

Rank Leisure Machine Services Limited

Annual report and accounts

for the period ended 31 March 2003

Registered number: 657720



# **Rank Leisure Machine Services Limited**

## **Annual Report for the period ended 31 March 2003**

### **Contents**

	<b>Page</b>
Directors' report for the period ended 31 March 2003 .....	1
Independent auditor's report to the members of Rank Leisure Machine Services Limited .....	4
Profit and loss account for the period ended 31 March 2003.....	5
Balance sheet at 31 March 2003 .....	6
Notes to the financial statements for the period ended 31 March 2003 .....	7

# Rank Leisure Machine Services Limited

## Directors' report for the period ended 31 March 2003

The directors present their report and audited financial statements for the period ended 31 March 2003. This represents a change in accounting reference date (previously 31 December), therefore these financial statements cover a short period of account, being three months. Comparatives have not been restated.

### Principal activities, business review and future developments

The principal activities of the company are the operation and rental of coin operated amusement machines and the sale of amusement machines.

The Directors signed a commitment during October 2003 for the sale of the trade and assets of the Company, and of its subsidiary company, Rank Seasonal Amusements Limited, to Gamestec Leisure Limited, a wholly owned subsidiary of Danoptra Holdings Limited, for a total consideration of £30,000,000. It is expected that this transaction will complete during the early part of February 2004.

### Results and dividends

The results of the company for the period are set out on page 5. The Directors do not recommend the payment of a dividend (31 December 2002: £nil).

### Directors and their interests

The following were directors of the company during the period:

Mr D Boden  
Mr D Walcott

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

	31 March 2003			Exercise Price (p)	1 January 2003		
	Ordinary shares	ESOS	SAYE		Ordinary shares	ESOS	SAYE
D Boden	92,149	69,507	-	372.92p	-	348,605	6,870
		33,144	-	346.96p			
		47,236	-	338.82p			
		117,619	-	271.00p			
		85,966	-	239.92p			
		-	6,870	141.00p			
D Walcott	34,812	4,588	-	435.82p	-	105,232	-
		8,487	-	338.72p			
		29,472	-	222.75p			
		11,947	-	274.75p			
		50,738	-	271.00p			
		37,512	-	239.92p			

# Rank Leisure Machine Services Limited

## Directors' report for the period ended 31 March 2003 (continued)

### Directors and their interests (continued)

In addition to the above, D Boden has been granted conditional awards totalling 269,010 ordinary shares, and D Walcott has been granted conditional awards totalling 117,025 ordinary shares under the terms of the Rank Group 2000 Long Term Incentive Plan.

Options to subscribe for ordinary shares of The Rank Group Plc granted to and exercised by Directors in the period ended 31 March 2003 are set out below. Except as stated, no options lapsed during the period.

	Granted		Lapsed		Exercised		Price per option (p)
	ESOS	SAYE	ESOS	SAYE	ESOS	SAYE	
D Boden	85,966	-	-	-	-	-	239.92
D Walcott	37,512	-	-	-	-	-	239.92

The market price of an ordinary share at 31 March 2003 was 235p and the range during the preceding 12 months was 303p to 212.5p. Options outstanding at 31 March 2003 are exercisable at various dates between 10 February 1998 and 26 March 2013.

In addition to the above interests, pursuant to the requirements of the Companies Act 1985, each Director is deemed to be interested in the ordinary shares of The Rank Group Plc held by The Rank Group Plc Employee Benefit Trust. At 1 January 2003 the interest was in a total of 3,897,157 ordinary shares and at 31 March 2003 the interest was in a total of 2,252,076 ordinary shares.

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

Except as stated above, none of the directors had any interest in the shares, share options, stocks or debentures of the company, its ultimate parent undertaking or any subsidiary of that company at 1 January 2003 or at 31 March 2003.

### Human resources

The company recognises that the contribution made by its employees is crucial to the success of its business. Substantial investment is therefore made in the training, development and motivation of staff 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 the key performance indicators of each business. In addition, communication through the company newsletter, Spotlight, and specially convened meetings, and consultation programmes exist at site, company and group level.

# **Rank Leisure Machine Services Limited**

## **Directors' report for the period ended 31 March 2003 (continued)**

### **Human resources (continued)**

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.

### **Payment of suppliers**

The company agrees terms and conditions for its business transactions with its suppliers, and suppliers are made aware of these terms and conditions. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. The number of days' purchases outstanding at 31 March 2003 is calculated at 38 days (31 December 2002: 75 days).

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 March 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

### **Auditors**

In accordance with s386(2) of the Companies Act (1985) PricewaterhouseCoopers LLP will continue as auditors of the Company under the terms of an elective resolution passed by the Company.

By order of the Board

  
Secretary

Registered Office:

6 Connaught Place  
London  
W2 2EZ

30 January 2004

## **Independent auditor's report to the members of Rank Leisure Machine Services Limited**

We have audited the financial statements, which comprise the profit and loss account and balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

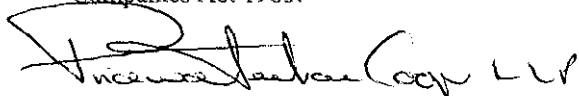
### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Birmingham  
30 January 2004

# Rank Leisure Machine Services Limited

## Profit and loss account for the period ended 31 March 2003

		Period ended 31 March	Year ended 31 December
	Notes	2003	2002
		£'000	£'000
<b>Turnover</b>		<b>9,848</b>	<b>41,293</b>
<b>Operating Profit</b>	2	<b>127</b>	<b>1,477</b>
Exceptional items – release of provision		-	126
Interest payable	4	(374)	(1,473)
<b>(Loss)/profit on ordinary activities before taxation</b>	5	<b>(247)</b>	<b>130</b>
Taxation on (loss)/profit	6	(146)	(361)
Loss after taxation		(393)	(231)
Loss for the financial period	17	(393)	(231)
Accumulated losses brought forward	17	(48,212)	(47,981)
<b>Accumulated losses carried forward</b>	17	<b>(48,605)</b>	<b>(48,212)</b>

All turnover and operating (losses)/profits arose from continuing operations.

There are no recognised gains or losses other than the results for the period as stated above.

There is no difference between the result as disclosed in the profit and loss account and that on an unmodified historical cost basis.

# Rank Leisure Machine Services Limited

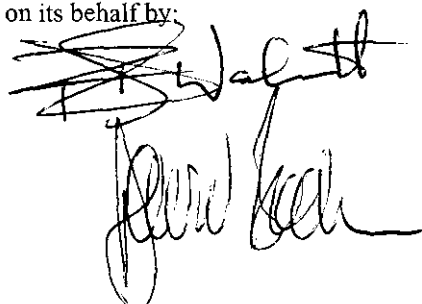
## Balance sheet at 31 March 2003

	Note	31 March 2003		31 December 2002 (as restated)	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	7		21,666		20,982
Investments in subsidiary undertakings	8		-		-
			21,666		20,982
<b>Current assets</b>					
Stocks	9	1,056		916	
Debtors	10	34,397		34,693	
Cash at bank and in hand		1,403		2,313	
		36,856		37,922	
<b>Creditors: amounts falling due within one year</b>	11	(7,714)		(11,987)	
<b>Net current assets</b>			29,142		25,935
<b>Total assets less current liabilities</b>			50,808		46,917
<b>Creditors: amounts falling due after more than one year</b>	12		(32,581)		(28,235)
Provisions for liabilities and charges	14		(832)		(894)
<b>Net assets</b>			17,395		17,788
<b>Capital and reserves</b>					
Called up share capital	16		66,000		66,000
Profit and loss account	17		(48,605)		(48,212)
<b>Equity shareholders' funds</b>	18		17,395		17,788

The financial statements on pages 5 to 19 were approved by the Board of Directors on 30 January 2004 and were signed on its behalf by:

D Walcott  
Director

D Boden  
Director





# **Rank Leisure Machine Services Limited**

## **Notes to the financial statements for the period ended 31 March 2003**

### **1 Accounting policies**

#### **Basis of preparation**

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards on a basis consistent with the previous year.

#### **Accounting period**

As indicated in the Directors' report, the company has changed its accounting reference date during the period since the last annual report. Accordingly, these financial statements reflect transactions during the shorter three month period from 1 January to 31 March 2003. Comparatives remain for the year ended 31 December 2002.

#### **Turnover**

Turnover represents the revenue from the operation and rental of coin operated amusement machines and sales of amusement machines and is stated net of value added tax. The Company's business operates solely in the United Kingdom.

The company recognises revenue from machines which are emptied by company staff at the end of the month in which the collection takes place. Rental for which invoices are raised is recognised at the invoice date.

#### **Taxation**

Current tax is applied to taxable profits at the rates ruling in the relevant country.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse.

#### **Investments in subsidiary undertakings**

Investments in subsidiary undertakings are included in the balance sheet of the Company at cost less provisions for permanent diminution in value.

#### **Comparative amounts**

Certain provisions have been reclassified from accruals and other liabilities to provisions as the Directors believe that this is a more appropriate presentation. There has been no impact on net assets as a result of this change

# **Rank Leisure Machine Services Limited**

## **Notes to the financial statements for the period ended 31 March 2003 (continued)**

### **1 Accounting policies (continued)**

#### **Fixed assets**

Assets are stated at historic cost less depreciation.

No depreciation is provided on freehold land. ?

Freehold properties are depreciated on a straight-line basis over 50 years or useful life, if less. Other leasehold properties are depreciated over the lesser of 50 years, their useful life or the term of the lease.

Amusement machines and major conversions thereof are included in vehicles, fixtures and equipment and are depreciated between one and seven years to reflect their income generating capacity. Other assets are depreciated as follows :

Fixtures, fittings, plant and equipment	-	15% to 33% per annum, straight line basis.
Motor vehicles	-	25% per annum, straight-line basis.

Finance costs are not capitalised.

#### **Leased assets**

Assets acquired under finance leases are included in tangible fixed assets. Depreciation is provided at rates designed to write off the cost in equal annual amounts over the estimated useful lives of the assets (which are the same as those for assets purchased outright). The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the leases in proportion to the balances outstanding. Operating lease payments are charged to the profit and loss account as incurred.

Provision is made for onerous leases, including those which relate to surplus properties where the unavoidable lease costs exceed the economic benefits expected to be derived from the property.

#### **Stocks**

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

#### **Pensions**

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

#### **Cash flow statement, related party disclosures and preparation of group accounts**

The Company is a wholly owned subsidiary of The Rank Group Plc and is included in the consolidated financial statements of The Rank Group Plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of The Rank Group Plc group or investees of the The Rank Group Plc group. The Company also takes advantage of the exemption from the obligation to prepare and deliver group accounts.

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 2 Operating profit

	Period ended 31 March	Year ended 31 December
	2003	2002
	£'000	£'000
Turnover	9,848	41,293
Cost of sales	(8,269)	(32,794)
<b>Gross profit</b>	<b>1,579</b>	<b>8,499</b>
Selling and distribution costs	(506)	(2,204)
Administrative expenses	(1,357)	(6,678)
Other operating income	-	494
Profit on disposal of tangible fixed assets	411	1,366
<b>Operating (loss)/profit</b>	<b>127</b>	<b>1,477</b>

### 3 Directors and employees

The directors did not receive any remuneration from the company during the period (31 December 2002: £nil) as they are paid by the parent company.

None of the Directors are accruing retirement benefits under Group pension schemes.

	Period ended 31 March	Year ended 31 December
	2003	2002
	£'000	£'000
Employee costs consist of		
Wages and salaries	2,580 ✓	10,723
Social security costs	201	841
Pension costs	163	127
	<b>2,944</b>	<b>11,691</b>

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 3 Directors and employees (continued)

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

	Period ended 31 March	Year ended 31 December
	2003	2002
Management	32	31
Administration & operations	684	694
	716	725

### 4 Interest payable

	Period ended 31 March	Year ended 31 December
	2003	2002
	£'000	£'000
Interest on group loan	345	1,340
Finance charges on finance leases	29	117
Other interest	-	16
	374	1,473

### 5 Loss on ordinary activities before taxation

This is stated after charging the following items:

	Period ended 31 March	Year ended 31 December
	2003	2002
	£'000	£'000
Depreciation of tangible fixed assets	3,668	14,484
Depreciation of leased tangible fixed assets	199	848
Operating lease payments - land and buildings	59	234
Auditors' remuneration - for audit work	5	21

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 6 Taxation on (loss)/profit on ordinary activities

	Period ended 31 March	Year ended 31 December
	2003	2002
	£'000	£'000
<b>United Kingdom taxation</b>		
UK current corporation tax charge at 30% (31 December 2002: 30%)	167	223
Deferred tax on origination and reversal of timing differences (note 15)	(21)	138
	146	361

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Period ended 31 March	Year ended 31 December
	2003	2002
	£'000	£'000
<b>(Loss)/profit on ordinary activities before tax</b>	<b>(247)</b>	<b>130</b>
(Loss)/profit on ordinary activities multiplied by standard rate		
of corporation tax in the UK of 30% (31 December 2002: 30%)	(74)	39
Effects of:		
Expenses not deductible for tax purposes/non-taxable income	23	191
Capital allowances for period in excess of depreciation	218	120
Other timing differences	-	(127)
<b>Current tax charge for period</b>	<b>167</b>	<b>223</b>

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 7 Tangible fixed assets

	Freehold land and buildings	Short Leasehold land and buildings	Vehicles, fixtures and equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2003	1,660	153	46,828	48,641
Additions	-	-	4,959	4,959
Disposals	-	-	(4,362)	(4,362)
<b>At 31 March 2003</b>	<b>1,660</b>	<b>153</b>	<b>47,425</b>	<b>49,238</b>
<b>Depreciation</b>				
At 1 January 2003	(198)	(90)	(27,371)	(27,659)
Disposals	-	-	3,954	3,954
Charge for the period	(3)	(2)	(3,862)	(3,867)
<b>At 31 March 2003</b>	<b>(201)</b>	<b>(92)</b>	<b>(27,279)</b>	<b>(27,572)</b>
<b>Net book amount</b>				
<b>At 31 March 2003</b>	<b>1,459</b>	<b>61</b>	<b>20,146</b>	<b>21,666</b>
At 31 December 2002	1,462	63	19,457	20,982

Included in vehicles, fixtures and equipment are amusement machines held for rental at a cost of £32,579,000 (31 December 2002: £32,530,000) and accumulated depreciation of £17,320,000 (31 December 2002: £16,712,000).

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 7 Tangible fixed assets (continued)

Included within vehicles, fixtures and equipment is the following amount in respect of capitalised finance leases:

	31 March	31 December
	2003	2002
	£'000	£'000
Cost	3,530	3,742
Accumulated depreciation	(1,715)	(1,862)
Net book amount	1,815	1,880
Depreciation charged in the period	199	848

The Company has no significant commitments for future capital expenditure.

### 8 Investments in subsidiary undertakings

	31 March	31 December
	2003	2002
	£'000	£'000
Cost	14,350	14,350
Provisions	(14,350)	(14,350)
Net book amount	-	-

The Company has interests in a trading entity, Rank Seasonal Amusements Limited, which is registered in England and Wales. Its primary activities are the operation of a number of sited coin-operated leisure machines at various locations in the United Kingdom. Rank Seasonal Amusements Limited has an authorised share capital of 1,000 Ordinary shares of £1 each. The Company has paid for one called up share at par value which represents 100% of the issued share capital.

The Company also held interests in non-trading subsidiary undertakings. At 31 March 2003, the Company held the following interests in subsidiary undertakings, which are all incorporated in Great Britain and registered in England and Wales:

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 8 Investments in subsidiary undertakings (continued)

Subsidiary undertaking	Class of shares held	Proportion held directly %	Proportion held indirectly %
Rank Seasonal Amusements Limited	Ordinary	100	-
Rank Nemo (HGY) Limited	Ordinary	100	-
Rank Nemo (HGZ) Limited	Ordinary	90	10
Associated Leisure France Property SCI - (France)	Ordinary	-	100
Associated Leisure France SARL - (France)	Ordinary	100	-

### 9 Stocks

	31 March 2003 £'000	31 December 2002 £'000
Raw materials and consumables	77	44
Finished goods and goods for resale	979	872
	1,056	916

### 10 Debtors due within one year

	31 March 2003 £'000	31 December 2002 £'000
Trade debtors	5,331	3,982
Amounts owed by fellow subsidiary undertakings	8,298	8,298
Amounts owed by subsidiary undertakings	6,816	6,348
Corporation tax recoverable	-	604
Prepayments and accrued income	5,136	6,666
Prepaid pension contributions	1,452	1,452
Deferred tax assets (Note 15)	7,364	7,343
	34,397	34,693



# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 10 Debtors due within one year (continued)

Included in prepayments and accrued income is an amount of £768,000 (31 December 2002: £888,000) which is due after more than one year.

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

	31 March 2003 £'000	31 December 2002 (as restated) £'000
Trade creditors	4,337	8,435
Obligations under external finance leases	749	796
Corporation tax	167	378
Other tax and social security	889	176
Other creditors	10	397
Accruals and deferred income	1,562	1,805
	7,714	11,987

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

	31 March 2003 £'000	31 December 2002 £'000
Amounts owed to fellow subsidiary undertakings	31,827	27,475
Amounts owed to subsidiary undertakings	115	115
Obligations under external finance leases	639	645
	32,581	28,235

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 13 Loans and other borrowings - finance leases

Future minimum payments under finance leases are as follows:

	31 March 2003 £'000	31 December 2002 £'000
Within one year	801	852
Within two to five years	684	690
Total gross payments	1,485	1,542
Less finance charges included above	(97)	(101)
	1,388	1,441

### 14 Provisions for liabilities and charges

	Onerous contracts £'000	Other Provisions £'000	Total £'000
Balance at 1 January 2003 (as restated)	187	707	894
Utilised during the year	(23)	(39)	(62)
<b>Balance at 31 March 2003</b>	164	668	832

#### Onerous contracts

The Company is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements.

#### Other Provisions

Other provisions relate to the Directors' best estimates of future liabilities arising from claims principally in respect of insurance. These are likely to be settled within one to two years of the balance sheet date.

The comparatives have been adjusted to reflect £619,000 of provisions which were previously included in accruals.

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 15 Deferred taxation

The full potential asset, provided at 30% (31 December 2002: 30%) is as follows:

	31 March	31 December
	2003	2002
	£'000	£'000
<b>Deferred tax asset</b>		
At 1 January	7,343	7,481
Deferred tax credit/(charge)	21	(7)
Adjustments in respect to prior years	-	(131)
<b>Deferred tax asset</b>	<b>7,364</b>	<b>7,343</b>

The deferred tax asset is represented by accelerated capital allowances of £7,800,000 (31 December 2002: £7,779,000) offset by other timing differences of £436,000 (31 December 2002: £436,000).

### 16 Share capital

	31 March		31 December	
	2003	2003	2002	2002
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
	£'000	£'000	£'000	£'000
Ordinary shares of £1 each	66,000	66,000	66,000	66,000

### 17 Reserves

	31 March	31 December
	2003	2002
	£'000	£'000
<b>Accumulated losses brought forward</b>		
At 1 January	(48,212)	(47,981)
Loss for the year	(393)	(231)
<b>At 31 March/December</b>	<b>(48,605)</b>	<b>(48,212)</b>

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 18 Reconciliation of movement in shareholders' funds

	31 March	31 December
	2003	2002
	£'000	£'000
Shareholders' funds as at 1 January	17,788	18,019
Loss for the financial period	(393)	(231)
Shareholders' funds as at 31 March/December	17,395	17,788

### 19 Pension commitments

The Company and its United Kingdom subsidiary undertakings participate in group pension schemes operated by The Rank Group Plc. The Group has two pension schemes for UK employees, both of which are contracted out of the State Earnings Related Pension arrangements. The schemes are externally funded under separate trusts and the funds' assets are held separately from Group assets.

The Rank Group plc scheme is a defined benefit scheme. However, the contributions paid by the Company are accounted as if the scheme were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities of the scheme. The cost of contributions to the group scheme amount to £134,000 (31 December 2002: £44,000) and are based on pension costs across the group as a whole. An actuarial valuation of the Rank Group plc scheme, using the attained age valuation method, was undertaken on 5 April 2001 and a surplus of £36.5million (as at 1 January 2001) was identified. At 31 March 2003 there was a prepayment in debtors of £1,452,000 (31 December 2002: £1,452,000) resulting from the difference between pension costs charged in the accounts and the amounts funded to date.

Details of the Rank Group Plc scheme and the most recent valuation are disclosed in that company's annual report and accounts for the year ended 31 December 2002.

The Rank Money Purchase Pension Scheme is a defined contribution scheme with benefits, which depend on the contribution levels and the emerging investment performance. Company contributions to this scheme in the period to 31 March 2003 totalled £29,000 (31 December 2002: £83,000).

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the period ended 31 March 2003 (continued)

### 20 Financial commitments

As at 31 March 2003 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	31 March		31 December	
	2003		2002	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	3	219	7	5
Within two to five years	59	30	47	30
After five years	308	-	249	-
	370	249	303	35

### 21 Post Balance Sheet events

The Directors signed a commitment during October 2003 for the sale of the trade and assets of the Company, and of its subsidiary company, Rank Seasonal Amusements Limited, to Gamestec Leisure Limited, a wholly owned subsidiary of Danoptra Holdings Limited, for a total consideration of £30,000,000. It is expected that this transaction will complete during the early part of February 2004.

### 22 Ultimate parent undertaking

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