GROSVENOR CASINOS LIMITED
Registered No. 877080

REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2015

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 company is a limited company incorporated and domiciled in England and Wales.

During the year the Company transitioned from EU-adopted IFRS to FRS101 'Reduced Disclosure Framework', and has taken advantage of the disclosure exemptions allowed under this standard. The Company has early adopted FRS101, and its requirements have been applied to all periods presented. The Company's immediate parent undertaking, Rank Gaming Group Ltd, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. There were no material recognition or measurement differences arising on the adoption of FRS101.

Review of the business

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.

The strategy of the Company is managed as part of the overall casino operations of The Rank Group Plc, which include Grosvenor (GC) Casinos 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;
- Building digital capability – replicate the strong position of the venue based casinos across digital channels;
- Developing our venues – continuing to invest in existing venues (in terms of product, environment and service) and by creating new ones;
- Investing in brands and marketing – increased brand marketing programmes, providing appropriate support for the established brands and development on new brands for the digital market; and
- Using technology to drive efficiency and improve customer experience – by speeding up processes, harnessing technological developments and increasing digital technologies in casino venues.

The results for the Company show a pre-tax profit of £31.6m for the year (2014: £25.6m) and revenue of £249.6m (2014: £243.9m). In 2015 the Company recorded exceptional income of £0.7m (2014: £0.3m) and incurred exceptional costs of £0.6m (2014: £7.9m). Further details of these exceptional items are shown in note 2 to the financial statements.

The balance sheet as at 30 June 2015 shows net current assets of £192.0m (2014: £169.0m), and the Company generates a positive operating cash inflow. Consequently, the directors consider that is appropriate to prepare the financial statements on a going concern basis.

In the year ended 30 June 2015, the company opened its Southend casino following capital investment of £6.1m. The Company also submitted its stage 2 application for the large 2005 Act casino licence in Southampton which is currently under review with the local council. The Company will be launching its first 2005 Act casino in Luton during the first half of the 2015/16 financial year following a £4.8m capital investment to refurbish and extend it.

Key performance indicators

The directors of The Rank Group Plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance, and position of the casino division of the Group, which includes the Company, is discussed in more detail on pages 24 to 28 of the Group's 2015 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.

Principal risks 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.

Principal risks and uncertainties (continued)

The principal risks to the successful implementation of the Company's strategy are:

Regulatory and tax – adverse change in regulation could increase the administrative cost of operations, while new or increased taxation could have a material impact on the financial condition and results of the Company;

Volatility of gaming win – 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;

Loss of licences – gaming licences are fundamental to the operations of the Company;

External events – customers may be prevented or deterred from accessing our clubs due to factors such as extreme weather, illness or disease epidemics, terrorist threats, strikes and public transport system failures;

Business continuity and disaster recovery – due to the venues based nature of much 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;

Wage rise inflation – a large number of team members are employed at or just above the minimum wage and any increase in the minimum wage or other significant change to employment legislation could impact the Company's results;

Reliance on technology – the Company is highly dependent on complex technology and advanced information systems with many interfaces and a significant number of separate suppliers. The pace of business change and development means that IT changes such as new software coding, systems enhancements and new software application integrations are undertaken continually and consequently these systems are inherently vulnerable to experiencing malfunctions, failures, or cyber-attacks such as viruses or hacker intrusion. Comprehensive technology resilience and systems protection measures are in place but it is difficult to detect all threats and vulnerabilities in order to prevent all service interruptions and problems.

By order of the board

C. A. R. Jennings
Director
Registered Office: Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY
Registered Number: 877080

Date: 21 December 2015

The directors present their report and financial statements for the year ended 30 June 2015.

Directors
The following were directors of the Company during the year and up to the date of these accounts:-
Mr H. B. Birch
Mr P.C. Urban (resigned 31 October 2014)
Mr C.A.R. Jennings

Dividends
The directors do not recommend the payment of a dividend (2014: £nil).

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 1 and 2.

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.

Insurance and indemnities

The Rank Group Plc, a 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.

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 21. Other financial assets and liabilities arise directly from the Company's operating activities.

These financial instruments give rise to market, credit and liquidity risks. As a wholly owned subsidiary of The Rank Group Plc 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 20 of The Rank Group Plc's annual report. Details of how to obtain this report are shown in note 22.

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
Registered Office: Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY
Registered Number: 877080

Date: 21 December 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GROSVENOR CASINOS LIMITED

We have audited the financial statements of Grosvenor Casinos Limited for the year ended 30 June 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Accounting Policies and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard FRS101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 and express an opinion on 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.

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. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 June 2015 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.

Ernst & Young LLP

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

Date 21 December 2015

GROSVENOR CASINOS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

	Note	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Revenue		249,624	243,889
Cost of sales		(151,032)	(150,240)
Gross profit		98,592	93,649
Other operating costs		(69,277)	(61,958)
Exceptional operating income	2	727	271
Exceptional operating costs	2	(565)	(7,923)
Total net exceptional income (costs)		162	(7,652)
Operating profit	2	29,477	24,039
– interest receivable	3	2,369	1,462
– interest payable	3	(275)	(336)
– exceptional interest receivable	3	-	465
Total net interest receivable		2,094	1,591
Profit on ordinary activities before taxation		31,571	25,630
Taxation	4	(7,523)	(3,933)
Profit for the year		24,048	21,697

All results are from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Profit for the year	24,048	21,697
Total comprehensive income for the year	24,048	21,697

GROSVENOR CASINOS LIMITED
BALANCE SHEET
AT 30 JUNE 2015

	Note	At 30 June 2015 £000	At 30 June 2014 £000
Fixed assets			
Intangible assets	6	71,143	70,246
Tangible assets	7	87,843	91,146
Investments	8	495	495
		159,481	161,887
Current assets			
Stock	9	812	804
Other debtors	11	232,912	191,478
Cash at bank and in hand	16	19,820	17,392
		253,544	209,674
Creditors: amounts falling due within one year			
Trade and other creditors	12	(43,657)	(32,596)
Income tax payable		(16,048)	(6,150)
Obligations under finance leases	13	(1,826)	(2,036)
		(61,531)	(40,782)
Net current assets		192,013	168,982
Total assets less current liabilities		351,494	330,779
Creditors: amounts falling due after more than one year			
Trade and other creditors	12	(1,272)	(2,400)
Obligations under finance leases	13	(1,200)	(3,025)
Deferred tax liability	10	(11,139)	(11,020)
		(13,611)	(16,445)
Provisions for liabilities	14	(3,992)	(4,667)
Net assets		333,891	309,667
Capital and reserves			
Ordinary share capital	15	39,000	39,000
Other reserves		294,891	270,667
Total equity		333,891	309,667

The notes on pages 9 to 22 are an integral part of these financial statements.

These accounts were approved by the board on 21 December 2015 and signed on its behalf by:

Mr C. A. R. Jennings Director

Date: December 2015

GROSVENOR CASINOS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Ordinary share capital £000	Other reserves £000	Total £000
At 1 July 2013	39,000	248,970	287,970
Total comprehensive Income:			
Profit for the year	-	21,697	21,697
At 30 June 2014	39,000	270,667	309,667
Total comprehensive Income:			
Profit for the year	-	24,048	24,048
Credit in respect of employee share schemes including tax	-	176	176
At 30 June 2015	39,000	294,891	333,891

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 transitioned from EU-adopted IFRS to FRS101 for all periods presented. There were no material amendments on the adoption of FRS101. 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 consolidated financial statements of The Rank Group Plc, details of which are contained in note 22.

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

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

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

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

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1 July 2014:

- IFRS10 Consolidated Financial Statements
- IFRS11 Joint Arrangements
- IFRS12 Disclosure of Interests in Other Entities
- IAS27 Separate Financial Statements (Revised)
- IAS28 Investments in Associates and Joint Ventures (Revised)
- IAS32 Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities (Amendment)
- IAS36 Recoverable Amount Disclosures for Non-Financial Assets (Amendment)
- IAS39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)
- IFRIC21 Levies

The Company has not been materially impacted by the adoption of any of these standards, amendments or interpretations. The Company has not early adopted any other standard, amendment or interpretation that was issued but is not yet effective.

1. Accounting Policies (continued)

A Basis of preparation (continued)

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

The following standards, amendments to and interpretations of existing standards have been published and are mandatory for accounting periods starting after 1 July 2014:

- IAS19 Defined Benefits Plans: Employee Contributions - Effective 1 February 2015
- IFRS9 Financial Instruments – Effective 1 January 2018
- IFRS15 Revenue from Contracts with Customers – Effective 1 January 2017
- Annual Improvements to IFRS's – 2011-2013 cycle – Effective 1 January 2015

It is not anticipated that the adoption of the above standards, amendments and interpretations will have a material impact on the Group or Company financial statements in the period of initial application.

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 and bingo) 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.

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.

1. Accounting Policies (continued)

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.

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 appropriate discount rates, which 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 exceptional expense in the income statement immediately. 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 within exceptional items as income 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 the remaining assets.

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.

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 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) 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.

1. Accounting Policies (continued)

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.

(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 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 results between periods.

2. Operating profit for the year

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

	Note	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Staff costs	17	78,666	78,700
Cost of stock recognised as expense		11,776	10,050
Depreciation of tangible assets			
- owned assets		13,667	14,734
- finance lease assets		1,803	1,805
Amortisation of intangibles		478	178
Loss on disposal of fixed assets		197	75
Exceptional (income) costs (see below)		(162)	7,652
Operating lease rentals			
- minimum lease payments		12,728	12,877
- sub lease income		(413)	(391)
Repairs and maintenance expenditure on tangible assets		3,595	2,878

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

All of the Company's revenue derives from the operation of casinos in the United Kingdom.

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

		Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Exceptional operating income:			
Net release from provision for property leases		(403)	-
Impairment reversals	7	(324)	-
Release of VAT partial exemption provision	14	-	(271)
		(727)	(271)
Exceptional operating costs:			
Net charge to provision for property leases	14	-	3,610
Impairment charge	7	565	4,313
		565	7,923
Total exceptional operating (income) cost		(162)	7,652

Year ended 30 June 2015

The company recognised an impairment charge of £565,000 in respect of a single venue that had not performed in line with expectations. An impairment reversal of £324,000 was also recognised in respect of a single venue where changes in the commercial environment have led to improvements in performance.

The company also recognised a net release from provisions for property leases of £403,000. This comprised of a release of £596,000 in respect of a venue where the provision has reduced due to expected sublet income, offset by a charge at a venue for unavoidable dilapidation costs.

Year ended 30 June 2014

The company had recognised an impairment charge of £4,313,000 in respect of tangible assets, of which there was only one significant charge of £4,088,000 in respect of a single casino that had not performed in line with expectations.

2. Operating profit for the year (continued)

The company also recognised a net charge of £3,610,000 in relation to provisions for property leases in the prior year. This was in respect of two properties for unavoidable dilapidation costs and where expected income no longer exceeded the unavoidable costs associated with these sites.

The company also released £271,000 following the settlement of VAT partial exemption balances provided for in the previous years.

3. Interest

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Interest receivable		
Interest receivable from Group companies	2,369	1,462
	2,369	1,462
Exceptional interest receivable – VAT Settlement	-	465
Total	2,369	1,927
Interest payable		
Interest payable on finance leases	(228)	(320)
Unwinding of discount in provisions	(47)	(16)
Total	(275)	(336)
Total net interest receivable	2,094	1,591

The exceptional interest receivable in the prior year is in respect of VAT settlements.

4. Taxation

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Current tax		
UK corporation tax in respect of current year	7,142	7,813
Adjustment in respect of prior years	173	53
Exceptional items	84	(746)
Total current tax	7,399	7,120
Deferred tax		
Origination and reversal of timing differences	58	(211)
Exceptional items	(56)	(785)
Deferred tax adjustment	-	(1,694)
Adjustment in respect of prior years	122	(497)
Total deferred tax	124	(3,187)
Tax charge in the income statement	7,523	3,933

The tax on the Company's profit before tax differs from the standard rate of UK corporation tax in the period of 20.75% (2014: 22.5%). The differences are explained below:

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Profit before tax	31,571	25,630
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.75% (2014: 22.5%)	6,551	5,767
Effects of:		
Expenses not deductible for tax purposes	677	462
Income not subject to tax	-	(109)
Adjustment in respect of prior years	295	(444)
Deferred tax restatement	-	(1,694)
Transfer pricing adjustment	-	(49)
Tax charge in the income statement	7,523	3,933

The prior year numbers are shown net of a deferred tax credit of £1,694,000 (2014: £1,694,000) arising from the reduction in the headline UK corporation tax rate from 23% to 20%.

With effect from 1 April 2015 the main rate of UK corporation tax is 20%. However, in the Summer Budget 2015, the Chancellor of the Exchequer announced a reduction in the rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. These rates were substantively enacted in October 2015 and reduce the amount of cash tax payments to be made by the Company in future periods.

5. Impairment review of intangible assets

The carrying value of indefinite life casino licences as at 30 June 2015 was £68,629,000 (2014: £68,629,000). Details of the impairment review process are disclosed in the financial statements of The Rank Group plc.

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.

6. Intangible assets

	Computer software £000	Casino licences £000	Total £000
Cost			
At 1 July 2014	4,087	78,680	82,767
Additions	1,578	-	1,578
Disposals	(203)	-	(203)
At 30 June 2015	5,462	78,680	84,142
Aggregate amortisation and impairment			
At 1 July 2014	(2,470)	(10,051)	(12,521)
Charge for the year	(478)	-	(478)
At 30 June 2015	(2,948)	(10,051)	(12,999)
Net book value			
At 30 June 2014	1,617	68,629	70,246
At 30 June 2015	2,514	68,629	71,143

7. Tangible assets

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures, fittings, plant and machinery £000	Total £000
Cost				
At 1 July 2014	10,589	28,365	180,041	218,995
Additions	89	760	11,964	12,813
Disposals	(3)	(202)	(2,351)	(2,556)
Inter group transfer	-	(46)	(161)	(207)
Relocation	-	43	(43)	-
At 30 June 2015	10,675	28,920	189,450	229,045
Aggregate depreciation and impairment				
At 1 July 2014	(5,534)	(14,151)	(108,164)	(127,849)
Charge for the year	(74)	(1,170)	(14,226)	(15,470)
Impairment charge (see note 2)	-	(27)	(538)	(565)
Impairment reversal (see note 2)	-	62	262	324
Inter group transfer	-	-	5	5
Reallocations	-	3	(3)	-
Disposals	2	-	2,351	2,353
At 30 June 2015	(5,606)	(15,283)	(120,313)	(141,202)
Net book value				
At 30 June 2014	5,055	14,214	71,877	91,146
At 30 June 2015	5,069	13,637	69,137	87,843

Land:

	At 30 June 2015 £000	At 30 June 2014 £000
Freehold land	2,812	2,812
Land	2,812	2,812

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 2015 £000	At 30 June 2014 £000
Cost	10,772	10,772
Aggregate depreciation and impairment	(8,645)	(6,842)
Net book value	2,127	3,930

Fixtures, fittings, plant and machinery include assets held under finance leases with a net book value of £1.5m (2014: £3.3m). Leasehold land and buildings include buildings held under finance leases with a net book value of £0.6m (2014: £0.6m).

8. Investment in subsidiaries

	Investments
	£000
Cost	
At 1 July 2013, 30 June 2014 and 30 June 2015	509
Impairment	
At 1 July 2013, 30 June 2014 and 30 June 2015	(14)
Net book value	
At 1 July 2013, 30 June 2014 and 30 June 2015	495

At 30 June 2015 and 30 June 2014, the Company owned directly 100% of the ordinary share capital and voting rights of Kingsway Casinos Limited, a dormant company. Kingsway Casinos Limited is incorporated and registered in England and Wales.

9. Stock

	At 30 June 2015 £000	At 30 June 2014 £000
Finished goods	812	804

There were no write downs of stock in either year.

10. Deferred tax

	At 30 June 2015 £000	At 30 June 2014 £000
Accelerated capital allowances	2,193	2,337
Other temporary differences	269	223
Deferred tax asset	2,462	2,560
Casino licences	(13,601)	(13,580)
Deferred tax liability	(13,601)	(13,580)
Net deferred tax liability	(11,139)	(11,020)
Accelerated capital allowances	144	1,120
Casino licences	21	2,101
Other temporary differences	(41)	(34)
Deferred tax expense in the income statement	124	3,187

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

Net deferred tax liability at start of year	(11,020)	(14,207)
Deferred tax benefit (expense) credit in the income	(124)	3,187
Deferred tax credited to equity	5	-
Net deferred tax liability at end of year	(11,139)	(11,020)

11. Other debtors

	At 30 June 2015 £000	At 30 June 2014 £000
Amounts owed by parent and fellow subsidiary undertakings	224,247	182,713
Other debtors	720	494
Prepayments and accrued income	7,945	8,271
Amounts falling due within one year	232,912	191,478

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.

12. Trade and other creditors

	At 30 June 2015 £000	At 30 June 2014 £000
Trade creditors	7,288	7,382
Amounts owed to subsidiary undertakings	509	1,454
Other tax and social security	19,558	13,176
Accruals	15,668	9,950
Interest repayable	634	634
Current	43,657	32,596
Other creditors	1,272	2,400
Non-current	1,272	2,400

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.

13. Obligations under finance leases

	At 30 June 2015 £000	At 30 June 2014 £000
Finance lease obligations	1,826	2,036
Current	1,826	2,036
Finance lease obligations	1,200	3,025
Non-current	1,200	3,025

14. Provision for other liabilities and charges

	Property Leases £000	Indirect Tax Provision £000	Total £000
At 1 July 2014	4,371	296	4,667
Unwinding of discount	47	-	47
Net release to income statement – exceptional	(403)	-	(403)
Utilised in year	(319)	-	(319)
At 30 June 2015	3,696	296	3,992

	At 30 June 2015 £000	At 30 June 2014 £000
Current	1,568	1,407
Non-current	2,424	3,260
Total	3,992	4,667

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 7 years (2014: 9 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.

15. Ordinary share capital

	At 30 June 2014 £000	At 30 June 2013 £000
Authorised, issued and fully paid		
39,000,000 ordinary shares of 100p each	39,000	39,000

16. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 30 June 2015 £000	At 30 June 2014 £000
Cash at bank and in hand	19,794	17,392

17. Employees and directors

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Employee benefit expense during the year		
Wages and salaries	70,193	69,522
Social security costs	5,627	5,816
Pension contribution costs	2,329	2,843
Other pension costs	174	345
Redundancy and severance payments	149	174
Share based payments	194	-
Total	78,666	78,700

The average monthly number of employees in the year was 4,544 (2014: 4,178).

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Directors		
Aggregate emoluments	702	718
Company contributions to pension schemes	44	100
Total	746	818
Highest paid director		
Aggregate emoluments	365	309
Company contributions to pension schemes	17	19
Total	382	328

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 period.

18. 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 2015 were £2,329,000 (2014: £2,843,000).

19. 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 30 years. Future minimum rentals payable under non-cancellable operating leases are as follows:

	At 30 June 2015 £000	At 30 June 2014 £000
Not later than one year	12,200	12,543
After one year but not more than five years	47,545	48,990
After five years	71,827	80,711
Total future minimum rentals payable	131,572	142,244
Total future minimum sub-lease income expected	2,386	2,068

19. Lease commitments (continued)

(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 2015 £000	At 30 June 2014 £000	At 30 June 2015 £000	At 30 June 2014 £000
Not later than one year	1,960	2,265	1,826	2,036
After one year but not more than five years	736	2,543	443	2,170
After five years	1,234	1,387	757	855
	3,930	6,195	3,026	5,061
Less future finance charges	(904)	(1,134)		
Present value of minimum lease payments	3,026	5,061		

20. Capital commitments

	At 30 June 2015 £000	At 30 June 2014 £000
Contracts placed for future capital expenditure but not provided in the financial information	1,674	2,873

21. Financial assets and liabilities

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

	Loans and receivables	
	At 30 June 2015 £000	At 30 June 2014 £000
Other debtors	224,967	182,713
Cash at bank and in hand	19,820	17,392
Total	244,787	200,105

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

	Other financial liabilities	
	At 30 June 2015 £000	At 30 June 2014 £000
Finance lease obligations	3,026	5,061
Property leases	3,696	4,371
Trade and other creditors	24,737	21,186
Total	31,459	30,618

22. 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.

The Rank Group Plc is the parent undertaking of the smallest group to consolidate these financial statements. Copies of The Rank Group Plc consolidated financial statements can be obtained from http://asp-gb.secure-zone.net/v2/index.jsp?id=624/2682/10451&lng=en or by written request to the Company Secretary at Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.

Details of compensation of key management are disclosed in note 17.

23. 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 12 years and a current annual rental obligation (net of sub-let income) of approximately £320,000.

During the prior year, 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.