of property 5 -20 years; and
- fixtures, fittings, plant and machinery 3 - 20 years.

Residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at each balance sheet date. Land is not depreciated. An item of tangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Pre-opening costs are expensed to the income statement as incurred.

##### **E Impairment of intangible assets and tangible assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or where they indicate a previously recognised impairment may no longer be required.

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

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

Any impairment is allocated equally across all assets in a cash-generating unit unless there is an indication that a class of assets should be impaired in the first instance or a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs of disposal then any remaining impairment is allocated equally amongst all other 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 in the income statement immediately.

##### **F Investments in subsidiaries**

Investments in subsidiaries are held at cost less impairment.

##### **G Taxation**

Current tax is applied to taxable profits at the prevailing tax rate for the year.

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

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.

## **GROSVENOR CASINOS LIMITED**

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

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

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

(i) *Pension obligations* – The Company participates in a group defined contribution plan under which the Company pays fixed contributions to a separate entity. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(ii) *Share-based compensation* - The Company operates an equity-settled, share-based compensation plan relating to Rank. 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) *Bonus plans* – The Company recognises a liability in respect of the best estimate of bonuses payable where contractually obliged to do so or where past practice has created a constructive obligation.

##### **I Stock**

Stock is valued at the lower of cost and net realisable value. Cost of stock is determined on a “first in, first out” basis. The cost of finished goods comprises goods purchased for resale. 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 stock.

##### **J Other debtors**

Other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

##### **K Cash and cash equivalents**

Cash and short-term deposits in the balance sheet include cash at banks and in hand and short-term deposits with an original maturity of three months or less.

##### **L Trade creditors**

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

##### **M 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 best estimate of the expenditures required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

##### **N Leases**

Leases are tested at inception 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 their 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 financial liabilities. Finance charges are recognised in 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.



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

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**1. Accounting Policies (continued)**

**N Leases (continued)**

(ii) Operating leases - Leases of property, plant and equipment 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, including lease incentives or premiums, are charged to the income statement on a straight-line basis over the lease term.

**O Exceptional items**

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

**P Financial assets and Liabilities**

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

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

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

**2. Turnover and Revenue**

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
<b>Geographical Market</b>		
UK	236,523	247,654
<b>Total</b>	<u>236,523</u>	<u>247,654</u>

An analysis of the Company's revenue (including turnover) by category is as follows:

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
<b>Category</b>		
Gaming win	236,523	247,654
<b>Total</b>	<u>236,523</u>	<u>247,654</u>

The gaming win revenue primarily relates to gaming win, however includes complimentary services associated with gaming activities.

**3. Operating profit for the year**

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

		Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
	Note		
Staff costs	19	78,427	78,324
Cost of stock recognised as expense		13,972	13,604
Depreciation of tangible assets			
- owned assets		15,364	14,550
- finance lease assets		278	1,550
Amortisation of intangibles		1,083	1,036
Loss on disposal of fixed assets		619	133
Exceptional costs (see below)		4,908	1,014
Operating lease rentals			
- minimum lease payments		12,403	11,470
- sub lease income		(395)	(417)
Repairs and maintenance expenditure on tangible assets		<u>4,326</u>	<u>3,985</u>

Audit fees have been borne by a fellow group company, Rank Group Gaming Division Limited.

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

		Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Exceptional operating costs:			
Closure of venues		25	741
Net reversal of cost from onerous property leases <sup>1</sup>	16	(1,266)	(614)
Venue Impairment charge	8,9	5,245	887
Venue Impairment reversals	8,9	(679)	-
Investment impairment	10	495	-
Restructuring and relocation costs	16	1,088	-
<b>Total exceptional operating cost</b>		<u>4,908</u>	<u>1,014</u>

<sup>1</sup> It is Company policy to reverse exceptional costs in the same line as they were originally recognised

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

**3. Operating profit for the year (continued)**  
**Year ended 30 June 2017**

During the year, the Company has closed one venue. The charge in the period of reflects additional costs of closure.

A net credit of £1,266,000 from onerous property leases has been recognised due to advanced negotiations to sub-let a vacant property and a positive outcome following negation of dilapidation costs at a vacant site.

The company recognised an impairment charge of £5,245,000 in respect of venues at Plymouth and Southend, as they had not performed in line with expectations, and are not expecting significant improvements. An impairment reversal of £679,000 was also recognised in the year, due to the improved performance of one club due to a competitor closure. The net impairment charge of £4,566,000 relates to tangible assets of £4,518,000 and intangible assets of £48,000.

An impairment of an Investment in Kingsway Casinos Limited of £495,000 has been recognised as a result of a Rank undertaking a Group restructuring and simplification project, intended to simplify its group structure. Kingsway Casinos Limited was dissolved on 7 March 2017.

The Company also recognised £1,088,000 of redundancy and relocation costs due to a Group restructuring and simplification project.

**Year ended 30 June 2016**

The company recognised an impairment charge of £887,000 in respect of a single venue that had not performed in line with expectations.

The company also recognised a net release from provisions for property leases of £614,000. This comprised of a release of £687,000 in respect of a successful lease surrender, offset by an increase in provision at another venue. Further movements in the property lease provision are included within the closure of venues.

During the year the Company has closed, or committed to close two venues. The charge in the period of reflects additional costs of closure due to redundancy, dilapidation and onerous property lease costs.

**4. Interest**

	<b>Year ended 30 June 2017 £000</b>	<b>Year ended 30 June 2016 £000</b>
<b>Interest receivable</b>		
Interest receivable from Group companies	1,200	2,820
Other	4	-
<b>Total</b>	<b>1,204</b>	<b>2,820</b>
<b>Interest payable</b>		
Interest payable on finance leases	(115)	(133)
Unwinding of discount in provisions	(27)	(47)
Interest payable to HMRC	(160)	-
<b>Total</b>	<b>(302)</b>	<b>(180)</b>
<b>Total net interest receivable</b>	<b>902</b>	<b>2,640</b>

**5. Taxation**

	<b>Year ended 30 June 2017 £000</b>	<b>Year ended 30 June 2016 £000</b>
<b>Current tax</b>		
UK corporation tax in respect of current year	4,075	6,298
Adjustment in respect of prior years	35	(444)
Exceptional items	(585)	(23)
<b>Total current tax</b>	<b>3,525</b>	<b>5,831</b>

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

**5. Taxation (continued)**

**Deferred tax**

Origination and reversal of timing differences	(860)	37
Exceptional items	(587)	(169)
Deferred tax restatement	(363)	(1,090)
Adjustment in respect of prior years	354	(114)
Total deferred tax	<u>(1,456)</u>	<u>(1,336)</u>

**Tax charge in the income statement**

<u>2,069</u>	<u>4,495</u>
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The tax on the Company's profit before tax differs from the standard rate of UK corporation tax in the period of 19.75% (2016: 20.00%). The differences are explained below:

	<b>Year ended 30 June 2017 £000</b>	<b>Year ended 30 June 2016 £000</b>
Profit before tax	<u>10,800</u>	<u>27,722</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016: 20.00%)	2,133	5,544
Effects of:		
Income not subject to tax	(98)	-
Expenses not deductible for tax purposes	628	599
Adjustment in respect of prior years	(231)	(558)
Deferred tax restatement	(363)	(1,090)
<b>Tax charge in the income statement</b>	<u>2,069</u>	<u>4,495</u>

On 8 July 2015, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 19.0% for the year starting 1 April 2017 and a further 1.0% reduction to 18.0% from 1 April 2020. These changes were substantively enacted in October 2015.

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

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

The prior year tax charge is shown net of a deferred tax credit of £1,090,000 which reflects the reduction in the headline UK corporation tax rate from 20% to 18%. The above numbers for 2017 are shown net of a deferred tax credit of £363,000 which reflects the further reduction to the headline UK corporation tax rate from 18% to 17%.

**6. Dividends**

Amounts recognised as distributions to equity holders in the year:

	<b>At 30 June 2017 £000</b>	<b>At 30 June 2016 £000</b>
Special dividend for the year ended 30 June 2017 of 540p per ordinary share	<u>210,500</u>	-
	<u>210,500</u>	-

The dividend was approved by the directors during the year, and forms part of the Group restructuring and simplification project.

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

**7. Impairment review of intangible assets**

The carrying value of indefinite life casino licences as at 30 June 2017 was £68,889,000 (2016: £68,889,000). Details of the impairment review process are disclosed in the Group ARA. The recoverable amount has been determined based on a value in use calculation using cash flow projections over the length of the associated lease or 50 years for freehold properties.

**8. Intangible assets**

	<b>Computer software £000</b>	<b>Casino licences £000</b>	<b>Total £000</b>
<b>Cost</b>			
<b>At 1 July 2016</b>	6,436	78,940	85,376
Additions	347	-	347
Disposals	(2,573)	-	(2,573)
<b>At 30 June 2017</b>	<u>4,210</u>	<u>78,940</u>	<u>83,150</u>
<b>Aggregate amortisation and impairment</b>			
<b>At 1 July 2016</b>	(3,978)	(10,051)	(14,029)
Charge for the year	(1,083)	-	(1,083)
Disposals	2,532	-	2,532
Provision for impairment (see note 3)	(48)	-	(48)
<b>At 30 June 2017</b>	<u>(2,577)</u>	<u>(10,051)</u>	<u>(12,628)</u>
<b>Net book value</b>			
<b>At 30 June 2016</b>	<u>2,458</u>	<u>68,889</u>	<u>71,347</u>
<b>At 30 June 2017</b>	<u>1,633</u>	<u>68,889</u>	<u>70,522</u>

All amortisation charges in the period have been charged through operating expenses.

**9. Tangible assets**

	<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>				
<b>At 1 July 2016</b>	10,388	28,540	201,782	240,710
Additions	-	160	4,380	4,540
Disposals	(1,142)	(2,284)	(41,007)	(44,433)
Transfer	9	(9)	-	-
<b>At 30 June 2017</b>	<u>9,255</u>	<u>26,407</u>	<u>165,155</u>	<u>200,817</u>
<b>Aggregate depreciation and impairment</b>				
<b>At 1 July 2016</b>	(5,512)	(15,867)	(131,429)	(152,808)
Charge for the year	(79)	(1,349)	(14,214)	(15,642)
Net Impairment charge (see note 3)	-	(535)	(3,983)	(4,518)
Disposals	1,100	2,284	40,430	43,814
<b>At 30 June 2017</b>	<u>(4,491)</u>	<u>(15,467)</u>	<u>(109,196)</u>	<u>(129,154)</u>
<b>Net book value</b>				
<b>At 30 June 2016</b>	<u>4,876</u>	<u>12,673</u>	<u>70,353</u>	<u>87,902</u>
<b>At 30 June 2017</b>	<u>4,764</u>	<u>10,940</u>	<u>55,959</u>	<u>71,663</u>

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

**9. Tangible assets (continued)**

**Land:**

	At 30 June 2017 £000	At 30 June 2016 £000
Freehold Land	<u>2,712</u>	<u>2,712</u>

Assets held under finance leases are capitalised and included in leasehold land and buildings and fixtures, fittings, plant and machinery:

**Assets held under finance leases:**

	At 30 June 2017 £000	At 30 June 2016 £000
Cost	12,897	10,772
Aggregate depreciation and impairment	<u>(10,469)</u>	<u>(10,195)</u>
<b>Net book value</b>	<u>2,428</u>	<u>577</u>

Fixtures, fittings, plant and machinery include assets held under finance leases with a net book value of £2.0m (2016: £0.1m). Leasehold land and buildings include buildings held under finance leases with a net book value of £0.4m (2016: £0.5m).

**10. Investment in subsidiaries**

	Investments £000
<b>Cost</b>	
At 1 July 2015, 30 June 2016 and 30 June 2017	<u>509</u>
<b>Impairment</b>	
At 1 July 2015 and 30 June 2016	(14)
<b>Impairment</b>	(495)
At 30 June 2017	<u>(509)</u>
<b>Net book value</b>	
At 1 July 2015 and 30 June 2016	495
At 30 June 2017	<u>-</u>

During the year, the Company impaired the investment in Kingsway Casinos Limited, of which it owned directly 100% of the ordinary share capital and voting rights, and then dissolved the company on 7 March 2017.

**11. Stock**

	At 30 June 2017 £000	At 30 June 2016 £000
Finished goods	<u>773</u>	<u>785</u>

There were no write downs of stock in either year.

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

**12. Deferred tax**

	At 30 June 2017 £000	At 30 June 2016 £000
Accelerated capital allowances	3,228	2,445
Other temporary differences	23	26
<b>Deferred tax asset</b>	<b>3,251</b>	<b>2,471</b>
Casino licences	(11,588)	(12,270)
<b>Deferred tax liability</b>	<b>(11,588)</b>	<b>(12,270)</b>
<b>Net deferred tax liability</b>	<b>(8,337)</b>	<b>(9,799)</b>
Accelerated capital allowances	(783)	(252)
Casino licences	(682)	(1,331)
Other temporary differences	9	247
<b>Deferred tax expense in the income statement</b>	<b>(1,456)</b>	<b>(1,336)</b>

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

Net deferred tax liability at start of year	(9,799)	(11,139)
Deferred tax benefit (expense) credit in the income	1,456	1,336
Deferred tax credited to equity	6	4
<b>Net deferred tax liability at end of year</b>	<b>(8,337)</b>	<b>(9,799)</b>

**13. Other debtors**

	At 30 June 2017 £000	At 30 June 2016 £000
Amounts owed by parent and fellow subsidiary undertakings	40,717	231,681
Other debtors	2,107	2,453
Prepayments and accrued income	5,086	7,548
<b>Amounts falling due within one year</b>	<b>47,910</b>	<b>241,682</b>

No debtors were impaired at either balance sheet date. Other debtors do not contain impaired or past due assets.

The carrying values of debtors are assumed to approximate to their fair value due to the short-term nature of the debtors. 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 debtors disclosed above. The Company does not hold any collateral as security.

The Group restructuring and simplification project included the net settling of intercompany debtors owed by fellow subsidiary undertakings, which explains the movement year on year.

**14. Trade and other creditors**

	At 30 June 2017 £000	At 30 June 2016 £000
Trade creditors	1,752	7,470
Amounts owed to subsidiary undertakings	-	495
Other tax and social security	16,342	16,111
Accruals	10,832	12,349
Interest repayable	634	634
<b>Current</b>	<b>29,560</b>	<b>37,059</b>
Other creditors	2,502	2,510
<b>Non-current</b>	<b>2,502</b>	<b>2,510</b>

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

**14. Trade and other creditors (continued)**

The Company's trade creditors are all due within one year. Due to the short-term nature of these creditors 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.

**15. Obligations under finance leases**

	At 30 June 2017 £000	At 30 June 2016 £000
Finance lease obligations	593	151
<b>Current</b>	<b>593</b>	<b>151</b>
Finance lease obligations	2,121	1,048
<b>Non-current</b>	<b>2,121</b>	<b>1,048</b>

**16. Provision for other liabilities and charges**

	Property Leases £000	Indirect Tax Provision £000	Restructuring Provision £000	Total £000
At 1 July 2016	2,935	296	-	3,231
Charge to income statement – exceptional	-	-	1,088	1,088
Unwinding of discount	27	-	-	27
Release to income statement – exceptional	(1,266)	-	-	(1,266)
Utilised in year	(645)	-	(256)	(901)
<b>At 30 June 2017</b>	<b>1,051</b>	<b>296</b>	<b>832</b>	<b>2,179</b>

	At 30 June 2017 £000	At 30 June 2016 £000
Current	2,179	1,829
Non-current	-	1,402
<b>Total</b>	<b>2,179</b>	<b>3,231</b>

**Property leases**

The Company is party to a number of leasehold property contracts. Provision has been made against those leases where the property or part of a 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. A provision has also been made where the Company has unavoidable costs to restore a property to its original condition under contractual obligations. These leases have a weighted average life of 4 years (2016: 7 years).

**Indirect tax provision**

The indirect tax provision relates to a VAT claim on amusement machines, and represents the directors' best estimate of the outflow likely to arise.

**Restructuring provision**

During the year Rank undertook a strategic review of the organisation to improve customer service and simplify operations. This has resulted in changes to management and team structure which is expected to benefit the organisation in the future.



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

**17. Ordinary share capital**

	At 30 June 2017 £000	At 30 June 2016 £000
<b>Authorised, issued and fully paid</b>		
39,000,000 ordinary shares of 100p each	39,000	39,000

**18. Cash and cash equivalents**

Cash and cash equivalents comprise the following:

	At 30 June 2017 £000	At 30 June 2016 £000
Cash at bank and in hand	19,619	21,850

**19. Employees and directors**

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
<b>Employee benefit expense during the year</b>		
Wages and salaries	70,612	70,874
Social security costs	5,831	5,644
Pension contribution costs	1,943	1,793
Other pension costs	-	-
Redundancy and severance payments	62	98
Share based payments	(21)	(85)
<b>Total</b>	78,427	78,324

The average monthly number of employees in the year was 4,200 (2016: 4,296).

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
<b>Directors</b>		
Aggregate emoluments	503	545
Company contributions to pension schemes	37	35
<b>Total</b>	540	580
<b>Highest paid director</b>		
Aggregate emoluments	329	345
Company contributions to pension schemes	19	18
<b>Total</b>	348	363

The payment of Director's emoluments are borne by another company within the group, therefore the figures shown above represents the amount recharged through management charges to the Company based on the group structure at the balance sheet date. No director exercised any share options or made any gains on the exercise of share options in either period.

**20. Retirement benefits**

The Company participates in a Group defined contribution plan under which the Company pays fixed contributions to a separate entity. Company contributions in the year ended 30 June 2017 were £1,943,000 (2016: £1,793,000).

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**21. Lease commitments**

(i) Operating leases - The Company has entered into commercial leases on certain properties and items of machinery. The leases have durations between from under one year to 29 years. Future minimum rentals payable under non-cancellable operating leases are as follows:

	At 30 June 2017 £000	At 30 June 2016 £000
Not later than one year	13,198	12,713
After one year but not more than five years	50,309	49,499
After five years	48,506	62,635
Total future minimum rentals payable	112,013	124,847
 Total future minimum sub-lease income expected	 2,749	 2,178

(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	
	At 30 June 2017 £000	At 30 June 2016 £000	At 30 June 2017 £000	At 30 June 2016 £000
Not later than one year	798	239	593	151
After one year but not more than five years	2,166	591	1,682	315
After five years	902	1,140	439	733
	3,866	1,970	2,714	1,199
Less future finance charges	(1,152)	(771)		
Present value of minimum lease payments	2,714	1,199		

**22. Capital commitments**

	At 30 June 2017 £000	At 30 June 2016 £000
Contracts placed for future capital expenditure but not provided in the financial information	153	635

**23. Financial assets and liabilities**

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

	Other financial assets	
	At 30 June 2017 £000	At 30 June 2016 £000
Other debtors	42,824	234,134
Cash at bank and in hand	19,619	21,850
Total	62,443	255,984

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**23. Financial assets and liabilities (continued)**

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

	<b>Other financial liabilities</b>	
	<b>At 30 June 2017 £000</b>	<b>At 30 June 2016 £000</b>
Finance lease obligations	2,714	1,199
Property leases	1,051	2,935
Trade and other creditors	15,086	22,824
<b>Total</b>	<b>18,851</b>	<b>26,958</b>

**24. Parent undertakings and related party transactions**

The Company's immediate parent undertaking is Rank Gaming Group Limited, a Company incorporated in England and Wales.

The ultimate parent undertaking is Hong Leong Company (Malaysia) Berhad (Hong Leong), which is incorporated in Malaysia. Hong Leong is the parent undertaking of the largest group to consolidate these financial statements. Rank is the parent undertaking of the smallest group to consolidate these financial statements. Copies of Rank's consolidated ARA can be obtained from <http://www.rank.com/en/investors/results--reports---presentations.all.year2017.html> or by written request to the Company Secretary at TOR, Saint-Cloud Way, Maidenhead, Berkshire, SL6 8BN.

Details of compensation of key management are disclosed in note 19.

**25. Contingent liabilities**

Concurrent to a sale and leaseback transaction in 2006, the Company transferred the rights and obligations but not the legal titles of a number of property leases to a third party. The Company remains potentially liable in the event of default by the third party. Should default occur then the Company would have recourse to two guarantors. It is understood that, of the leases transferred, only one of these has not expired or been surrendered. This lease has a remaining duration of 10 years and a current annual rental obligation (net of sub-let income) of approximately £320,000.

During 2014, the Company became aware of certain information in respect of a change in the financial position of the third party and one of the guarantors. However, the Company has not to date been notified of any default, or intention to default, in respect of the transferred leases.