

GROSVENOR CASINOS LIMITED
Registered No. 877080

REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2014

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GROSVENOR CASINOS LIMITED

STRATEGIC REPORT

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.

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. Against this backdrop, the key elements of the strategy are:

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 £25.6m for the year (year ended 30 June 2013: £14.1m) and revenue of £243.9m (year ended 30 June 2013: £256.1m). In 2014 the Company recorded exceptional income of £0.3m (year ended 30 June 2013: £1.2m) and incurred exceptional costs of £7.9m (year ended 30 June 2013: £12.7m). Further details of these exceptional items are shown in note 2 to the financial statements.

The balance sheet as at 30 June 2014 shows net current assets of £167.5m (30 June 2013: £135.5m), 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.

The Company will continue to look for opportunities to improve and expand its G Casino portfolio through relocations and conversions of existing operations. In the year ended 30 June 2014, the Company carried out a major refurbishment and expansion of its London flagship Victoria casino. The Company will continue to undertake conversions of additional sites to the G Casino format with a new G Casino opening in Southend in September 2014.

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 29 to 32 of the Group's 2014 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.

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;

GROSVENOR CASINOS LIMITED

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

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;

IT outsourcing – the Company receives IT services from a subsidiary of The Rank Group Plc which is in the process of outsourcing certain of its IT services including helpdesk, desktop support, server administration and network operations. There are inherent risks in undertaking a project of this nature and importance, including supplier selection, implementation, the impact on employee morale and retention during the consultation and transition periods, and effective communication with the supplier; and

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



H. B. Birch
Director

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

Date: 16 December 2014

GROSVENOR CASINOS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 2014.

Directors

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

Mr H. B. Birch (appointed 6 May 2014)

Mr M. I. Burke (resigned 6 May 2014)

Mr P.C. Urban (resigned 31 October 2014)

Mr C.A.R. Jennings

Dividends

The directors do not recommend the payment of a dividend (2013: £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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- present fairly the financial position, financial performance, and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union 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 IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements for the Company on the going concern basis, unless it is appropriate to assume that the Company will not continue in business, in which case there should be supporting assumptions or qualifications.

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

GROSVENOR CASINOS LIMITED
DIRECTORS' REPORT (CONTINUED)

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

Details of financial risk management objectives and policies and details of the use of financial instruments by the Company are disclosed in notes 22 and 23.

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 and Young LLP will continue as auditors of the Company.

By order of the board



H. B. Birch
Director

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

Date: 15 December 2014

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 2014 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the Accounting Policies and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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

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

Date 15 December 2014

GROSVENOR CASINOS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Revenue		243,889	256,109
Cost of sales		(150,240)	(157,943)
Gross profit		93,649	98,166
Other operating costs		(61,958)	(71,793)
Exceptional operating income	2	271	1,194
Exceptional operating costs	2	(7,923)	(12,676)
Total net exceptional costs		(7,652)	(11,482)
Operating profit	2	24,039	14,891
Financing			
– finance income	3	1,462	883
– finance costs	3	(336)	(346)
– exceptional finance income (costs)	3	465	(1,364)
Total net finance income (costs)		1,591	(827)
Profit before tax		25,630	14,064
Taxation	4	(3,933)	(4,320)
Profit for the year		21,697	9,744

All results are from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Profit for the year	21,697	9,744
Total recognised income for the year	21,697	9,744

GROSVENOR CASINOS LIMITED
BALANCE SHEET
AT 30 JUNE 2014

		At 30 June 2014 £000	At 30 June 2013 £000
	Note		
Assets			
Non-current assets			
Intangible assets	6	70,246	68,932
Property, plant and equipment	7	91,146	105,865
Investments	8	495	495
		<u>161,887</u>	<u>175,292</u>
Current assets			
Inventories	9	804	900
Other receivables	11	191,478	165,520
Cash at bank and in hand	16	17,392	20,786
		<u>209,674</u>	<u>187,206</u>
Total assets		<u>371,561</u>	<u>362,498</u>
Liabilities			
Current liabilities			
Financial liabilities	12	(2,036)	(1,945)
Trade and other payables	13	(32,596)	(35,477)
Income tax payable		(6,150)	(3,698)
Provisions for other liabilities and charges	14	(1,407)	(10,595)
		<u>(42,189)</u>	<u>(51,715)</u>
Net current assets		<u>167,485</u>	<u>135,491</u>
Non-current liabilities			
Financial liabilities	12	(3,025)	(5,063)
Trade and other payables	13	(2,400)	(2,851)
Deferred tax liability	10	(11,020)	(14,207)
Provisions for other liabilities and charges	14	(3,260)	(692)
		<u>(19,705)</u>	<u>(22,813)</u>
Total liabilities		<u>(61,894)</u>	<u>(74,528)</u>
Net assets		<u>309,667</u>	<u>287,970</u>
Shareholder's equity			
Ordinary share capital	15	39,000	39,000
Other reserves		270,667	248,970
Total equity		<u>309,667</u>	<u>287,970</u>

The notes on pages 9 to 24 are an integral part of these financial statements.

These accounts were approved by the board on 15 December 2014 and signed on its behalf by:



Mr H. B. Birch Director

Date: 15 December 2014

GROSVENOR CASINOS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary share capital £000	Other reserves £000	Total £000
At 30 June 2012	39,000	239,228	278,228
Comprehensive Income:			
Profit for the year	-	9,744	9,744
Transactions with owners:			
Credit in respect of employee share schemes	-	(2)	(2)
At 30 June 2013	39,000	248,970	287,970
Comprehensive Income:			
Profit for the year	-	21,697	21,697
At 30 June 2014	39,000	270,667	309,667

Other reserves include retained earnings and an amount of undistributable reserves related to a previous revaluation of properties. The Company adopted a policy of revaluing these fixed assets under UK GAAP, and, in accordance with IFRS 1, these values have been frozen and treated as deemed cost on transition to IFRS.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Cash flows from operating activities			
Cash generated from operations	17	34,031	45,259
Interest paid		(578)	(331)
Net cash from operating activities		<u>33,453</u>	<u>44,928</u>
Cash flows from investing activities			
Acquisition of business		(80)	(80)
Proceeds from sale of property, plant and equipment		-	65
Purchase of property, plant and equipment		(11,837)	(20,416)
Net cash used in investing activities		<u>(11,917)</u>	<u>(20,431)</u>
Cash flows from financing activities			
Finance lease principal repayment		(1,947)	(1,634)
Funding provided to other fellow subsidiary undertakings		(22,983)	(20,622)
Net cash used in financing activities		<u>(24,930)</u>	<u>(22,256)</u>
Net (decrease) increase in cash and cash equivalents		(3,394)	2,241
Cash and cash equivalents at start of year		20,786	18,545
Cash and cash equivalents at end of year	16	<u>17,392</u>	<u>20,786</u>

GROSVENOR CASINOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

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

A Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS. 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 in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out in the relevant accounting policies below. The best estimate of the directors may differ from the actual results.

(i) Standards, amendments 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 2013:

- IFRS1 First-time Adoption of International Reporting Standards – Government Loans
- IFRS7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)
- IFRS13 Fair Value Measurement
- IAS19 Employee Benefits (Revised)

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

(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 2013:

- IFRS10 Consolidated Financial Statements – Effective 1 January 2014
- IFRS11 Joint Arrangements – Effective 1 January 2014
- IFRS12 Disclosure of Interests in Other Entities – Effective 1 January 2014
- IAS27 Separate Financial Statements (Revised) – Effective 1 January 2014
- IAS28 Investments in Associates and Joint Ventures (Revised) – Effective 1 January 2014
- IAS32 Financial Instruments: Presentation – Offsetting financial Asset and Financial Liabilities (Amendment) – Effective 1 January 2014
- IAS36 Recoverable Amount Disclosures for Non-Financial Assets – Effective 1 January 2014
- IAS39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment) – Effective 1 January 2014
- IFRIC21 Levies - Effective 1 January 2014

It is not anticipated that the adoption of the above standards, amendments and interpretations will have a material impact on the 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 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.

GROSVENOR CASINOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

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 Property, plant and equipment

Property, plant and equipment is 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 property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

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

E Impairment of intangible assets and property, plant and equipment

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.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

E Impairment of intangible assets and property, plant and equipment (continued)

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 to sell 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.

I Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a “first in – first out” basis. 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 inventories.

J Other receivables

Other receivables 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 payables

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

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

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.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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 2014 £000	Year ended 30 June 2013 £000
Staff costs	18	78,700	81,623
Cost of inventories recognised as expense		10,050	8,917
Depreciation of property, plant and equipment			
- owned assets		14,734	13,954
- finance lease assets		1,805	1,804
Amortisation of intangibles		178	80
Loss on disposal of fixed assets		75	552
Exceptional costs (see below)		7,652	11,482
Operating lease rentals			
- minimum lease payments		12,877	13,421
- sub lease income		(391)	(415)
Repairs and maintenance expenditure on property, plant and equipment		2,878	2,800

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

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

		Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Exceptional operating income:			
Release of VAT partial exemption provision	14	(271)	-
Reversal of impairment on property, plant and equipment	7	-	(1,194)
		(271)	(1,194)
Exceptional operating costs:			
Impairment charge on property, plant and equipment	7	4,313	701
Charge from provision for onerous leases	14	3,610	69
Net loss on club closures and disposals		-	362
Impairment charge on intangible assets	6	-	1,100
Provision for indirect taxation		-	6,420
Provision for VAT repayment		-	4,024
		7,923	12,676
Total exceptional operating cost		7,652	11,482

Year ended 30 June 2014

The company recognised an impairment charge of £4,313,000 in respect of property, plant and equipment, 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.

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

Year ended 30 June 2013

The Company recognised an impairment charge of £1,100,000 in respect of a non-operating licence, to reflect local market conditions. The Company also recognised an impairment charge of £701,000 in respect of property, plant and equipment, of which the only significant charge was £500,000 in respect of an E-casino that had not performed in line with expectations. The Company also reversed previous impairment charges of £1,194,000 in respect of two casinos where changes in the competitive environment led to improvements in performance.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2. Operating profit for the year (continued)

The Company incurred a charge of £69,000 in respect of a closed site, in order to provide for anticipated dilapidation expenses related to the end of the lease term.

The Company recognised a provision of £6,420,000 in relation to a historic indirect taxation issue. The amount represented the directors' best estimate of the expected outflow likely to arise.

The Company also recognised a provision of £4,024,000 in relation to a VAT repayment to HMRC. See note 14 for further details.

The Company also recognised a further exceptional cost of £363,000 relating to the disposal of a non-operating casino licence.

3. Financing

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Finance income		
Interest receivable from Group companies	1,462	883
	<u>1,462</u>	<u>883</u>
Exceptional finance income – VAT Settlement	465	-
Total	<u>1,927</u>	<u>883</u>
Finance costs		
Interest payable on finance leases	(320)	(325)
Unwinding of discount in provisions	(16)	(21)
	<u>(336)</u>	<u>(346)</u>
Exceptional finance cost – VAT settlement	-	(1,100)
Exceptional finance cost – indirect taxation	-	(264)
Total	<u>(336)</u>	<u>(1,710)</u>

The exceptional finance income in the current year is in respect of VAT settlements in the year. See note 14 for further details.

4. Taxation

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Current tax		
UK corporation tax in respect of current year	7,813	6,219
Adjustment in respect of prior years	53	(8)
Exceptional items	(746)	(2,809)
Total current tax	<u>7,120</u>	<u>3,402</u>
Deferred tax		
Origination and reversal of timing differences	(211)	212
Exceptional items	(785)	-
Deferred tax adjustment	(1,694)	(615)
Adjustment in respect of prior years	(497)	1,321
Total deferred tax	<u>(3,187)</u>	<u>918</u>
Tax charge in the income statement	<u>3,933</u>	<u>4,320</u>

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

4. Taxation (continued)

The current tax on exceptional items includes a tax credit of £812,000 relating to onerous lease provisions, a tax charge of £61,000 related to provisions for indirect taxes and a tax charge of £5,000 on finance income relating to a VAT settlement. In the prior year, the current tax on exceptional items included a tax credit of £1,541,000 relating to a provision for indirect taxes, as well as a tax credit of £1,268,000 relating to a provision for repayment of a VAT refund.

Deferred tax on exceptional items includes a tax credit of £785,000 (2013: £nil) on the reversal of impairments of property, plant and equipment.

The tax on the Company's profit before tax differs from the standard rate of UK corporation tax in the period of 22.5% (2013: 23.75%). The differences are explained below:

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Profit before tax	25,630	14,064
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.5% (2013: 23.75%)	5,767	3,340
Effects of:		
Expenses not deductible for tax purposes	462	300
Income not subject to tax	(109)	(18)
Adjustment in respect of prior years	(444)	1,313
Deferred tax restatement	(1,694)	(615)
Transfer pricing adjustment	(49)	-
Tax charge in the income statement	3,933	4,320

The above numbers are shown net of a deferred tax credit of £1,694,000 (2013: £615,000) arising from the reduction in the headline UK corporation tax rate from 23% to 20%.

On 23 March 2013, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 21% with effect from 1 April 2014 and a further 1% reduction to 20% from 1 April 2015. These changes were substantively enacted in July 2013. The rate reductions will reduce the amount of cash tax payments to be made by the Company.

5. Impairment review of intangible assets

The carrying value of indefinite life casino licences as at 30 June 2014 was £68,629,000 (at 30 June 2013: £68,629,000).

The inherent value of casino licences is deemed to be an intrinsic part of the value of the operation of casinos as a whole and is therefore not split out from each Grosvenor casino in an impairment review. Each Grosvenor casino has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Grosvenor casino, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections, over the length of the associated lease or 50 years for freehold properties, based on the Company's budget for 2014-15, the Company's strategic plan for the following two years and a growth rate of 2.0% (2013: 2.0%) thereafter. Both the Company's budget and strategic plan have been approved by The Rank Group Plc's board of directors. Estimates of the fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions or, where applicable, offers received.

The key assumptions in the calculation of value in use are customer visits, spend per visit, casino duty, machine gaming duty and the discount rate. Customer visits are the number of discrete visits by members to the casino and have been based on historic trends. Spend per visit comprises the average amount of money (net of winnings) spent per visit on gaming tables, machines and food and beverages. This has also been determined by historic trends. Casino duty is levied in bands of between 15% and 50% depending upon the level of gaming win at each casino. The bands and rates have been assumed to remain at current levels without indexation. Machine gaming duty is levied at rates of 5% to 20% depending upon certain criteria.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. Impairment review of intangible assets (continued)

The table below outlines the possible changes in key assumptions that could cause the carrying value of the individual licences to exceed their recoverable amount. These are:

Key Factors	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits, Spend per visit
Deterioration in economic conditions	Customer visits, Spend per visit
Changes in regulation	Customer visits, Spend per visit
Changes in taxation	Casino duty, Machine Gaming duty

With the exception of a prolonged non-operation of a UK casino licence arising from one or more of the possible changes outlined above, the directors do not believe that there are any reasonably possible changes to the key assumptions that would result in an additional material impairment of a UK casino licence.

6. Intangible assets

	Computer software £000	Casino licences £000	Total £000
Cost			
At 1 July 2012	2,427	78,232	80,659
Additions	168	448	616
At 30 June 2013	2,595	78,680	81,275
Additions	1,492	-	1,492
At 30 June 2014	4,087	78,680	82,767
Aggregate amortisation and impairment			
At 1 July 2012	(2,212)	(8,951)	(11,163)
Charge for the year	(80)	-	(80)
Provision for impairment	-	(1,100)	(1,100)
At 30 June 2013	(2,292)	(10,051)	(12,343)
Charge for the year	(178)	-	(178)
At 30 June 2014	(2,470)	(10,051)	(12,521)
Net book value			
At 30 June 2012	215	69,281	69,496
At 30 June 2013	303	68,629	68,932
At 30 June 2014	1,617	68,629	70,246

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

7. Property, plant and equipment

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures, fittings, plant and machinery £000	Total £000
Cost				
At 1 July 2012	10,548	27,687	158,211	196,446
Additions	16	1,535	19,007	20,558
Inter group transfer	(70)	70	(6)	(6)
Disposals	-	(567)	(1,199)	(1,766)
At 30 June 2013	10,494	28,725	176,013	215,232
Additions	95	370	9,911	10,376
Inter group transfer	-	-	(4,788)	(4,788)
Disposals	-	(730)	(1,095)	(1,825)
At 30 June 2014	10,589	28,365	180,041	218,995
Aggregate depreciation and impairment				
At 1 July 2012	(5,966)	(11,859)	(77,423)	(95,248)
Charge for the year	(47)	(1,070)	(14,641)	(15,758)
Impairment charge (see note 2)	-	(82)	(619)	(701)
Impairment reversal (see note 2)	531	93	570	1,194
Disposals	-	-	1,146	1,146
At 30 June 2013	(5,482)	(12,918)	(90,967)	(109,367)
Charge for the year	(52)	(1,157)	(15,330)	(16,539)
Impairment charge (see note 2)	-	(649)	(3,664)	(4,313)
Inter group transfer	-	14	606	620
Reallocations	-	(167)	167	-
Disposals	-	726	1,024	1,750
At 30 June 2014	(5,534)	(14,151)	(108,164)	(127,849)
Net book value				
At 30 June 2012	4,582	15,828	80,788	101,198
At 30 June 2013	5,012	15,807	85,046	105,865
At 30 June 2014	5,055	14,214	71,877	91,146

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 2014 £000	At 30 June 2013 £000
Cost	10,772	10,772
Aggregate depreciation and impairment	(6,842)	(5,038)
Net book value	3,930	5,734

Fixtures, fittings, plant and machinery include assets held under finance leases with a net book value of £3.3m (year ended 30 June 2013: £5.0m). Leasehold land and buildings include buildings held under finance leases with a net book value of £0.6m (year ended 30 June 2013: £0.7m).

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. Investment in subsidiaries

	Investments
	£000
Cost	
At 1 July 2012, 30 June 2013 and 30 June 2014	509
Impairment	
At 1 July 2012, 30 June 2013 and 30 June 2014	(14)
Net book value	
At 1 July 2012, 30 June 2013 and 30 June 2014	495

At 30 June 2014 and 30 June 2013, 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. Inventories

	At 30 June 2014 £000	At 30 June 2013 £000
Finished goods	804	900

There were no write downs of inventory in either year.

10. Deferred tax

	At 30 June 2014 £000	At 30 June 2013 £000
Accelerated capital allowances	2,337	1,217
Other temporary differences	223	257
Deferred tax asset	2,560	1,474
Casino licences	(13,580)	(15,681)
Deferred tax liability	(13,580)	(15,681)
Net deferred tax liability	(11,020)	(14,207)
Accelerated capital allowances	1,120	(1,709)
Casino licences	2,101	946
Other temporary differences	(34)	(155)
Deferred tax benefit (expense) in the income statement	3,187	(918)
The reconciliation of movement in the net deferred tax liability is as follows:		
Net deferred tax liability at start of year	(14,207)	(13,289)
Deferred tax benefit (expense) in the income statement	3,187	(918)
Net deferred tax liability at end of year	(11,020)	(14,207)

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. Other receivables

	At 30 June 2014 £000	At 30 June 2013 £000
Amounts owed by parent and fellow subsidiary undertakings	182,713	157,766
Other receivables	494	63
Prepayments and accrued income	8,271	7,691
Amounts falling due within one year	191,478	165,520

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

The carrying values of receivables are assumed to approximate to their fair value due to the short term nature of the receivables. This includes amounts owed by related undertakings which are unsecured and repayable on demand.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable disclosed above. The Company does not hold any collateral as security.

12. Financial liabilities

	At 30 June 2014 £000	At 30 June 2013 £000
Finance lease obligations	2,036	1,945
Current	2,036	1,945
Finance lease obligations	3,025	5,063
Non-current	3,025	5,063

13. Trade and other payables

	At 30 June 2014 £000	At 30 June 2013 £000
Trade payables	7,382	8,127
Amounts owed to subsidiary undertakings	1,454	507
Other tax and social security	13,176	16,002
Accruals	9,950	8,444
Interest repayable	634	2,317
Deferred consideration	-	80
Current	32,596	35,477
Other payables	2,400	2,851
Non-current	2,400	2,851

The Company's trade payables are all due within one year. Due to the short term nature of these payables the carrying value equates to the contractual amount due as the impact of discounting is not considered material.

Amounts owed to subsidiary undertakings are repayable on demand and accordingly have no set maturity date. The Company has provided no collateral as security.

On 23 April 2009, the Company acquired the casino at the Ricoh Arena in Coventry from Isle of Capri Limited for a total purchase consideration of £693,000. The consideration included £400,000 of deferred consideration payable in five equal annual instalments on the anniversary of the date of acquisition, none of the deferred consideration remained outstanding at the year end (2013: £80,000). No goodwill arose on the acquisition.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14. Provision for other liabilities and charges

	Property Leases £000	Indirect Tax Provision £000	VAT Repayment Provision £000	Total £000
At 1 July 2013	843	6,420	4,024	11,287
Charged to the income statement	3,610	-	-	3,610
Released to the income statement	-	(271)	-	(271)
Utilised in period	(98)	(6,149)	(3,728)	(9,975)
Unwinding of discount	16	-	-	16
At 30 June 2014	4,371	-	296	4,667
			At 30 June 2014 £000	At 30 June 2013 £000
Current			1,407	10,595
Non-current			3,260	692
Total			4,667	11,287

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. The Company also provided for the unavoidable costs to restore a property to its original condition under contractual obligations. These leases have a weighted average life of 9 years (2013: 6 years). Provisions have been discounted at a risk free interest rate of 2.5% (2013: 2.5%) where the effect of inflation will have a material impact.

Indirect tax provision – The Company recognised a provision in the prior year for historic indirect taxation issues. This provision has been settled during the year.

VAT repayment provision – In May 2010, the company received £4,681,000 (£VAT of £4,024,000 plus interest) in respect of a claim for repayment of overpaid VAT on amusement machines. During the prior year, the Court of Appeal found in favour of HMRC and consequently an amount of £4,024,000 was provided, along with an accrual for interest of £1,100,000 (being the interest originally received plus interest since receipt).

During the current year, payments of £3,728,000 were made against the provision with the remaining balance of £296,000 being the directors best estimate of the outflow likely to arise. A further payment of £635,000 will be made in respect of the interest accrued, with the remaining accrued interest balance of £465,000 released to the income statement.

The Company has been granted leave to appeal to the Supreme Court in respect of these repayments and it therefore remains possible that the Company will not ultimately be liable for these amounts.

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

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

16. Cash and cash equivalents

For the purposes of the Cash Flow statement, cash and cash equivalents comprise the following:

	At 30 June 2014 £000	At 30 June 2013 £000
Cash at bank and in hand	17,392	20,786

17. Cash generated from operations

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Reconciliation of operating profit to cash generated from operations:		
Operating profit	24,039	14,891
Exceptional items	7,652	11,482
Cash utilisation of provisions	(9,975)	(184)
Depreciation and amortisation	16,717	15,838
Loss on sale of asset	75	182
(Decrease) increase in working capital	(4,477)	3,050
Cash generated from operations	34,031	45,259

18. Employees and directors

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Employee benefit expense during the year		
Wages and salaries	69,522	73,205
Social security costs	5,816	6,276
Pension contribution costs	2,843	1,807
Other pension costs	345	182
Redundancy and severance payments	174	151
Share based payments	-	2
Total	78,700	81,623

The average monthly number of employees in the year was 4,178 (year ended 30 June 2013:4,236).

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Directors		
Aggregate emoluments	718	967
Company contributions to pension schemes	100	139
Total	818	1,106
Highest paid director		
Aggregate emoluments	309	402
Company contributions to pension schemes	19	92
Total	328	494

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. All key management are directors of the Company.

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

19. 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 2014 were £2,843,000 (year ended 30 June 2013: £1,807,000).

20. 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 31 years. Future minimum rentals payable under non-cancellable operating leases are as follows:

	At 30 June 2014 £000	At 30 June 2013 £000
Not later than one year	12,543	10,950
After one year but not more than five years	48,990	44,751
After five years	80,711	83,050
Total future minimum rentals payable	<u>142,244</u>	<u>138,751</u>
 Total future minimum sub-lease income expected	 <u>2,068</u>	 <u>2,330</u>

(ii) Finance leases – The minimum lease payments under finance leases, together with the present value of the minimum lease payments, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2014 £000	At 30 June 2013 £000	At 30 June 2014 £000	At 30 June 2013 £000
Not later than one year	2,265	2,265	2,036	1,945
After one year but not more than five years	2,543	4,637	2,170	4,108
After five years	1,387	1,559	855	955
	<u>6,195</u>	<u>8,461</u>	<u>5,061</u>	<u>7,008</u>
Less future finance charges	(1,134)	(1,453)		
Present value of minimum lease payments	<u>5,061</u>	<u>7,008</u>		
 Total future minimum sub-lease income expected			 <u>-</u>	 <u>7</u>

21. Capital commitments

	At 30 June 2014 £000	At 30 June 2013 £000
Contracts placed for future capital expenditure but not provided in the financial information	<u>2,873</u>	<u>3,082</u>

GROSVENOR CASINOS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

22. Financial assets and liabilities

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

	Loans and receivables	
	At 30 June	At 30 June
	2014	2013
	£000	£000
Other receivables	182,713	157,766
Cash at bank and in hand	17,392	20,783
Total	200,105	178,549

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

	Other financial liabilities	
	At 30 June	At 30 June
	2014	2013
	£000	£000
Finance lease obligations	5,061	7,008
Property leases	4,371	843
Trade and other payables	21,199	21,669
Total	30,631	29,520

23. Financial risk management

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. However, as a wholly owned subsidiary of The Rank Group Plc many of these risks are combined on a group basis and managed by a centralised treasury team. The treasury team identifies, evaluates and hedges financial risk in close co-operation with the Company and with the overall aim to minimise potential adverse effects on performance.

Market risk

(i) Foreign currency risk

The Company's operations are all located in the UK and transacted in UK Sterling. Accordingly the Company has no foreign exchange risk arising from foreign currency exposures.

(ii) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from loan balances between related parties and on finance leases. Interest on the related party loans is fixed annually by the central treasury team at the commencement of each financial period, and all finance leases are at fixed rates of interest.

As a result of no significant foreign exchange or interest rate risk exposure of financial instruments on an entity level, changes in the risk variables are not considered to have a significant effect on the Company's income statement or equity.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding receivables (including amounts owed by related undertakings).

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the finance director, and may be updated throughout the period subject to the approval of the Group's finance committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The credit worthiness of each counterparty is checked against independent credit ratings on at least a weekly basis, with a minimum rating of 'BB' required. No credit limits were exceeded during the year and management does not expect any loss from non-performance of its counterparties.

GROSVENOR CASINOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23. Financial risk management – Credit risk (continued)

All retail sales are settled by cash or using major credit cards. There were no material balances outstanding at either balance sheet date.

The Company is exposed to credit risk on amounts owed by related undertakings. The performance of all subsidiary undertakings of The Rank Group Plc are monitored at group level, including frequent projections of future performance to ensure funding to related undertakings provide a suitable return to the group and remain recoverable. Where losses are forecast, actions are taken to mitigate the loss and maximise the recoverability of receivables. Further credit quality information on trade and other receivables is disclosed in note 11.

Liquidity risk

The Rank Group Plc manages the liquidity risk of its subsidiaries on a Group basis. Regular cash forecasts, which include forecasts of the Company, are produced to identify the liquidity requirements of the Group. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly to ensure sufficient headroom exists for at least a 12 month period. Due to the dynamic nature of the business, the central treasury team aim to maintain flexibility in funding by keeping committed credit lines available. A three year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages the Group's financing requirements and the range of maturities on its debt.

The Group's core debt facility is an £80.0m (2013: £80.0m) bank facility comprising four £20.0m bi-lateral bank facilities which expire in January 2017 and a £140.0m (2013: £140.0m) bank facility comprising two £70.0m bi-lateral bank facilities which expire in May 2016. The Group proactively manages its relationships with its lending group.

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company defines shareholders' equity as capital and aims to maintain positive equity. In order to monitor the capital structure the Company performs regular forecasts and carries out an annual strategic plan for the next three years. The Company may pay dividends, return capital to shareholders or issue new shares to adjust capital.

24. Parent undertakings and related party transactions

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

The ultimate parent undertaking is Hong Leong Company (Malaysia) Berhad (Hong Leong), which is incorporated in Malaysia. Hong Leong is the parent undertaking of the largest group to consolidate these financial statements.

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://rank.com/downloads/annual_reports/2014/annual_report_and_financial_statements_2014.pdf or by written request to the Company Secretary at Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.

Amounts due from the immediate parent and fellow subsidiary undertakings are unsecured, repayable on demand and incurred interest at 0.88% (2013: 1.18%). Amounts owed to subsidiary undertakings are unsecured, repayable on demand and interest free.

Details of compensation of key management are disclosed in note 18.

25. Contingent liabilities

Concurrent to a sale and leaseback transaction in 2006, the Company transferred the rights and obligations but not the legal titles of a number of property leases to a third party. The Company remains potentially liable in the event of default by the third party. Should default occur then the Company would have recourse to two guarantors. It is understood that, of the leases transferred, only one of these has not expired or been surrendered. This lease has a duration of 13 years and a current annual rental obligation (net of sub-let income) of approximately £328,000.

During the year, the Company became aware of certain information in respect of deterioration 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.