SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

January 25, 1995
(Date of earliest event reported)

ITT CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	1-5627	13-5158950
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

1330 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK	10019-5490
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(212) 258-1000

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

The registrant announced on January 25, 1995, that the cash tender offer by an ITT subsidiary for all the outstanding shares of common stock of Caesars World, Inc. at $67.50 per share had expired and that all shares validly tendered pursuant to the offer had been accepted for payment. 24,130,291 shares of common stock of Caesars World, Inc., representing approximately 92.9 percent of the outstanding shares on a fully diluted basis, were finally tendered. The registrant expects to consummate a merger of the ITT subsidiary into Caesars World, Inc. on March 2, 1995. Caesars World, Inc. operates three hotel-casinos in Las Vegas, Atlantic City and Lake Tahoe, a number of non gaming resorts in the Pocono mountains of Pennsylvania and, in conjunction with two partners, also manages a casino owned by the Ontario government in Windsor, Canada. Total sales and net income of Caesars World, Inc. for its fiscal year ended July 31, 1994, were $1.0 billion and $78 million, respectively.

ITEM 5. OTHER EVENTS.

On January 27, 1995, ITT Financial Corporation, a wholly owned subsidiary of the registrant, announced that requisite consents for each series have been received on its consent solicitation to amend certain covenants of $3.4 billion principal amount of public debt securities. The amendments will conform the covenants to those contained in recent issues of public debt securities of the registrant. As previously announced, it is expected that ITT Financial will sell all or substantially all of its businesses and assets to various purchasers during 1995. In connection with the sale, it is planned that ITT Financial will merge into the registrant. Thereafter, the registrant will become the obligor on the securities.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

The Pro Forma Financial Information pursuant to Item 7(b) has not been included in this filing because it was impracticable to prepare such financial information for filing on this date. The Registrant will file such Pro Forma Financial Information by April 2, 1995.

See Exhibit Index for exhibits filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ITT CORPORATION

By /s/ Walter F. Diehl, Jr.

Walter F. Diehl, Jr.
Vice President and
Associate General Counsel

Dated: February 6, 1995

EXHIBIT INDEX

Exhibit Number	Description	Location
99	Financial Statements with respect to Caesars World, Inc.	Filed herewith

FORM 10-Q

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 1994

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________________ to __________________

Commission file number 1-5976

CAESARS WORLD, INC.
(Exact name of registrant as specified in its charter)

FLORIDA	59-0773674
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1801 CENTURY PARK EAST, SUITE 2600, LOS ANGELES, CALIFORNIA	90067
(Address of principal executive offices)	(Zip Code)

(310) 552-2711
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES /X/ NO / /

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. YES / / NO / /

APPLICABLE ONLY TO CORPORATE ISSUERS:

At December 8, 1994, registrant had outstanding 25,120,463 shares of its $.10 par value common stock.

CAESARS WORLD, INC. AND SUBSIDIARIES
OCTOBER 31, 1994

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CAESARS WORLD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS	OCTOBER 31, 1994 (Unaudited)	JULY 31, 1994 (a)
Current assets		
Cash and cash equivalent investments	$ 155,932	$ 143,499
Receivables, net	69,537	71,341
Deferred income taxes	37,120	37,120
Inventories, prepaid expenses and other	28,359	24,881
Total current assets	290,948	276,841
Property and equipment, net	622,711	626,740
Excess cost of investments over net assets acquired, net	52,609	52,671
Other assets	56,932	61,769
	$1,023,200	$1,018,021
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 27,778	$ 27,778
Accounts payable and accrued expenses	113,307	132,337
Income taxes	32,572	19,186
Total current liabilities	173,657	179,301
Long-term debt, net of current maturities	198,667	212,556
Other liabilities, including deferred income taxes of $19,158 and $20,015	68,962	69,297
Shareholders' equity		
Common stock	2,645	2,620
Additional paid-in capital	138,165	128,028
Common stock in treasury	(33,182)	(32,695)
Deferred compensation	(26,664)	(18,852)
Retained earnings	500,950	477,766
Total shareholders' equity	581,914	556,867
	$1,023,200	$1,018,021

(a) The balance sheet at July 31, 1994 has been condensed from the audited balance sheet at that date.

See notes to condensed consolidated financial statements.

CAESARS WORLD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY - (UNAUDITED)
THREE MONTHS ENDED OCTOBER 31, 1994
(In thousands, except shares outstanding)

	COMMON STOCK						
	SHARES OUTSTANDING	AMOUNT	ADDITIONAL PAID-IN CAPITAL	COMMON STOCK IN TREASURY	DEFERRED COMPENSATION	RETAINED EARNINGS	TOTAL
Balance July 31, 1994	24,872,862	$2,620	$128,028	$(32,695)	$(18,852)	$477,766	$556,867
Stock options exercised	28,288	3	417	-	-	-	420
Amortization of deferred compensation, termination of restricted stock grants and other, net	(9,754)	-	-	(487)	1,930	-	1,443
Issuance of restricted stock grants	226,017	22	9,720	-	(9,742)	-	-
Net income	-	-	-	-	-	23,184	23,184
Balance October 31, 1994	25,117,413	$2,645	$138,165	$(33,182)	$(26,664)	$500,950	$581,914

See notes to condensed consolidated financial statements.

CAESARS WORLD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME - (UNAUDITED)
(In thousands, except net income per share)

	THREE MONTHS ENDED OCTOBER 31,	
	1994	1993
REVENUE		
Casino	$192,329	$208,660
Rooms	18,508	19,934
Food and beverage	21,008	22,313
Earnings of unconsolidated affiliate	1,479	-
Other income	19,187	18,176
	252,511	269,083
COSTS AND EXPENSES		
Casino	109,797	105,175
Rooms	4,706	5,938
Food and beverage	15,541	16,461
Other operating expenses	11,130	11,043
Selling, general and administrative	50,596	47,876
Depreciation and amortization	14,031	13,752
Provision for doubtful accounts	5,851	18,236
	211,652	218,481
Operating income	40,859	50,602
Interest and dividend income	1,396	928
Interest expense, net	(4,861)	(5,110)
Income before income taxes	37,394	46,420
Income taxes	14,210	18,572
Net income	$ 23,184	$ 27,848
Net income per share	$.94	$1.14
Average number of common and common equivalent shares outstanding	24,609	24,513

See notes to condensed consolidated financial statements.

CAESARS WORLD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (UNAUDITED)
(In thousands)

	THREE MONTHS ENDED OCTOBER 31, 1994	THREE MONTHS ENDED OCTOBER 31, 1993
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Net income	$ 23,184	$ 27,848
Non-cash charges to income, net	15,689	15,250
Changes in assets and liabilities due to operating activities:		
Accounts payable and accrued expenses	(18,520)	(1,288)
Income taxes payable	13,386	18,840
Other assets and liabilities, net	4,018	(6,222)
Net cash provided from operating activities	37,757	54,428
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchases of property and equipment	(9,892)	(16,190)
Other investing activities, net	(978)	(1,035)
Net cash used for investing activities	(10,870)	(17,225)
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Reductions in debt and obligations under capital leases	(14,388)	(15,752)
Other	(67)	300
Net cash used for financing activities	(14,455)	(15,452)
NET INCREASE IN CASH AND CASH EQUIVALENT INVESTMENTS	12,432	21,751
Cash and cash equivalent investments at the beginning of the period	143,499	108,616
Cash and cash equivalent investments at the end of the period	$155,931	$130,367
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash used for:		
Payment of interest	$ 8,223	$ 7,955
Payment of Federal and state income taxes, net	$ 157	$ 58

See notes to condensed consolidated financial statements.

CAESARS WORLD, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Condensed Consolidated Financial Statements -- The Condensed Consolidated Balance Sheet as of October 31, 1994, the Consolidated Statement of Shareholders' Equity for the three months ended October 31, 1994, the Consolidated Statements of Income for the three months ended October 31, 1994 and 1993, and the Condensed Consolidated Statements of Cash Flows for the three months ended October 31, 1994 and 1993, have been prepared by the Company and have not been audited. In the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. All significant intercompany balances and transactions have been eliminated.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's July 31, 1994 Annual Report to Shareholders. The results of operations for the three month period ended October 31, 1994 are not necessarily indicative of the operating results for the full year.

The Company's independent public accountants have made an unaudited interim review of the condensed consolidated financial statements for the three months ended October 31, 1994 and 1993, in accordance with professional standards and procedures established by the American Institute of Certified Public Accountants. A report from the independent public accountants regarding the unaudited review of the interim financial statements is included herein in Part II, Item 6 (a), Exhibit 15.

Note 2. Net Income Per Share -- Net income per share is based upon the weighted average number of common and common equivalent shares outstanding for each period presented.

Note 3. Regulatory Environment -- The gaming industry in which the Company operates is subject to extensive regulatory supervision and, accordingly, operating results could be affected by legislative and regulatory changes or changes in the policies of, or application of the laws by governmental entities. See also the discussion under the caption "Regulatory and Tax Environment" set forth on page 25 of the Form 10-K of the Company for the fiscal year ended July 31, 1994.

CAESARS WORLD, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 4. Contingent Receivable -- In 1993, the Company announced it had entered into a management operating agreement with one of the bidders for a casino development in New Orleans. In August 1993, the bid was awarded to another operator and the initial bidder's participation in the project ended. Subsequently, the Company's former principal joined with others and they were awarded the contract to operate the New Orleans casino development project. Pursuant to settlement of a dispute arising with the initial bidder, the Company is to receive $5,000,000 for expenses and pre- development services from the initial bidder. Previously, this receivable, in part, had been contingent (at least as to timing) on the operator completing its financing. The financing was completed in November 1994 and the receivable is due at the end of December 1994. While the Company has received an acknowledgement from a representative of the obligors that these amounts are due and the obligor is seeking financing, in view of unavailability of enough information at this time for the Company to fully evaluate this item and the uncertainity as to when collection will occur, the Company is currently planning to record realization only upon collection of this receivable. The Company will reflect collections of this item as a reduction of expenses.

Note 5. Labor Contracts -- In November 1994, the Company agreed to a new three year contract with the Culinary Workers Union and Bartenders Union covering approximately 2,500 employees in Las Vegas. Another contract covering approximately 20 theatrical stage employees has expired at Caesars Palace in Las Vegas and a tentative agreement has been reached but not yet been ratified by these employees. A work slow-down or stoppage is not expected in the Las Vegas showroom as a result of this expired contract.

Note 6. Exercise of Lease Purchase Option -- Two of the Company's resorts in the Pocono mountains of Pennsylvania are operated under leases the initial 20-year-lease terms of which expire on January 31, 1995. The leases include purchase options at the fair market value of the lease properties excluding personal property, goodwill, certain structures and other intangibles. In November 1994, the Company gave notice to the landlord that the Company will exercise its purchase options to acquire the two resort properties in fiscal 1995. The fair market value purchase price will be determined by independent appraisals. The Company has engaged an independent appraiser and the lessor has notified the Company it has engaged a separate independent appraiser. The Company is uncertain as to the amount or when the purchase option payments will be made.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations together with available debt capacity are the primary components providing the Company financial flexibility to explore expansion opportunities and provide adequate liquidity. Net cash provided from operating activities was $37.8 million in the first three months of fiscal 1995, compared with $54.4 million in the same period of fiscal 1994. The decrease in fiscal 1995 is primarily attributable to lower net income and a decrease in accounts payable and accrued expenses which reduced the cash generated by operating activities. At October 31, 1994, the Company's cash and cash equivalent investments were $155.9 million compared with $143.5 million at July 31, 1994.

Cash used for investing activities in the three months ended October 31, 1994 was primarily for capital expenditure projects at Caesars Palace in Las Vegas, Caesars Atlantic City and the Caesars Pocono Resorts in Pennsylvania. Room and suite remodeling as well as ongoing construction of the Magical Empire were the major capital expenditures in Las Vegas. The Magical Empire is expected to combine dining and intimate magical experiences in a new structure adjacent to the casino and is scheduled to open in calendar 1995. At Caesars Atlantic City building modifications are under construction to lease approximately 22,500 square feet to "Planet Hollywood" for a restaurant and entertainment facility scheduled to be opened in the spring of 1995. Twenty new Roman Tower Suites are nearly completed at Caesars Pocono Palace in Pennsylvania and are expected to be opened in stages by January 1, 1995. See Note 6 to Condensed Consolidated Financial Statements for a discussion of the payment to be made for the exercise of the lease purchase option for two of the Pocono resorts.

The Company expects to be able to meet its future debt obligations, finance operations and capital expenditures, as well as provide for a substantial expansion of operations through internally generated cash flow, liquidation of cash equivalent investments, future borrowings (including amounts available under the bank credit facilities), capital lease transactions and/or sales of equity and debt securities.

CAESARS WORLD, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS

COMPARISON OF NET INCOME FOR THE THREE MONTH PERIODS ENDED OCTOBER 31, 1994 AND OCTOBER 31, 1993

Contribution to revenue and operating income by location, interest and income taxes for the periods, were as follows (in thousands):

	THREE MONTHS ENDED OCTOBER 31,	
	1994	1993
Revenue		
Nevada	$125,614	$155,224
New Jersey	103,776	94,036
Earnings of unconsolidated affiliate	1,479	-
Casino/hotel operations	230,869	249,260
Pocono Resorts	14,597	14,492
Other(A)	7,045	5,331
Total revenue	$252,511	$269,083
Contributions to operating income		
Nevada	$ 13,376	$ 27,484
New Jersey	24,757	22,642
Earnings of unconsolidated affiliate	1,479	-
Casino/hotel operations	39,612	50,126
Pocono Resorts	4,760	5,077
Other expenses(B)	(3,513)	(4,601)
Operating income	40,859	50,602
Interest income	1,396	928
Interest expense, net	(4,861)	(5,110)
Income before income taxes	37,394	46,420
Income taxes	14,210	18,572
Net income	$ 23,184	$ 27,848

(A) Other revenue is primarily from merchandising operations.
(B) Other expenses include the contribution from merchandising operations and corporate expenses. Intercompany transactions have been eliminated.

NEVADA OPERATIONS

Revenue decreased 19 percent and contribution to operating income decreased 51 percent at the Nevada properties in the three months ended October 31, 1994 compared with the same prior year period. The lower casino revenue and operating income during the quarter resulted from a significantly lower table game win percentage compared with the year-earlier quarter. Casino losses to a small number of high-wagering table game customers in Las Vegas resulted in a table game win percentage that was 7.9 percentage points lower than last year's first-quarter table game win percentage. This lower win percentage combined with reduced table game activity more than offset the record quarterly slot results. The Nevada operations realized all-time quarterly slot machine records in both volume and win in the quarter ended October 31, 1994, primarily attributable to enhanced marketing programs. The provision for doubtful accounts at the Nevada operations decreased by $12.2 million due to a 13 percent reduction in credit issued and lower use of the provision as a marketing tool to high-wagering customers. There was also a reduction in operating expenses resulting from the decline in table game win and activity when comparing the respective fiscal quarters.

CAESARS NEW JERSEY

Revenue from Caesars Atlantic City for the first quarter ended October 31, 1994 increased 10 percent and contribution to operating income increased 9 percent from the same prior year quarter. Record results for any previous quarter in both casino activity and win were realized at Caesars Atlantic City with record results from slot machines being the primary contributor to the first quarter improvement. Another positive impact on the quarterly comparisons came from Caesars Atlantic City's Simulcast Casino which opened with horse race betting and poker in October 1993 and subsequently the introduction of other games. Increased casino costs and higher marketing expenses, primarily related to more extensive casino busing programs, partially offset the casino revenue increase in New Jersey.

UNCONSOLIDATED AFFILIATE

During the fiscal 1995 first quarter, the Company had a positive contribution to revenue and operating income from an unconsolidated affiliate in Windsor, Ontario, Canada. Caesars World has a one-third ownership of the company operating the casino on behalf of the Ontario government. The casino in Windsor opened in May 1994.

OTHER EXPENSES

The reduction in other expenses of $1.1 million in the first quarter of fiscal 1995 compared with the year earlier quarter was primarily attributable to reimbursement of pre-opening expenses incurred in prior periods for the operation in Windsor, Canada and improved contribution from the Company's merchandising operations.

INCOME TAXES

The higher income tax rate in the first fiscal quarter of last year was primarily due to the adoption of FASB 109 and a retroactive tax rate adjustment during the first quarter of fiscal 1994.

CAESARS WORLD, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Item 3 of the Form 10-K of the Company for the fiscal year ended July 31, 1994 which is hereby incorporated herein.

Item 2. Changes in Securities

On December 8, 1994, the Board of Directors of the Company approved an amendment (the "Amendment") to the Rights Agreement, dated as of January 10, 1989, between the Company and Morgan Shareholder Services Trust Company (the "Rights Agreement"), which affects the Rights previously issued to shareholders of the Company pursuant to the Rights Agreement. The amendment requires the Board of Directors to determine whether it is in the best interests of the Company to decide that a person or entity which would otherwise meet the criteria of an "Unqualified Gaming Person" (as defined in the Rights Agreement) should be so deemed by the Board. No other provisions of the Rights Agreement were affected.

Item 5. Other Information

With reference to the Company's 25 percent participation in the limited partnership selected as the preferred bidder to negotiate a lease to operate a gaming facility in downtown St. Louis, Missouri, a referendum was approved by the voters in November 1994 to allow slot machines and other games of chance. Negotiations are currently in process with respect to this lease opportunity, however, the ultimate composition and size of the project is now under discussion and the outcome of these negotiations and the obtaining of the ultimate approvals are uncertain.

See the "Expansion and Growth Opportunities" section of Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K for the fiscal year ended July 31, 1994 for a further discussion of this and other expansion activities.

CAESARS WORLD, INC. AND SUBSIDIARIES

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits filed herewith (the * denotes documents included in this filing):

*10(a) Amendment No. 1 dated December 9, 1994 to Rights Agreement dated January 10, 1989 between Caesars World, Inc. and First Chicago Trust Company of New York.

*10(b) First Amendment dated August 1, 1992 to Employment Agreement of Henry Gluck dated August 1, 1991.

*10(c) First Amendment dated August 1, 1992 to Employment Agreement of J. Terrence Lanni dated August 1, 1991.

*10(d) Second Amendment dated October 4, 1994 to Employment Agreement of Henry Gluck dated August 1, 1991.

*10(e) Second Amendment dated October 4, 1994 to Employment Agreement of J. Terrence Lanni dated August 1, 1991.

*15 Review Report of Independent Public Accountants

*27 Financial Data Schedule

(b) During the quarter ended October 31, 1994 a Form 8-K dated August 25, 1994 was filed and included the Company's press release of the same date announcing the earnings for the fiscal year ended July 31, 1994.

CAESARS WORLD, INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CAESARS WORLD, INC.
(Registrant)

PRINCIPAL FINANCIAL OFFICER:

Date: December 12, 1994

/s/ Roger Lee

Roger Lee
Senior Vice President-Finance and Administration

PRINCIPAL ACCOUNTING OFFICER:

Date: December 12, 1994

/s/ Bruce C. Hinckley

Bruce C. Hinckley
Vice President and Corporate Controller

CAESARS WORLD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEAR ENDED JULY 31, 1994, 1993 AND 1992
(In thousands except per share data)

	1994	1993	1992
Revenue			
Casino	$ 792,584	$772,061	$734,766
Rooms	69,766	70,035	67,768
Food and beverage	81,856	77,563	73,989
Earnings of unconsolidated affiliate	1,958	-	-
Other income	69,602	63,800	56,775
	1,015,766	983,459	933,298
Costs and expenses			
Casino	437,645	410,805	381,869
Rooms	20,377	20,413	19,932
Food and beverage	61,438	58,043	54,697
Other operating expenses	41,182	39,373	38,051
Selling, general and administrative	187,597	185,096	173,131
Depreciation and amortization	55,857	54,574	57,681
Provision for doubtful accounts	67,165	56,044	48,048
	871,261	824,348	773,409
Operating income	144,505	159,111	159,889
Dividend and interest income	3,345	1,748	989
Interest expense, net of amounts capitalized	(19,295)	(26,883)	(43,518)
Income before income taxes and extraordinary loss	128,555	133,976	117,360
Income taxes	50,194	50,761	44,652
Extraordinary loss, net of income tax benefit	-	-	(6,703)
Net income	$ 78,361	$ 83,215	$ 66,005
Net income per common share			
Income before extraordinary loss	$ 3.19	$ 3.40	$ 3.01
Extraordinary loss	-	-	(.28)
Net income	$ 3.19	$ 3.40	$ 2.73

See notes to consolidated financial statements.

CAESARS WORLD, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AT JULY 31, 1994 AND 1993
(In thousands except shares authorized and outstanding)

ASSETS

	1994	1993
Current assets		
Cash	$ 44,283	$ 41,116
Cash equivalent investments	99,216	67,500
Receivables, net	71,341	66,041
Inventories	12,986	11,364
Deferred income taxes	37,120	42,748
Prepaid expenses and other	11,895	12,366
Total current assets	276,841	241,135
Property and equipment, net	626,740	616,393
Excess cost of investments over net assets acquired	52,671	52,916
Investments in and advances to unconsolidated affiliates	12,393	-
Other assets	49,376	45,275
	$1,018,021	$955,719

LIABILITIES AND SHAREHOLDERS' EQUITY

	1994	1993
Current liabilities		
Current maturities of long-term debt	$ 27,778	$ 28,344
Accounts payable and accrued expenses	132,337	127,754
Income taxes	19,186	9,361
Total current liabilities	179,301	165,459
Long-term debt, net of current maturities	212,556	243,024
Other liabilities, including deferred income taxes of $20,015 and $29,282	69,297	74,346
Commitments and contingencies		
Shareholders' equity		
Common stock, $.10 par value; 50,000,000 shares authorized; 24,872,862 and 24,619,631 shares outstanding	2,620	2,590
Additional paid-in capital	128,028	117,399
Common stock in treasury	(32,695)	(30,358)
Deferred compensation	(18,852)	(16,146)
Retained earnings	477,766	399,405
Total shareholders' equity	556,867	472,890
	$1,018,021	$955,719

See notes to consolidated financial statements.

CAESARS WORLD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEAR ENDED JULY 31, 1994, 1993 AND 1992
(In thousands except shares outstanding)

	COMMON STOCK SHARES OUTSTANDING	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	COMMON STOCK IN TREASURY	DEFERRED COMP-ENSATION	RETAINED EARNINGS	TOTAL
BALANCE JULY 31, 1991	23,966,295	$2,516	$99,703	$(27,034)	$(12,190)	$250,185	$313,180
Stock options exercised	189,547	20	2,474	-	-	-	2,494
Issuance of restricted stock grants	206,900	21	6,122	-	(6,143)	-	-
Amortization of deferred compensation	-	-	-	-	5,120	-	5,120
Common stock purchased and held in treasury	(54,718)	-	-	(1,986)	-	-	(1,986)
Other	(13,084)	(2)	(507)	-	344	-	(165)
Net income	-	-	-	-	-	66,005	66,005
BALANCE JULY 31, 1992	24,294,940	2,555	107,792	(29,020)	(12,869)	316,190	384,648
Stock options exercised	71,378	7	1,139	-	-	-	1,146
Issuance of restricted stock grants	197,700	20	8,444	-	(8,464)	-	-
Amortization of deferred compensation	-	-	-	-	5,081	-	5,081
Common stock purchased and held in treasury	(34,243)	-	-	(1,338)	-	-	(1,338)
Other	89,856	8	24	-	106	-	138
Net income	-	-	-	-	-	83,215	83,215
BALANCE JULY 31, 1993	24,619,631	2,590	117,399	(30,358)	(16,146)	399,405	472,890
Stock options exercised	51,267	5	854	-	-	-	859
Issuance of restricted stock grants	199,781	20	10,195	-	(10,215)	-	-
Amortization of deferred compensation	-	-	-	-	6,522	-	6,522
Common stock purchased and held in treasury	(44,048)	-	-	(2,337)	-	-	(2,337)
Other	46,231	5	(420)	-	987	-	572
Net income	-	-	-	-	-	78,361	78,361
BALANCE JULY 31, 1994	24,872,862	$2,620	$128,028	$(32,695)	$(18,852)	$477,766	$556,867

See notes to consolidated financial statements.

CAESARS WORLD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED JULY 31, 1994, 1993 AND 1992
(In thousands)

	1994	1993	1992
Cash flows from operating activities:			
Net income	$ 78,361	$ 83,215	$ 66,005
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	55,857	54,574	57,681
Deferred income taxes	(3,578)	3,062	(9,183)
Extraordinary loss	-	-	6,703
Amortization of deferred compensation and other, net	7,791	6,538	5,337
Changes in assets and liabilities due to operating activities:			
Receivables, net	(5,300)	(3,047)	(10,147)
Other, net	3,005	(5,666)	1,249
Net cash provided by operating activities	136,136	138,676	117,645
Cash flows from investing activities:			
Purchases of property and equipment	(65,366)	(40,795)	(41,700)
Other, net	(2,763)	(3,425)	(1,992)
Net cash used for investing activities	(68,129)	(44,220)	(43,692)
Cash flows from financing activities:			
Reductions in debt and obligations under capital leases	(32,898)	(309,906)	(62,615)
Issuance of 8 7/8% Senior Subordinated Notes	-	150,000	-
Increase in long-term bank borrowings	-	125,000	-
Purchase and retirement of common stock	(2,337)	(1,338)	(1,986)
Debt issuance costs	-	(3,301)	-
Issuance of common stock and other, net	2,111	1,369	2,454
Net cash used for financing activities	(33,124)	(38,176)	(62,147)
Increase in cash and cash equivalent investments	34,883	56,280	11,806
Cash and cash equivalent investments at the beginning of the period	108,616	52,336	40,530
Cash and cash equivalent investments at the end of the period	$143,499	$ 108,616	$ 52,336
Supplemental cash flow disclosures			
Interest paid, net of amount capitalized	$ 19,209	$ 30,268	$ 42,919
Federal and state income taxes paid, net of refunds	$ 43,444	$ 53,435	$ 48,292

See notes to consolidated financial statements.

CAESARS WORLD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Caesars World, Inc. (the Company) and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. Investments in unconsolidated affiliates are stated at cost adjusted by equity in undistributed earnings. Certain reclassifications have been made to prior years' amounts to conform with the 1994 presentation.

The excess cost of investments over net assets acquired subsequent to 1969 is being amortized over 40 years. The excess cost over net assets acquired includes $43,971,000 relating to the purchase of Caesars Palace in 1969 which is believed to have continuing value and, accordingly, is not being amortized.

CASINO REVENUE AND PROMOTIONAL ALLOWANCES

Casino revenue represents the net win from gaming wins and losses. Revenue excludes the retail value of rooms, food, beverage, entertainment and other promotional allowances provided on a complimentary basis to customers. The estimated retail value of these promotional allowances was $117,760,000; $106,613,000 and $103,727,000 for the years ended July 31, 1994, 1993 and 1992, respectively. The estimated costs of such promotional allowances have been classified primarily as casino costs and expenses as follows:

	YEAR ENDED JULY 31		
	1994	1993	1992
	(IN THOUSANDS)		
Rooms	$16,857	$14,502	$13,298
Food and beverage	58,661	54,520	53,374
Other operating expenses	11,446	10,105	9,036
	$86,964	$79,127	$75,708

CASH EQUIVALENT INVESTMENTS

There were no significant realized or unrealized gains or losses from cash equivalent investments during the years ended July 31, 1994, 1993 and 1992. Cash equivalent investments were stated at cost and consisted of commercial paper and other short-term instruments with maturities of less than three months at the date of purchase. The cost of these investments approximates market value. It is the Company's policy to limit the amount of its credit exposure with any one company and investments are made only in investment instruments of companies having high credit ratings.

INVENTORIES

Inventories are stated at the lower of cost or market, determined principally on the first-in, first-out basis.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and include interest on funds borrowed to finance construction. Capitalized interest was $105,000; $37,000 and $32,000 in fiscal 1994, 1993 and 1992, respectively. Depreciation and amortization are provided for on the straight-line method over the following estimated useful lives:

Buildings and improvements	5 to 40 years
Leasehold improvements	3 to 40 years
Furniture, fixtures and equipment	2 to 10 years
Property under capital leases	5 to 20 years

Betterments, renewals and extraordinary repairs that extend the life of the asset are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation applicable to assets retired are removed from the accounts and the gain or loss on disposition is recognized in income.

AMORTIZATION OF LOAN COSTS

Debt discount and loan issuance costs in connection with long-term debt are capitalized and amortized to expense during the period the debt is outstanding.

INCOME TAXES

The Company and its subsidiaries file a consolidated federal income tax return. Deferred income taxes are provided for timing differences between book and tax recognition of revenues and expenses. The income tax benefit realized upon exercise of non-qualified stock options and early disposition of incentive stock options is credited to additional paid-in capital.

The Omnibus Budget Reconciliation Act of 1993, enacted in August 1993, contained a corporate tax rate increase from 34 to 35 percent retroactive to January 1, 1993. In accordance with generally accepted accounting principles, the retroactive effect of this change was recognized in the first quarter of fiscal 1994 and approximated $700,000.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 (SFAS 109) on accounting for income taxes. The Company adopted the accounting and disclosure rules prescribed by SFAS 109 in the first quarter of fiscal 1994. The Company elected to adopt SFAS 109 by recognizing a cumulative adjustment which did not have a material effect on the Company's financial position or results of operations.

POSTEMPLOYMENT BENEFITS

In November 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits," which requires accrual accounting for benefits offered to employees after employment, but before retirement. The adoption of SFAS 112 did not have significant impact on the Company's financial position or results of operations.

NET INCOME PER COMMON SHARE

Net income per common share is based upon the weighted average number of common stock and common stock equivalents outstanding which were 24,567,000; 24,475,000 and 24,167,000 for the years ended July 31, 1994, 1993 and 1992, respectively.

NOTE 2. RECEIVABLES

ACCOUNTS RECEIVABLE

Components of receivables were as follows:

	AT JULY 31 1994	AT JULY 31 1993
	(IN THOUSANDS)	
Accounts and notes receivable		
Casino	$107,061	$ 94,890
Hotel	4,283	4,401
Other	5,258	3,521
	116,602	102,812
Less allowance for doubtful accounts	45,261	36,771
	$ 71,341	$ 66,041

At July 31, 1994, approximately 61 percent of the Company's casino receivables were from customers whose primary residence is outside the United States with no significant concentration in any one foreign country.

CONTINGENT RECEIVABLE

In 1993, the Company announced it had entered into a management operating agreement with one of the bidders for a casino development in New Orleans. In August 1993, the bid was awarded to another operator and the Company's participation in the project ended. Pursuant to a settlement agreement with the Company's former co-venturer in the New Orleans project, the Company is to receive $5,000,000 for the Company's expenses and pre-development services contingent upon the co-venturer obtaining financing to construct a casino development in New Orleans in association with the successful bidder for the project. The Company is unable to predict the timing or probability of collecting this settlement.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	AT JULY 31 1994	AT JULY 31 1993
	(IN THOUSANDS)	
Land	$ 76,582	$ 76,470
Buildings and improvements	584,064	562,815
Leasehold improvements	86,138	80,550
Furniture, fixtures and equipment	258,807	284,574
Construction in progress	22,369	5,933
Property under capital leases	22,267	22,699
	1,050,227	1,033,041
Less accumulated depreciation and amortization	423,487	416,648
	$ 626,740	$ 616,393

NOTE 4. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

In December 1993 a newly-formed corporation, Windsor Casino, Limited (WCL), owned equally by the Company, Circus Circus Enterprises, Inc. and a subsidiary of Hilton Hotels Corporation, was selected by the government of Ontario, Canada, to develop and operate the province's first casino, in the city of Windsor. In May 1994, a 50,000-square-foot interim casino was opened in Windsor. The interim casino is owned by the government of Ontario and operated by WCL. WCL receives 2.75 percent of gross operating revenue and 5 percent of net operating margins (as defined in the management agreement) of the interim casino. Cash advances of $14,591,000 were made by each shareholder of WCL, including the Company, prior to June 1994 of which $4,531,000 had been repaid to each shareholder at July 31, 1994. During the second quarter of fiscal 1995, WCL is expected to borrow from a syndicate of banks, using a portion of the funds to repay the remaining outstanding cash advances made to WCL by its three shareholders. Each of the WCL shareholders, including the Company, is expected to guarantee one-third of these bank borrowings. The WCL bank loan is expected to be repaid from cash generated from operations.

The permanent facility to be built in Windsor is in the planning stage and is expected to include a 75,000-square-foot casino, a 300-room hotel, food and beverage outlets and other amenities. This complex is expected to be open in fiscal 1997 and will be built on a 13-acre site in downtown Windsor in view of the Detroit, Michigan skyline. The estimated cost of this complex is $300,000,000 of which a portion will be advanced by each of the shareholders of WCL, including the Company.

The Company continues to explore gaming and expansion opportunities in the United States and internationally. At July 31, 1994, two other refundable advances had been made for expansion projects which are in preliminary development stages. All costs and expenses incurred to explore expansion opportunities for the Company are charged to general and administrative expenses until it is determined the project will be developed.

NOTE 5. SHORT-TERM BANK BORROWINGS

Since August 1992, the Company has had no outstanding short-term bank borrowings (see Note 7). During fiscal 1992 the Company's short-term borrowings under a $10,000,000 unsecured bank revolving credit facility totaled $7,200,000 and the interest rate was 3 7/8 percent at July 31, 1992. The average outstanding borrowings during fiscal 1992 were $7,200,000, computed by using the daily balances, and the weighted average interest rate was 5.4 percent, computed by dividing short-term interest expense by the average short-term debt outstanding. The maximum borrowings outstanding at any month-end during fiscal 1992 totaled $7,200,000.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	AT JULY 31	
	1994	1993
	(IN THOUSANDS)	
Accounts payable	$ 47,052	$ 46,804
Accrued interest	6,327	6,540
Accrued progressive slot machine jackpots	6,359	5,458
Accrued salaries, wages and employee benefits	24,171	24,199
Short-term portion of capital lease obligations payable	1,046	1,919
Other accrued expenses	47,382	42,834
	$132,337	$127,754

NOTE 7. LONG-TERM DEBT

Long-term debt consisted of the following:

	AT JULY 31	
	1994	1993
	(IN THOUSANDS)	
Amounts due under Bank Loan agreement, at floating rates approximating prime or an alternative negotiated rate which at July 31, 1994, was approximately 5.48 percent	$ 90,334	$118,111
Senior subordinated notes, due August 15, 2002, at 8 7/8 percent payable semi-annually in February and August	150,000	150,000
Mortgages payable bearing interest at rates between 8 and 9 3/4 percent, secured by property, retired in 1994	-	3,257
	240,334	271,368
Less current maturities	27,778	28,344
	$212,556	$243,024

In August 1992 the Company entered into a $275,000,000 unsecured credit facility (Bank Loan) with a syndicate of banks. This facility consists of a $125,000,000 Term Loan which had an outstanding balance of $83,334,000 and $111,111,000, at July 31, 1994 and 1993, respectively. The facility also includes a $150,000,000 Revolver which had a $7,000,000 outstanding balance at July 31, 1994 and 1993. The Term Loan is payable in equal installments of $13,889,000 on September 30 and March 31 each year until final payment is made on March 31, 1997, and interest is payable quarterly or earlier.

The proceeds from the Term Loan were used for the retirement of certain debt that was outstanding at July 31, 1992. In August 1992, $7,000,000 of the revolving portion of the facility was utilized to replace the outstanding portion of a short-term bank credit line of a subsidiary. Although the revolving credit facility is utilized for working capital and general corporate purposes, it is classified as long-term due to its maturity on October 31, 1997. At July 31, 1994, a provision of the Bank Loan agreement restricted the Company from making cash dividends in excess of $196,604,000. The Company incurs commitment fees of 5/16 to 1/2 percent on the unused portion of the credit facilities and the interest rate fluctuates depending upon the Company's financial leverage and the selection of one of the borrowing rate alternatives available at the option of the Company, one of which approximates the bank's prime rate. The fair value of the borrowings under the Bank Loan approximates the carrying amount of the debt.

On August 15, 1992, the Company issued $150,000,000 of 8 7/8 percent Senior Subordinated Notes (the Notes) that mature in 2002. The Notes are subordinated to all senior indebtedness (as defined in the Indenture), which includes the indebtedness under the Bank Loan agreement, are effectively subordinated to liabilities of the Company's subsidiaries and are senior in the right of payment to other subordinated indebtedness. The Notes are redeemable at the Company's option, in whole or in part, beginning August 15, 1997, at a premium price of 103.27 percent, declining annually to par at August 15, 2000, and thereafter. The original issue discount and costs are being amortized over the term of the Notes. At July 31, 1994, the estimated fair value of the Notes was approximately $147,750,000, based on the quoted market trading price.

The proceeds from the Notes and cash available from operations together with $115,000,000 of the Term Loan were used on October 1, 1992, to retire the $241,200,000 of principal outstanding plus the accrued interest thereon and a redemption premium of 2.25 percent of the principal amount. In December 1992 the outstanding principal on one of the mortgages payable which was secured by property in Las Vegas was retired. The retirement of the above described debt prior to its maturity resulted in an extraordinary charge, net of income tax benefit, in July 1992 of $6,703,000.

Prior to August 1992 the Company had a $250,000,000 unsecured credit facility with a syndicate of banks. The facility consisted of a $100,000,000 term loan with an outstanding balance at July 31, 1992, of $25,000,000 and a $150,000,000 revolving credit facility with no outstanding amount.

The Bank Loan agreement and the Notes, as well as the previous loan agreements covering 1992, contain covenants, among others, that require the maintenance of certain financial ratios and include restrictions on the Company and its subsidiaries with respect to additional debt, dividends, stock repurchases, sales of certain assets, investments and capital expenditures, mergers, consolidations and similar transactions, liens, acquisitions, disposition of property, and prepayment of other debt. Cross default clauses provide that the default under either the Notes or the Bank Loan agreement may result in the acceleration of the other. The loss or suspension of a gaming license which has a potential $15,000,000 charge to operations of the Company and is determined by the banks to be materially adverse to the bank's investment would constitute a default under the Bank Loan agreement. Also, the bank agreement requires guarantees by specified subsidiaries of the Company.

The annual maturities of long-term debt as of July 31, 1994, follow:

Year ending July 31	(In thousands)
1995	$ 27,778
1996	27,778
1997	27,778
1998	7,000
1999	-
Thereafter	150,000
	$240,334

NOTE 8. INCOME TAXES

The provision (benefit) for income taxes consisted of the following:

	YEAR ENDED JULY 31		
	1994	1993	1992
	(IN THOUSANDS)		
Current			
Federal	$47,604	$40,217	$43,727
State	6,168	7,482	6,656
Deferred	(3,578)	3,062	(9,183)
	$50,194	$50,761	$41,200

The provision (benefit) for income taxes is included in the financial statements as follows:

	YEAR ENDED JULY 31		
	1994	1993	1992
	(IN THOUSANDS)		
Income before extraordinary loss	$50,194	$50,761	$44,652
Extraordinary loss	-	-	(3,452)
	$50,194	$50,761	$41,200

The provision (benefit) for deferred income taxes represents temporary differences in the recognition of revenue and expenses for tax and financial statement purposes. The tax effects of these differences were as follows:

	YEAR ENDED JULY 31		
	1994	1993	1992
	(IN THOUSANDS)		
Depreciation	$(1,127)	$ 418	$ (592)
Provision for doubtful accounts	(2,809)	3,023	268
Accrued liabilities	461	(2,992)	(4,636)
Extraordinary loss on early extinguishment of debt	-	3,452	(3,452)
Other, net	(103)	(839)	(771)
	$(3,578)	$3,062	$(9,183)

The income tax effects of temporary differences between financial and income tax reporting that gave rise to deferred income tax assets and liabilities at July 31, 1994, under the provisions of SFAS No. 109, were as follows:

	ASSETS	LIABILITIES	TOTAL
		(IN THOUSANDS)	
Current deferred income taxes			
Bad debt reserves	$17,601	$ -	$ 17,601
Accrued expenses	13,619	-	13,619
Other	5,900	-	5,900
	$37,120	$ -	$ 37,120
Non-current deferred income taxes			
Depreciation	$ -	$(38,137)	$(38,137)
Deferred compensation	3,943	-	3,943
Accrued expenses	11,291	-	11,291
Other	5,223	(2,335)	2,888
	$20,457	$(40,472)	$(20,015)

The provision for income taxes differed from the amount computed at the statutory rate as follows:

	YEAR ENDED JULY 31		
	1994	1993	1992
		(IN THOUSANDS)	
Federal income taxes at statutory rate	$44,995	$45,552	$36,450
State income taxes, net of federal benefit	4,078	4,972	4,060
Other, net	1,121	237	690
	$50,194	$50,761	$41,200

The Internal Revenue Service has examined the Company's federal consolidated income tax returns through fiscal 1988 and is currently examining the returns for fiscal 1989 through 1992.

NOTE 9. LEASES

The Company and its subsidiaries lease land, buildings and equipment under noncancelable lease agreements with primary terms which expire at various dates through 2076. The leases generally provide that the Company pay the taxes, insurance and maintenance expenses related to the leased assets. Major leased assets, which have been capitalized, include land in Atlantic City unrelated to current operations, and the land and buildings of two of the Company's Pocono resorts.

In January 1992 the Company exercised a $6,500,000 purchase option for a land lease upon which a portion of the Caesars Atlantic City hotel is located. The lease required payments of $247,000 in fiscal 1992, prior to the exercise of the option.

Caesars Atlantic City also owns approximately 1.2 acres and leases approximately six acres of property in Atlantic City, including an entire block of Boardwalk frontage which may be suitable for development of a casino/hotel. The capitalized lease expires in 2076 and requires annual payments of $875,000; the property may be purchased for $13,000,000. The purchase option price will increase by $500,000 in August 1997 and another $500,000 every 10 years thereafter.

Two of the Company's resorts in the Pocono mountains of Pennsylvania are operated under leases whose initial 20-year-lease terms expire on January 31, 1995. The leases include purchase options at the fair market value of the lease properties excluding personal property, goodwill and other intangibles. The Company currently anticipates exercising the purchase options to acquire the properties in fiscal 1995. The fair market value purchase price will be determined by an independent appraisal. The Company also maintains a letter of credit ($2,865,000 at July 31, 1994) under an agreement with the New Jersey Casino Control Commission for the payment of the remaining future lease rentals on the two leases.

The Caesars Tahoe land and building are leased pursuant to an operating lease which expires in 2004 and is renewable for two additional 25-year periods. The lease provides for a minimum rent of $2,606,000 for fiscal 1995, increasing by $75,000 per year in each subsequent year, and for percentage rent of 20 percent of the casino/hotel's net profit (as therein defined). Additionally, the lease required payments to discharge the lessor's obligations of a mortgage loan and the final payment was made by the Company in fiscal 1994. The aggregate fixed lease payments, including amounts paid on the mortgage note, are amortized on a straight-line basis over the remaining initial lease term. At July 31, 1994, there was $11,165,000 of prepaid rent included in "Other Assets" related to this lease accounting.

Future minimum lease payments for all leases at July 31, 1994, are as follows:

YEAR ENDING JULY 31	OPERATING	CAPITAL
	(IN THOUSANDS)	
1995	$ 5,264	$ 1,963
1996	4,172	898
1997	3,692	898
1998	3,662	948
1999	3,694	948
Thereafter	18,584	84,385
Total minimum lease payments	$39,068	90,040
Less amount representing interest	=======	79,587
Present value of minimum lease payments		10,453
Less current maturities of obligations under capital leases		1,046
Long-term obligations under capital leases		$ 9,407

Rental expense was comprised of the following:

	YEAR ENDED JULY 31		
	1994	1993	1992
	(IN THOUSANDS)		
Minimum rentals under lease obligations	$10,084	$10,688	$10,177
Contingent rentals under operating and capital leases	566	562	76
	$10,650	$11,250	$10,253

NOTE 10. CAPITAL STOCK, STOCK OPTIONS AND INCENTIVES

The authorized capital stock of the Company consists of 1,000,000 shares of $1 par value preferred stock and 50,000,000 shares of 10 cents par value common stock. No preferred stock has been issued. Common stock outstanding was net of 1,343,951; 1,299,903 and 1,265,660 treasury shares at July 31, 1994, 1993 and 1992, respectively. The Company has designated 250,000 shares of the authorized preferred stock as constituting Series A Junior Participating Preferred Stock for purposes of the Shareholders' Rights Plan described below. Upon issuance, each share of such preferred stock will have a $2 dividend (subject to adjustment in certain cases) which will be payable prior to any dividends on common stock. Each share will have 200 votes and shall vote as a class with common stock (with special voting provisions to apply in the event of a dividend default).

In January 1989 the Board of Directors of the Company authorized a Shareholders' Rights Plan and declared a dividend of one right for each share of common stock. The rights may only become exercisable under certain circumstances involving actual or potential acquisitions of the Company's common stock by a specified person or affiliated group. If the rights become exercisable and are not redeemed by the Company, the holder may be entitled to purchase or receive upon exercise, depending on the circumstances, units consisting of one two-hundredth of a share of the Company's $1 par value Series A Junior Participating Preferred Stock at a price of $125 per share (subject to adjustment), shares of the Company's common stock or other assets with a value equal to twice the exercise price, or shares of the common stock of the acquirer at one-half the then market price. The rights expire in January 1999

unless they are exercised or redeemed. Until certain specified dates, the Company may redeem the rights at one cent per share. Rights owned by certain specified shareholders may be void. The provisions concerning the rights are set forth in a Rights Agreement between the Company and the Rights Agent.

The Company has a long-term stock incentive program (the Program) which authorizes the issuance of various stock incentives to officers and key employees, including options, stock appreciation rights, and stock bonuses in the form of restricted stock grants or contingent shares. At July 31, 1994, 123 employees were participating in the Program. Under the terms of the Program, as amended by the shareholders in December 1988 and November 1990, 2,655,126 shares of common stock may be used for awards, of which 391,088 were unissued at July 31, 1994. Employee stock options under the Program expire after 10 years and usually become exercisable either in four or five equal annual installments commencing one year after the date of grant or in one installment one year after the date of grant. Under the terms of such options, adjustments will be made for changes resulting from stock dividends, stock splits and similar changes. Exercisability of such options is on a cumulative basis. Employee stock options for 244,953 shares were exercisable as of July 31, 1994. The Audit and Compensation Committee of the Board of Directors may accelerate exercisability of stock options at its discretion including, without limitation, acceleration due to the occurrence of certain specified contingencies.

As of July 31, 1994, there were outstanding unvested grants of restricted stock in the amount of 751,429 shares held among 72 employees (including 13 officers) which will vest in fiscal years as follows: 152,115 in 1995; 214,871 in 1996; 192,166 in 1997; 127,507 in 1998 and 64,770 in 1999. Contingent incentive shares totaling 90,174 shares (net of forfeitures) granted to 41 employees (including nine officers) principally in December 1989 were outstanding at July 31, 1994. These shares vest in fiscal years as follows: 89,340 in 1995 and 834 in 1996. The restricted stock grants and contingent incentive share grants become fully vested in the event of a change in control (as defined). As to officers, sale of the contingent incentive shares is restricted for two years following vesting subject to certain contingencies. Deferred compensation equivalent to the market value on the date of grant was charged to shareholders' equity and is being amortized over the respective vesting periods. The amount amortized was $5,840,000; $4,997,000 and $4,956,000 in fiscal 1994, 1993 and 1992, respectively. During fiscal 1994, 180,183 shares of such awards vested.

A non-employee directors' plan (the Plan) authorizes the issuance of options on 100,000 shares of common stock to non-employee directors, of which options covering 40,000 shares were unissued at July 31, 1994. Options for 4,000; 11,000 and 22,000 shares were exercised in fiscal 1994, 1993 and 1992, respectively. The 23,000 options outstanding at July 31, 1994, were all exercisable and include 3,000 granted at a price of $32.13; 5,000 granted at a price of $15.19; 5,000 granted at a price of $28.19; 5,000 granted at a price of $39.38; and 5,000 granted at a price of $51.13. All stock options granted under the Plan become exercisable six months after grant and expire five years from the date of grant. Persons eligible under the Plan are not eligible for awards under the Program. Option prices under the Plan equal the fair market value of the stock on the date of grant. Grant or exercise of stock options under the Plan or the Program does not result in a charge to earnings.

Prior to 1990, unlimited stock appreciation rights were granted to certain officers of the Company. As a result of changes in the market price of the common stock subsequent to the date of grant, the Company recorded a credit of $265,000 in fiscal 1994 and incurred charges of $1,838,000 and $429,000 in 1993 and 1992, respectively. During fiscal 1994, an officer exercised a tandem unlimited stock appreciation right with respect to a stock option for 30,000 shares, realizing $427,000 of taxable income, and the related stock option was terminated. At July 31, 1994, there were 145,000 unlimited stock appreciation rights outstanding to three officers. As of July 31, 1994, three officers and five non-employee directors had been granted 46,125 limited stock appreciation rights. These limited stock appreciation rights were issued in tandem with stock options and are only exercisable in the event of certain specified changes in the ownership of the Company. Surrender of the related option (or portion thereof) on exercise of the right, generally entitles the optionee or holder to receive in cash the difference between the exercise price of the outstanding option and the higher of the stock market price for the 60 days prior to exercise or the tender or exchange offer price with respect to the Company's common shares. Future exercisability of the limited stock appreciation rights will result in a charge to earnings based upon the value of such rights when they become exercisable.

Employee and director stock option activity during the three-year period ended July 31, 1994, was as follows:

		EXERCISE PRICE RANGE	
	SHARES	FROM	TO
Outstanding at July 31, 1991	705,276	$10.69	$32.13
Granted	23,800	28.19	29.69
Exercised	(189,547)	10.69	24.44
Expired or cancelled	(11,840)	13.25	32.13
Outstanding at July 31, 1992	527,689	11.63	32.13
Granted	88,500	29.63	42.81
Exercised	(71,378)	11.63	32.13
Expired or cancelled	(6,220)	13.25	29.69
Outstanding at July 31, 1993	538,591	13.25	42.81
Granted	157,300	39.06	51.13
Exercised	(51,267)	13.25	42.81
Expired or cancelled	(67,460)	13.25	51.13
Outstanding at July 31, 1994	577,164	13.25	51.13

The above chart does not include a non-qualified option, with a ten-year vesting period, granted on January 19, 1994, to a third party at a price of $55.50 in return for services to be rendered. This option vests in three equal annual installments beginning January 19, 1995.

The number of shares covered by options which are scheduled to become exercisable during the next five fiscal years are as follows: 127,854 in both 1995 and 1996; 81,023 in 1997; 43,250 in 1998; and 29,230 in 1999.

NOTE 11. PENSION PLANS

The Company has defined benefit pension plans covering any officer or other employee designated as a key executive of the Company and its subsidiaries. The benefits are based on years of service (not to exceed 30) and the employee's highest five years of compensation during the last 10 years of employment. The Company has funded the vested benefits of certain current employees by making contributions to revocable trusts. Income earned by the trusts accrues to the benefit of the Company. At July 31, 1994, the amount in these revocable trusts was $12,756,000 and is recorded in "Other Assets." Such trusts shall become irrevocable in the event of a change of control (as defined).

The following table sets forth the plans' status and amounts recognized in the Company's financial statements:

	AT JULY 31 1994	1993
	(IN THOUSANDS)	
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefit obligation of $16,180,000 and $14,628,000, respectively	$16,794	$15,382
Accrued pension liability consists of the following:		
Projected benefit obligation for service rendered to date in excess of plan assets	$21,982	$20,161
Unrecognized net loss from past experience and effects of changes in assumptions	(2,090)	(2,904)
Unrecognized net obligation to be recognized over 15 years	(963)	(1,082)
	$18,929	$16,175

The net pension expense included the following components:

	YEAR ENDED JULY 31 1994	1993	1992
		(IN THOUSANDS)	
Service cost - benefits earned during the period	$1,612	$1,702	$1,403
Interest cost on projected benefit obligation	1,590	1,319	1,117
Net amortization	180	143	119
	$3,382	$3,164	$2,639

At July 31, 1994 and 1993, the weighted average discount rate used in determining the actuarial present value of the projected benefit obligation and the rate of increase in future compensation levels used in such calculations were 8 and 6 percent, respectively.

The Company's Individual Retirement Account Plan which was generally available to all full-time employees who had at least one year of service and were not covered under any qualified retirement plan terminated as of December 31, 1993. The expense of this plan was $828,000; $2,148,000 and $2,014,000 in fiscal 1994, 1993 and 1992, respectively.

Effective January 1, 1994, the Company adopted a 401(k) retirement plan covering substantially all of its non-union employees. The plan provides for the Company to contribute 1 percent of certain compensation for eligible employees who may also contribute up to 4 percent of their base compensation to this plan and their contributions are matched by the Company in an amount equal to 50 percent of each employee's contribution. Employees may also contribute an additional 8 percent of base compensation to the plan, with certain limitations, which is not matched by the Company. The Company's matching contributions for fiscal 1994 were $3,121,000.

In addition to the Company's plans described above, union employees are covered by various multi-employer pension plans. The Company charged to expense approximately $3,534,000; $3,402,000 and

$3,005,000 in fiscal 1994, 1993 and 1992, respectively, for such plans. For the union sponsored plans, information is not available from the plans' sponsors to permit the Company to determine its share of unfunded vested benefits, if any.

NOTE 12. COMMITMENTS AND CONTINGENCIES

EMPLOYMENT AND SEVERANCE AGREEMENTS

The Company has severance agreements with 19 employees (including 11 officers) which grant these employees the right to receive up to two times their annual salary and bonus, plus continuation of certain benefits, and acceleration of certain stock options and restricted grants subject to certain maximums under tax law, if there is a change in control of the Company (as defined) and a termination (as defined) of such employees within three years thereafter. The maximum contingent liability for salary and incentive compensation under these agreements is approximately $10,520,000. In addition, insurance benefits, car allowances and nonqualified pension plan accrue for up to two years. The Company also has entered into employment agreements with eight employees which expire at various dates through July 31, 1997. The aggregate commitment for future salaries, excluding bonuses, under these employment agreements is approximately $3,428,000. The Company also has entered into severance and employment agreements with two officers which contain continual self-renewing terms of five years and three years, respectively, subject to the option of the Company to terminate this self-renewing provision. In addition, these agreements provide these officers the option to terminate their contractual obligations in the event of a change in control or a material breach by the Company. If such change of control had occurred on July 31, 1994, the aggregate maximum contingent liability under these agreements would have been approximately $24,314,000. See Note 10 as to acceleration of contingent and restricted stock grants in the event of a change in control.

CAESARS WORLD, INC. AND SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	QUARTER				
	FIRST	SECOND	THIRD	FOURTH	TOTAL
	(In thousands except per share data)				
Fiscal 1994(a)					
Revenue	$269,083	$257,981	$237,244	$251,458	$1,015,766
Operating income	50,602	39,656	22,876	31,371	144,505
Income before income taxes	46,420	35,707	18,939	27,489	128,555
Income taxes	18,572	13,747	7,291	10,584	50,194
Net income	27,848	21,960	11,648	16,905	78,361
Net income per common share(b)	$1.14	$.90	$.47	$.69	$3.19
Fiscal 1993(a)					
Revenue	$232,562	$264,473	$224,409	$262,015	$ 983,459
Operating income	33,708	46,844	32,574	45,985	159,111
Income before income taxes	24,140	41,173	27,475	41,188	133,976
Income taxes	9,173	15,646	10,440	15,502	50,761
Net income	14,967	25,527	17,035	25,686	83,215
Net income per common share	$.62	$1.05	$.69	$1.04	$3.40

(a) There were no dividends paid in fiscal 1994 or 1993.

(b) Net income per share calculations for each quarter are based on the weighted average number of common stock and common stock equivalents outstanding during the respective quarters; accordingly, the sum of the quarters does not equal the full-year income per share for 1994.