

# **Grosvenor Casinos Limited**

**(Registered Number: 877080)**

## **Directors' Report and Accounts for the Year Ended 31 December 1999**



# **Grosvenor Casinos Limited**

## **Directors' Report**

The Directors present their Report and Accounts for the year ended 31 December 1999.

### **Principal Activities and Business Review**

The principal activities of the Company throughout the year were the operation of clubs, providing 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 7. The Directors do not recommend the payment of a dividend. (1998: £Nil).

### **Prior Year Adjustment**

Retained profit brought forward has been adjusted under the provisions of FRS12 and a change in accounting policy in the way in which the Company accounts for deferred expenditure.

### **Directors**

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

Mr D Boden  
Mr P McCann  
Mr R A Mole  
Mr T J Phillips  
Mr J B Pickersgill (resigned 15 October 1999)

# 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:

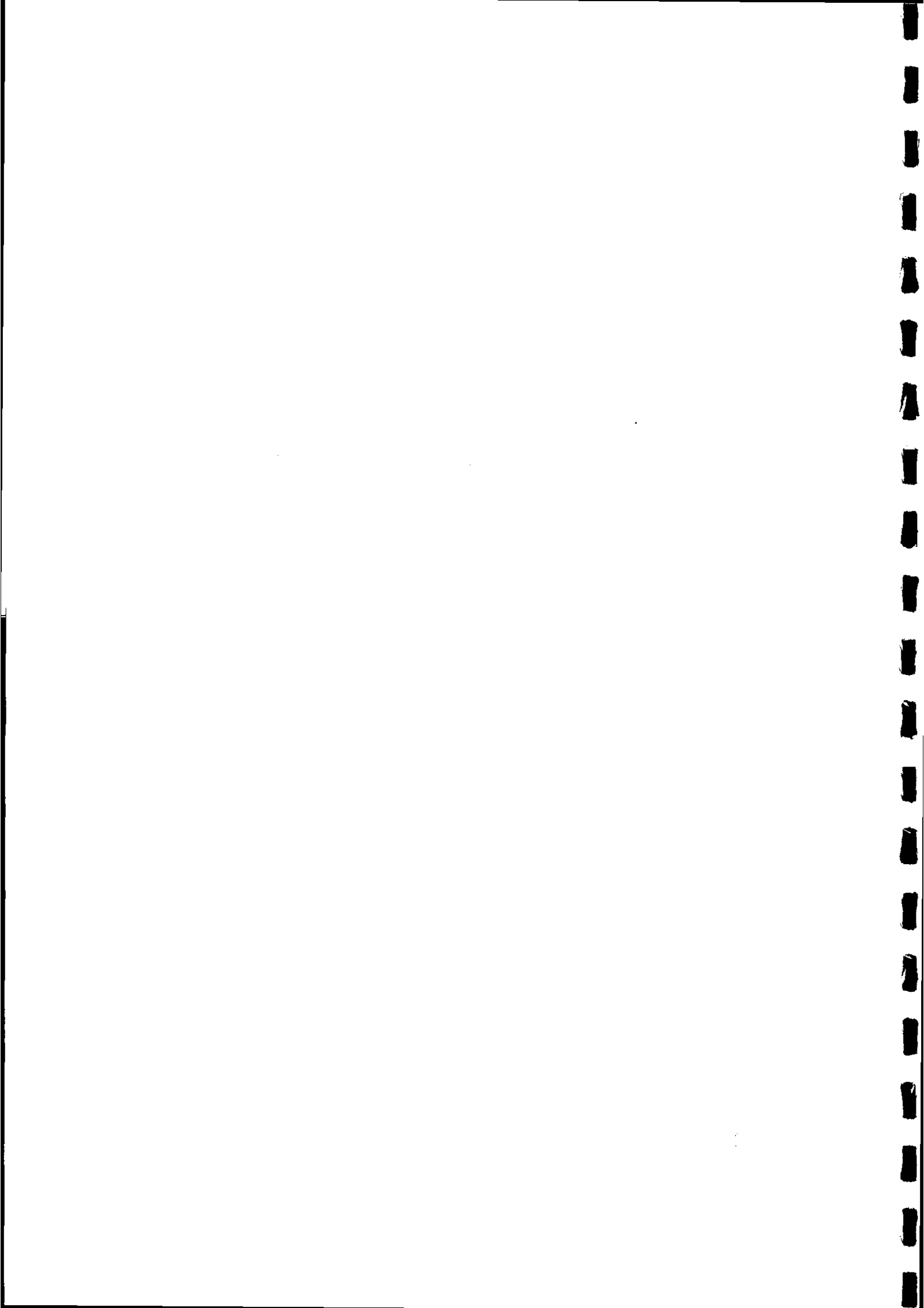
	31 December 1999				1 January 1999		
	Ordinary shares	ESOS	SAYE	Exercise Price (p)	Ordinary shares	ESOS	SAYE
D Boden		69,507		372.92p	-	149,887	6,350
		33,144		346.96p			
		47,236		338.82p			
		81,099		222.75p			
			5,412	179.00p			
P McCann	3,390	38,289		372.92p	3,390	49,420	6,350
		11,131		346.96p			
		42,042		222.75p			
			9,427	179.00p			
RA Mole	5,442	88,247		372.92p	5,442	88,247	6,350
		29,292		222.75p			
			9,427	179.00p			
TJ Phillips	-	67,919		463.78p	73,192	100,486	2,789
		32,567		346.96p			
		35,291		222.75p			
			5,412	179.00p			

Options to subscribe for Ordinary shares of The Rank Group Plc granted to and exercised by Directors during the year ended 31 December 1999, are set out below. Except as stated, no options lapsed during the year:-

	Granted		Lapsed		Exercised		Price per Option (p)
	ESOS	SAYE	ESOS	SAYE	ESOS	SAYE	
D Boden	81,099		-		-	-	222.75p
				6,350			271.58p
		5,412					179.00p
P McCann	42,042		-		-	-	222.75p
				6,350			271.58p
		9,427					179.00p
R A Mole	29,292		-		-	-	222.75p
				6,350			271.58p
		9,427					179.00p
T J Phillips	35,291		-		-	-	222.75p
				2,789			349.46p
		5,412					179.00p

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. At 1 January 1999 and 31 December 1999 the interest was in a total of 390,000 Ordinary shares.

The Company's Register of Directors' interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.



# Grosvenor Casinos Limited

## Directors' Report (Continued)

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 1999 or at 31 December 1999.

### 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 1999 is calculated at 49 days (1998: 36 days).

### Year 2000

The Company experienced no disruption or malfunctions since the turn of the year arising from its own computer systems or equipment with embedded date-reliant computer chips.

The lack of disruption from the Company's own systems and equipment is attributed to: (i) the analysis of risks carried out in 1998 to determine the impact of the year 2000 problem on our activities; and (ii) the consequential modifications to, or replacement of, hardware and software suspected of harbouring the faulty date-reliant software of computer chips that were carried out during 1998 and 1999.

### Auditors

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

21 September 2000



# **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 6 to 16 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 8 and 9.

### **Respective responsibilities Of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 4 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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.

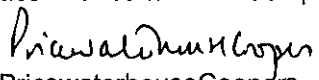
### **Basis of opinion**

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.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31 December 1999 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

21 September 2000

# Grosvenor Casinos Limited

## Profit And Loss Account For The Year Ended 31 December 1999

	<i>Note</i>	1999 £'000	1998 (Restated) £'000
<b>Turnover</b>		<b>109,776</b>	<b>101,479</b>
<b>Operating Profit</b>	<b>2</b>	<b>13,498</b>	<b>9,462</b>
Profit on disposal of fixed assets		-	289
Loss on disposal (including provision for loss) of continuing operations - Properties		(143)	(1,387)
Profit on ordinary activities before interest	3	13,355	8,364
Interest payable	4	(6)	(39)
<b>Profit on ordinary activities before taxation</b>		<b>13,349</b>	<b>8,325</b>
Tax on profit on ordinary activities	5	(3,495)	(3,693)
Retained profit for the financial year		9,854	4,632
Retained profit brought forward		10,129	5,497
<b>Retained profit carried forward</b>	<b>19</b>	<b>19,983</b>	<b>10,129</b>

All turnover and operating profit arises from continuing operations.

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

## Statement of total recognised gains and losses For The Year Ended 31 December 1999

	1999 £000	1998 (restated) £000
Profit for the financial year	9,854	4,632
Total recognised gains and losses relating to the year	9,854	4,632
Prior year adjustment (as explained in note 1b)	(166)	-
<b>Total gains and losses recognised since last annual report</b>	<b>9,688</b>	<b>4,632</b>

The notes to these accounts are on pages 8 to 16.

# Grosvenor Casinos Limited

## Balance Sheet At 31 December 1999

	Note	1999 £'000	1998 (Restated) £'000
<b>Fixed Assets</b>			
Tangible assets	6	140,611	132,732
Investments	7	1,478	1,478
		<b>142,089</b>	<b>134,210</b>
<b>Current Assets</b>			
Stocks	8	445	401
Debtors	9	13,427	4,783
Properties held for resale		-	500
Cash at bank and in hand		8,775	7,260
		<b>22,647</b>	<b>12,944</b>
<b>Current Liabilities</b>			
Creditors: Amounts falling due within one year	10	(15,284)	(11,476)
Provisions for liabilities and charges	11	(732)	(936)
		<b>(16,016)</b>	<b>(12,412)</b>
<b>Net Current Assets</b>		<b>6,631</b>	<b>532</b>
<b>Total Assets Less Current Liabilities</b>		<b>148,720</b>	<b>134,742</b>
Creditors: Amounts falling due after more than one year	12	(39,230)	(35,106)
<b>Net Assets</b>		<b>109,490</b>	<b>99,636</b>
<b>Capital And Reserves</b>			
Called up share capital	18	40,000	40,000
Revaluation reserve	19	49,507	49,507
Profit and loss account	19	19,983	10,129
<b>Total shareholders funds (all equity interests)</b>		<b>109,490</b>	<b>99,636</b>

These accounts were approved by the Board of Directors on 21 September 2000

D Boden

T J Phillips

The notes to these accounts are on page 8 to 16.

# 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, except for the changes explained below.

#### b) Changes In Accounting Policy

Comparative figures have been restated to reflect two changes of accounting policy:

- Expenditure incurred prior to the commencement of trading is written off to the profit and loss account in the year in which it is incurred. Previously this expenditure was regarded as a prepayment against future profits to be earned and was written off over a period of five years. This change has been effected in order to become more consistent with international accounting standards.
- A provision has been set up for onerous contracts as directed by the standards set out in FRS12. Previously no provision was made in the accounts.

As a result, comparative figures for the year ended 31 December 1998 have been adjusted as follows:

	Retained profit for the year £'000	Net assets £'000
As previously reported	4,798	100,672
Effect of change from deferring pre-opening expenditure to immediate write-off	(45)	(100)
Effect of introduction of FRS12 on provisions	(121)	(936)
As restated	4,632	99,636

Current year profit before tax is reduced by £560,000 following the change in policy for pre-opening expenditure and increased by £204,000 following the introduction of FRS12.

#### c) 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.

#### d) 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.

#### e) Stocks

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

# Grosvenor Casinos Limited

## Notes To The Accounts (Continued)

### 1 Accounting Policies (Continued)

#### 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 their residual values 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.

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

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

#### g) Leased Assets

Operating lease payments are charged to the profit and loss account as incurred except where a provision has been made in respect of rents payable on vacant leasehold property.

#### 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.

# Grosvenor Casinos Limited

## Notes To The Accounts (Continued)

### 2 Operating Profit

	1999 £'000	1998 (Restated) £'000
Turnover	109,776	101,479
Operating costs	(72,526)	(68,784)
Administrative expenses	(23,413)	(23,233)
Exceptional items – redundancy and reorganisation costs	(339)	-
Operating profit	13,498	9,462

### 3 Profit On Ordinary Activities Before Interest

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

	1999 £'000	1998 (Restated) £'000
Depreciation of tangible fixed assets	3,584	3,366
Operating lease payments - land and buildings	3,014	2,589
- plant and machinery	684	885
Auditors' remuneration - for audit work	44	36
Auditors' remuneration - for non audit work	27	7
Redundancy and re-organisation costs	123	374
Loss on disposal (including provision for loss) of continuing operations - Properties	143	1,387
Profit on disposal of fixed assets	-	(289)

### 4 Interest Payable

	1999 £'000	1998 (Restated) £'000
Interest payable on bank loans and overdrafts	6	5
Adjustment for FRS12	-	34
Total interest payable	6	39

Interest payable on all group loans was waived for the year ended 31 December 1999.

### 5 Tax On Profit On Ordinary Activities

	1999 £'000	1998 £'000
United Kingdom taxation		
Corporation tax charge	3,495	3,693

United Kingdom corporation tax on profits for the period has been provided at 30.25% (1998: 31%).

# 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
<b>Cost or valuation</b>						
At 31 December 1998	67,116	15,400	44,120	24,899	5,986	157,521
Reclassification	(1,981)	(477)	1,746	(289)	-	(1,001)
Additions	1,683	-	1,852	7,930	93	11,558
Transfer on completion	3,288	-	366	2,332	(5,986)	-
Disposals	(2)	-	-	(481)	-	(483)
<b>At 31 December 1999</b>	<b>70,104</b>	<b>14,923</b>	<b>48,084</b>	<b>34,391</b>	<b>93</b>	<b>167,595</b>
<b>Depreciation</b>						
At 31 December 1998	1,347	2,615	6,363	14,464	-	24,789
Reclassification	(557)	(477)	(64)	97	-	(1,001)
Charge for the period	-	-	558	3,026	-	3,584
Depreciation on disposals	-	-	-	(388)	-	(388)
<b>At 31 December 1999</b>	<b>790</b>	<b>2,138</b>	<b>6,857</b>	<b>17,199</b>	<b>-</b>	<b>26,984</b>
<b>Net book amount</b>						
<b>At 31 December 1999</b>	<b>69,314</b>	<b>12,785</b>	<b>41,227</b>	<b>17,192</b>	<b>93</b>	<b>140,611</b>
At 31 December 1998	65,769	12,785	37,757	10,435	5,986	132,732

Licences, Land and buildings with a net book amount of £82,985,000 (1998: £78,554,000) are not depreciated.

### 7 Investments

	1999 £'000	1998 £'000
Shares at Cost	1,478	1,478

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

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held
Society Club (Swansea) Limited	Great Britain	Ordinary Shares	100%
Kingsway Casinos Limited	Great Britain	Ordinary Shares	100%
Casino Royale Club (Newcastle) Limited	Great Britain	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

	1999 £'000	1998 £'000
Raw materials and consumables	445	401

### 9 Debtors: amounts falling due within one year

	1999 £'000	1998 (Restated) £'000
Amounts owed by fellow subsidiary undertakings	10,211	1,504
Other debtors	884	517
Prepayments and accrued income	1,140	1,570
Prepaid pension contributions	1,192	1,192
Total	13,427	4,783

### 10 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Trade creditors	1,551	961
Amounts owed to fellow subsidiary undertakings	992	2,050
Corporation tax	3,495	-
Other tax and social security	1,014	991
Other creditors	641	545
Accruals and deferred income	7,591	6,929
Total	15,284	11,476

### 11 Provisions For Liabilities and Charges

	£'000
Balance at beginning of year (As restated. See note 1b)	936
Utilised in the year	(204)
Balance at end of year	732

The provision above is in respect of future potential losses and payments associated with leased properties.

# Grosvenor Casinos Limited

## Notes To The Accounts (Continued)

### 12 Creditors: amounts falling due after one year

	1999 £'000	1998 £'000
Amounts owed to fellow subsidiary undertaking	39,230	35,106

### 13 Future Capital Expenditure

	1999 £'000	1998 £'000
Authorised and contracted	224	1,700

### 14 Commitments Under Operating Leases

As at 31 December 1999 the Company had commitments to make payments in the following twelve months under non-cancellable operating leases as set out below:

	1999		1998	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring in one year	53	-	83	-
Expiring in two to five years	227	1,078	277	885
Expiring in more than five years	2,350	-	2,191	-
Total	2,630	1,078	2,551	885

### 15 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 1999. 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)

### 16 Deferred Taxation

	As provided 1999 £'000	As provided 1998 £'000	Not provided 1999 £'000	Not provided 1998 £'000
Capital allowances	-	-	1,449	2,439
Other timing differences	-	-	(357)	(337)
Total	-	-	1,092	2,102

### 17 Reconciliation Of Movement In Shareholders' Funds

	1999 £'000	1998 £'000
Opening shareholders' funds	99,636	95,874
Prior year adjustment (note 1b)	-	(870)
Opening shareholders' funds (As restated)	99,636	95,004
Profit for the financial year	9,854	4,632
Closing shareholders' funds	109,490	99,636

### 18 Share Capital

	1999 Authorised £'000	1999 Issued and fully paid £'000	1998 Authorised £'000	1998 Issued and fully paid £'000
Ordinary Shares of £1 each	40,000	40,000	40,000	40,000

### 19 Reserves

	Revaluation Reserve £'000	Profit and Loss account £'000
Balances brought forward (As restated. See note 1b)	49,507	10,129
Profit for the financial year	-	9,854
Balances carried forward	49,507	19,983

# Grosvenor Casinos Limited

## Notes To The Accounts (Continued)

### 20 Directors And Employees

	1999 £'000	1998 £'000
Total Directors' emoluments consist of:		
Emoluments	698	440
Contributions to pension schemes	31	32
<b>Total</b>	<b>729</b>	<b>472</b>
Emoluments of highest paid director	353	207
Contributions to pension schemes of highest paid director	16	14
<b>Total</b>	<b>369</b>	<b>221</b>

Accrued pension benefits as at 31 December 1999 for the highest paid director were Plan Cash of £66,267 and Pension at £27,979.

Retirement benefits were accruing under the Rank Group defined benefit pension scheme for three of the Directors as at 31 December 1999.

	1999 £'000	1998 £'000
Employee costs (including Directors) consist of:		
Wages and salaries	43,116	42,193
Social security costs	3,345	3,356
Pension costs	922	875
	<b>47,383</b>	<b>46,424</b>

The actual contributions paid to The Rank Group Pension Plan in the period to 31 December 1999 totalled £922,000 (1998: £933,000). At 31 December 1999 there was a prepayment in debtors of £1,192,000 (1998: £1,192,000) resulting from the difference between pension costs charged in the accounts and the amounts funded to date.

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

	1999	1998
Full time	2,511	2,719
Part time	309	192
	<b>2,820</b>	<b>2,911</b>

# **Grosvenor Casinos Limited**

## **Notes To The Accounts** (Continued)

### **21 Contingent Liabilities**

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

### **22 Ultimate Parent Undertaking**

The ultimate parent undertaking and controlling party is The Rank Group Plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of The Rank Group Plc consolidated financial statements can be obtained from the Company Secretary at 6 Connaught Place, London, W2 2EZ.

### **23 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.