

Grosvenor Casinos Limited

(Registered Number: 877080)

**Directors' Report and Accounts for the
Year Ended 31 December 1998**



Grosvenor Casinos Limited

Directors' Report

The Directors present their Report and Accounts for the year ended 31 December 1998.

Principal Activities And Business Review

The principal activity of the Company is the operation of clubs which provide gaming and restaurant facilities for members.

The Company's underlying business continued to trade successfully in the period under review.

The Directors do not anticipate any immediate or substantial variations in the Company's current activities.

Results And Dividend

The results of the Company for the year are set out on page 8. The Directors do not recommend the payment of a dividend. (1997: £Nil).

Directors

The following were Directors of the Company during the year:-

D Boden

P McCann (appointed 26 February 1998)

R A Mole

T J Phillips

J B Pickersgill (appointed 4 February 1998; resigned 15 October 1999)

J F Garrett (resigned 2 February 1998)

Grosvenor Casinos Limited

Directors' Report (Continued)

Directors' Interests

The Directors' interests in shares or stocks of The Rank Group Plc, including options to purchase Ordinary shares under the terms of the Group's Executive Share Option Schemes ("ESOS") and Share Savings Schemes ("SAYE") were as follows:

	31 December 1998				1 January 1998 (or date of appointment if later)		
	Ordinary shares	ESOS	SAYE	Exercise Price (p)	Ordinary shares	ESOS	SAYE
D Boden	-	69,507 33,144 47,236	6,350	372.92 346.96 338.72 271.58	-	102,651	-
P McCann	3,390	38,289 11,131	6,350	372.92 346.96 271.58	3,390	49,420	-
RA Mole	5,442	88,247	6,350	372.92 271.58	5,442	88,247	4,928
TJ Phillips	73,192	67,919 32,567	2,789	463.78 346.96 349.46	70,657	100,486	2,789
JB Pickersgill	3,107	95,766 58,363 108,496	5,050	281.92 346.96 338.72 341.47	3,000	154,129	5,050

Options to subscribe for Ordinary shares of The Rank Group Plc granted to Directors or which lapsed during the year ended 31 December 1998, are set out below. No options were exercised by any Director during the year:-

	Granted		Lapsed		Price per Option (p)
	ESOS	SAYE	ESOS	SAYE	
D Boden	47,236	-	-	-	338.72
	-	6,350	-	-	271.58
P McCann	-	6,350	-	-	271.58
R A Mole	-	-	-	4,928	349.46
	-	6,350	-	-	271.58
JB Pickersgill	108,496	-	-	-	338.72

In June 1998 the number of shares under option and the price per option were adjusted, with the approval of the Inland Revenue, as a result of the Enhanced Scrip Dividend Alternative offered by The Rank Group Plc in respect of the final dividend payable for the financial year ended 31 December 1997. The tables above have been adjusted for these changes, with 1997 figures restated to provide a clearer understanding of the movements in holdings over the year.

Grosvenor Casinos Limited

Directors' Report (Continued)

Except as stated above, no option lapsed during the year. The market price of an Ordinary share at 31 December 1998 was 231.50p and the range during the preceding 12 months was 205.50p to 409.50p. For the preceding 12 months the options outstanding at 31 December 1998 are exercisable at varying dates between 13 August 1996 and 20 February 2000. Changes in Directors' interests between 1 January 1999 and the date of this Report are as noted below. The Company's Register of Directors' interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

	Ordinary shares (if different from 31 December 1998)	Granted		Lapsed		Price per Option (p)
		ESOS	SAYE	ESOS	SAYE	
D Boden		81,099	-	-	-	222.75
		-	5,412	-	-	179.00
		-	-	-	6,350	271.58
P McCann		42,042	-	-	-	222.75
		-	9,427	-	-	179.00
		-	-	-	6,350	271.58
R A Mole		29,292	-	-	-	222.75
		-	9,427	-	-	179.00
		-	-	-	6,350	271.58
TJ Phillips	0	35,291	-	-	-	222.75
		-	5,412	-	-	179.00
		-	-	-	2,789	349.46
JB Pickersgill		20,032	-	-	-	222.75

In addition to the above interests, pursuant to the requirements of the Companies Act 1985, each Director is deemed to be interested in the Ordinary shares of The Rank Group Plc held by The Rank Group Plc Employee Benefit Trust. As at 1 January 1998, 31 December 1998 and the date of this Report the interest was in a total of 390,000 Ordinary shares.

Except as stated above, none of the Directors had any interest in the shares, share options, stocks or debentures of the Company, its ultimate parent undertaking or any subsidiary of that Company at 1 January 1998 or at 31 December 1998.

Grosvenor Casinos Limited

Directors' Report (Continued)

Personnel

The Company values the contribution that its employees make to the success of the business. Substantial investment is made in the training, development and motivation of staff with particular focus on ensuring customer satisfaction through the consistent achievement of high standards of *personal care and service*. *The involvement of employees in the success of the business is encouraged through Company wide communications and consultation programmes.*

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

Policy and Practice on Payments to Suppliers

The Company agrees terms and conditions for its business transactions with its suppliers, and suppliers are made aware of these terms and conditions. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. The number of days' purchases outstanding at 31 December 1998 is calculated at 36 days (1997: 45 days).

Year 2000

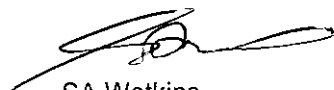
The Company was included in reviews conducted by the Rank Group of the issues which might be raised by the Year 2000, in relation to installed computer systems, software applications and other business systems that have time sensitive programs that may not properly reflect or recognise the Year 2000. These reviews are described in more detail in the Annual Report of The Rank Group Plc. On the basis of these reviews, the Directors believe that adequate steps are being taken to accommodate this issue, and that it is unlikely that there will be any significant adverse effect on the Company.

Auditors

Price Waterhouse resigned during the year and PricewaterhouseCoopers were appointed to fill the casual vacancy.

In accordance with Section 386(2) of the Companies Act 1985, PricewaterhouseCoopers will continue as Auditors of the Company under the terms of an elective resolution passed by the Company.

By order of the Board



SA Watkins
Secretary

Registered Office:
6 Connaught Place
London, W2 2EZ.

26 October 1999

Grosvenor Casinos Limited

Statement Of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial period which 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 those accounts, the directors are required to:

- select appropriate accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state that all applicable accounting standards have been followed, save as disclosed in the notes to the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to do so.

The directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors' report to the members of Grosvenor Casinos Limited

We have audited the accounts on pages 8 to 18 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 10 and 11.

Respective responsibilities Of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 5 the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of opinion


We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. *In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.*

Auditors' report to the members of Grosvenor Casinos Limited (Continued)

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

26 October 1999

Grosvenor Casinos Limited

Profit And Loss Account For The Year Ended 31 December 1998

	<i>Note</i>	1998 £'000	1997 £'000
Turnover		101,479	106,164
Operating Profit	2	9,594	15,365
Net Profit/(Loss) on disposal of fixed assets		289	(112)
Provision for loss on disposal of continuing operations		(1,387)	-
Profit on ordinary activities before interest	3	8,496	15,253
Interest payable	4	(5)	(2,139)
Profit on ordinary activities before taxation	-	8,491	13,114
Tax on profit on ordinary activities	5	(3,693)	(6,686)
Retained profit for the financial year	18	4,798	6,428
Retained profit/(loss) brought forward		6,367	(61)
Retained profit carried forward		11,165	6,367

All turnover and operating profit arises from continuing operations.

There are no recognised gains or losses other than the profit for the financial year.

The notes to these accounts are on pages 10 to 18.

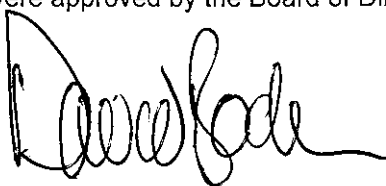
Grosvenor Casinos Limited

Balance Sheet At 31 December 1998

	Note	1998 £'000	1997 £'000
Fixed Assets			
Tangible assets	6	132,732	124,972
Investments	7	1,478	1,483
		134,210	126,455
Current Assets			
Stocks	8	401	559
Debtors	9	4,883	3,066
Properties held for resale		500	300
Cash at bank and in hand		7,260	8,224
		13,044	12,149
Creditors: Amounts Falling Due Within One Year	10	(11,476)	(17,472)
Net Current Assets/(Liabilities)		1,568	(5,323)
Total Assets Less Current Liabilities		135,778	121,132
Creditors: Amounts Falling Due After More Than One Year	13	(35,106)	(25,258)
Net Assets		100,672	95,874
Capital And Reserves			
Called up share capital	17	40,000	40,000
Revaluation reserve	18	49,507	49,507
Profit and loss account	18	11,165	6,367
Total shareholders funds (all equity interests)		100,672	95,874

These accounts were approved by the Board of Directors on 26 October 1999

D Boden



T J Phillips



The notes to these accounts are on page 10 to 18.

Grosvenor Casinos Limited

Notes To The Accounts

1 Accounting Policies

a) Basis Of Preparation

The accounts are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and comply with applicable accounting standards on a basis consistent with the previous year.

b) Turnover

Turnover comprises casino gaming win, gaming machine income before deduction of gaming duty, membership fees, guest fees and catering revenue excluding value added tax.

c) Revenue Recognition

Revenue from gaming is accounted for on the basis of cash received, including collections arising from cheques dishonoured in prior years, less cheques which have become dishonoured during the period. Revenue from membership and guest fees is accounted for on the basis of cash received.

d) Deferred Expenditure

Deferred expenditure comprises those costs incurred prior to the commencement of trading which are regarded as a prepayment against future profits to be earned. The expenditure is included in the balance sheet as a prepayment and is written off over a period of five years.

e) Stocks

Stocks are valued at the lower of cost and net realisable value.

f) Fixed Assets

No depreciation is provided on freehold land or on certain properties, which are freehold or held on lease for a term exceeding 20 years unexpired, where the Directors are of the opinion that the properties concerned are currently sufficiently well maintained to ensure that the residual values of such properties are such that the depreciation would be insignificant.

Other freehold properties are depreciated on a straight line basis over 100 years or useful life, if less. Other leasehold properties are depreciated over the lesser of 100 years, their useful life or the term of the lease. Expenditure on major refurbishment of properties is amortised over a period of 5 years.

Fixed assets held for disposal are included within debtors at the lower of depreciated historical cost and net realisable value. These assets are not depreciated.

Fixtures, fittings, plant and equipment – 15% to 20% per annum, straight line basis.

Motor vehicles – 25% per annum, straight line basis.

Grosvenor Casinos Limited

Notes To The Accounts (Continued)

1 Accounting Policies (Continued)

g) Leased Assets

Operating lease payments are charged to the profit and loss account as incurred.

h) Pensions

The pension costs relating to the UK defined benefit scheme are assessed in accordance with the advice of a qualified actuary using the projected unit method. Actuarial surpluses and deficiencies are amortised on a straight line basis over the expected average remaining service lives of the employees. The pension costs relating to the UK defined contribution scheme represent the contributions payable by the Company.

i) Taxation

Current taxation is applied to taxable profits at the rates ruling. Deferred taxation, computed under the liability method, is provided in respect of timing differences to the extent that it is probable that a liability will arise in the foreseeable future.

j) Cash Flow

Under Financial Reporting Standard 1 (Revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

2 Operating Profit

	1998 £'000	1997 £'000
Turnover	101,479	106,164
Operating costs	(68,784)	(68,993)
Administrative expenses	(23,101)	(21,806)
Operating profit	9,594	15,365

Turnover and operating profit are attributable to the principal activities of the Company and arise wholly from continuing operations in the United Kingdom.

Grosvenor Casinos Limited

Notes To The Accounts (Continued)

3 Profit On Ordinary Activities Before Interest

This is stated after charging/(crediting) the following items:

	1998 £'000	1997 £'000
Depreciation of tangible fixed assets	3,366	2,894
Operating lease payments - land and buildings	2,589	2,943
- plant and machinery	885	643
Auditors' remuneration - for audit work	36	29
Auditors' remuneration - for non audit work	7	40
Redundancy and re-organisation costs	374	1,541
Provision for loss on disposal of continuing operations	1,387	-
(Profit)/loss on sale of fixed assets	(289)	112

4 Interest Payable

	1998 £'000	1997 £'000
Interest payable to fellow subsidiary undertaking	-	2,139
Interest payable on bank loans and overdrafts	5	-
Total interest payable	5	2,139

Interest payable on all group loans was waived for the year ended 31 December 1998.

5 Tax On Profit On Ordinary Activities

	1998 £'000	1997 £'000
United Kingdom taxation		
Corporation tax charge	3,693	4,300
Prior year underprovision	-	2,386
Total charge	3,693	6,686

United Kingdom corporation tax on profits for the period has been provided at 31% (1997: 31.5%).

Grosvenor Casinos Limited

Notes To The Accounts (Continued)

6 Tangible Fixed Assets

	Licences, Freehold Land & Buildings	Licences, Long Leasehold Land & Buildings	Licences, Short Leasehold Land & Buildings	Vehicles, Fixtures, And equipment	Assets in the Course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 31 December 1997	66,666	17,523	43,838	18,030	-	146,057
Reclassification	(2,023)	(2,135)	263	3,233	212	(450)
Additions	2,859	12	19	4,389	5,774	13,053
Transfer to current assets	(200)					(200)
Disposals	(186)		-	(753)	-	(939)
At 31 December 1998	67,116	15,400	44,120	24,899	5,986	157,521
Depreciation						
At 31 December 1997	2,802	7,358	3,101	7,824	-	21,085
Reclassification	(2,317)	(5,220)	3,136	3,951	-	(450)
Charge for the period	-	-	126	3,240	-	3,366
Provision for loss on disposal	862	477	-	48	-	1,387
Depreciation on disposals	-	-	-	(599)	-	(599)
At 31 December 1998	1,347	2,615	6,363	14,464	-	24,789
Net book amount						
At 31 December 1998	65,769	12,785	37,757	10,435	5,986	132,732
At 31 December 1997	63,864	10,165	40,737	10,206	-	124,972

a Land and buildings with a net book amount of £78,554,000 (1997: £74,029,000) are not depreciated.

7 Investments

	1998 £'000	1997 £'000
Shares at Cost	1,478	1,483

The Company owned the entire share capital of the following group companies:

Name of Company	Holding	Proportion of voting rights and shares held
Society Club (Swansea) Limited	Ordinary Shares	100%
Kingsway Casinos Limited	Ordinary Shares	100%

The Company is exempt from the obligation to prepare and deliver group accounts. The Company is included in the consolidated accounts of The Rank Group Plc, a Company incorporated in Great Britain and registered in England and Wales.

Grosvenor Casinos Limited

Notes To The Accounts (Continued)

8 Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	401	559

9 Debtors: amounts falling due within one year

	1998 £'000	1997 £'000
Amounts owed by fellow subsidiary undertakings	1,504	-
Other debtors	617	527
Prepayments and accrued income	1,570	1,405
Prepaid pension contributions	1,192	1,134
Total	4,883	3,066

10 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	961	1,395
Amounts owed to fellow subsidiary undertakings	2,050	2,262
Corporation tax	-	2,088
Other tax and social security	991	2,609
Other creditors	545	763
Accruals and deferred income	6,929	8,355
Total	11,476	17,472

11 Future Capital Expenditure

	1998 £'000	1997 £'000
Authorised and contracted	1,700	14,950

Grosvenor Casinos Limited

Notes To The Accounts (Continued)

12 Commitments Under Operating Leases

As at 31 December 1998 the Company had commitments to make payments in the following twelve months under non-cancellable operating leases as set out below:

	Land and buildings £'000	1998 Other £'000	Land and buildings £'000	1997 Other £'000
Expiring in one year	83	-	14	-
Expiring in two to five years	277	885	344	643
Expiring in more than five years	2,191	-	2,585	-
Total	2,551	885	2,943	643

13 Creditors: amounts falling due after one year

	1998 £'000	1997 £'000
Amounts owed to fellow subsidiary undertaking	35,106	25,258

14 Pension Costs

The Company participates in group pension schemes operated by The Rank Group plc. Such schemes are contracted out of the State earnings related pension arrangements and are externally funded under separate trusts.

Benefits under the defined benefit scheme are fixed by reference to final pay. Valuations of the funds are carried out by the schemes' Actuary triennially, the last actuarial report being to 5 April 1996. That report disclosed that the funds were adequate to meet all the accrued obligations of the schemes. Particulars of the actuarial valuation of the group schemes are contained in the accounts of The Rank Group Plc.

Benefits under the defined contribution scheme depend on the level of contributions paid and on the emerging investment performance.

The Company's share of contributions to group pension schemes less its share of the actuarial variation is charged against profits on ordinary activities each year. The difference between the amounts paid and the amounts charged to the profit and loss account is shown as a prepayment.

Grosvenor Casinos Limited

Notes To The Accounts (Continued)

15 Deferred Taxation

	As provided 1998 £'000	As provided 1997 £'000	Not provided 1998 £'000	Not provided 1997 £'000
Capital allowances	-	-	2,439	1,769
Other timing differences	-	-	(337)	(328)
	-	-	-	-
Total	-	-	2,102	1,441

16 Reconciliation Of Movement In Shareholders' Funds

	1998 £'000	1997 £'000
Profit for the financial year	4,798	6,428
Opening shareholders' funds	95,874	89,446
Closing shareholders' funds	100,672	95,874

17 Share Capital

	1998 Authorised £'000	1998 Issued and fully paid £'000	1997 Authorised £'000	1997 Issued and fully paid £'000
Ordinary Shares of £1 each	40,000	40,000	40,000	40,000

18 Reserves

	Revaluation Reserve £'000	Profit and Loss account £'000
Balances brought forward	49,507	6,367
Profit for the financial year	-	4,798
Balances carried forward	49,507	11,165

Grosvenor Casinos Limited

Notes To The Accounts (Continued)

19 Directors And Employees

	1998 £'000	1997 £'000
Total Directors' emoluments consist of:		
Emoluments	440	608
Contributions to pension schemes	32	61
Compensation for loss of office	-	584
Total	472	1,253
Emoluments of highest paid director	207	163
Contributions to pension schemes of highest paid director	14	16
Total	221	179

Accrued pension benefits as at 31 December 1998 for the highest paid director were Plan Cash of £46,000 and Pension at £19,000.

Retirement benefits were accruing under the Rank Group defined benefit pension scheme for three of the Directors as at 31 December 1998.

	1998 £'000	1997 £'000
Employee costs (including Directors) consist of:		
Wages and salaries	42,193	42,422
Social security costs	3,356	3,219
Pension costs	875	502
	46,424	46,143

The actual contributions paid to The Rank Group Pension Plan in the period to 31 December 1998 totalled £933,000 (1997: £881,000). At 31 December 1998 there was a prepayment in debtors of £1,192,000 (1997: £1,134,000) resulting from the difference between pension costs charged in the accounts and the amounts funded to date.

The average number of employees during the period was as follows:

	1998 £'000	1997 £'000
Full time	2,719	2,795
Part time	192	271
	2,911	3,066

Grosvenor Casinos Limited

Notes To The Accounts (Continued)

20 Contingent Liabilities

The Company has a joint and several contingent liability in respect of VAT payable under the group registration.

21 Parent Undertaking

The Company's ultimate parent undertaking is The Rank Group Plc, a company incorporated in Great Britain. The Rank Group Plc is the parent undertaking of both the smallest and largest group for which group accounts incorporating those of the Company are prepared.

The Rank Group Plc consolidated accounts may be obtained from Companies House.

22 Related Party Transactions

The Company has taken advantage of the exemption under Financial Reporting Standard 8 from disclosing transactions with other group companies as more than 90% of the voting rights are controlled within the Group.