

Rank Leisure Machine Services Limited

Annual report and accounts

for the year ended 31 March 2006

Registered number: 657720

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# Rank Leisure Machine Services Limited

## Directors' report for the year ended 31 March 2006

The directors present their Report and Statement of Accounts for the period ended 31 March 2006.

### Principal activities, business review and future developments

The Company sold the trade and its material assets and liabilities in February 2004. The remaining activity consists of transactions relating to a surplus property operating lease which was not included in that sale. In August 2005, the residual lease was assigned to Rank Group Gaming Division Limited.

### Results and dividends

The results of the company for the year are set out on page 6. The directors do not recommend the payment of a dividend (31 March 2005: £nil).

### Directors and their interests

On 1 November 2006, Mr P Gill was appointed a director of the Company.

The following were directors of the company during the year:

Mr D Boden (resigned 11/05/06)

Mr C B A Cormick (resigned 31/10/05)

Mr D Walcott (resigned 31/10/06)

Ms P M Coles (appointed 01/11/05)

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 2006				01 April 2005 (or later appointment)		
	Ordinary shares	ESOS	SAYE	Exercise Price (p)	Ordinary shares	ESOS	SAYE
D Boden	115,673	33,144	-	346.96	115,673	33,144	-
	-	47,236	-	338.72	-	47,236	-
	-	94,095	-	271.00	-	117,619	-
	-	85,966	-	239.92	-	85,966	-
	-	54,318	-	320.33	-	54,318	-
	-	83,144	-	277.83	-	83,144	-
	-	101,119	-	237.58	-	-	-
	-	-	3,516	268.00	-	-	3,516
P M Coles	Nil	90,149	-	299.50	Nil	90,149	-
	-	52,004	-	237.58	-	-	-
D Walcott	10,148	4,588	-	435.82	10,148	4,588	-
	-	8,487	-	338.72	-	8,487	-
	-	29,472	-	222.75	-	29,472	-
	-	11,947	-	274.75	-	11,947	-

# Rank Leisure Machine Services Limited

## Directors' report for the year ended 31 March 2006 (continued)

### Directors and their interests (continued)

	31 March 2006				1 April 2005 (or later appointment)		
	Ordinary shares	ESOS	SAYE	Exercise Price (p)	Ordinary shares	ESOS	SAYE
D Walcott (contd)	-	40,590	-	271.00	-	50,738	-
	-	37,512	-	239.92	-	37,512	-
	-	24,349	-	320.33	-	24,349	-
	-	32,117	-	277.83	-	32,117	-
	-	36,619	-	237.58	-	-	-

In addition to the above, D Boden has been granted conditional awards totalling 222,553 ordinary shares; P M Coles has been granted conditional awards totalling 47,593 ordinary shares; and D Walcott has been granted conditional awards totalling 53,555 ordinary shares under the terms of the Rank Group 2000 and 2005 Long Term Incentive Plans.

Options to subscribe for ordinary shares of The Rank Group Plc granted to and exercised by Directors in the year ended 31 March 2006 are set out below. No options were exercised during the year.

	Granted		Lapsed		Exercised		Market Price
	ESOS	SAYE	ESOS	SAYE	SAYE	Price per Option (p)	at date of exercise (p)
D Boden	-	-	23,524	-	-	271.00	-
	101,119	-	-	-	-	237.58	-
P M Coles	90,149	-	-	-	-	299.50	-
	52,004	-	-	-	-	237.58	-
D Walcott	-	-	10,148	-	-	271.00	-
	36,619	-	-	-	-	237.58	-

The market price of an ordinary share at 31 March 2006 was 225.50p and the range during the preceding 12 months was 218p to 322.5p. Options outstanding at 31 March 2006 are exercisable at various dates between 21 February 2000 and 9 March 2016.

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 April 2005 and at 31 March 2006 the interest was in a total of 202,852 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 31 March 2005 or at 31 March 2006.

# **Rank Leisure Machine Services Limited**

## **Directors' report for the year ended 31 March 2006 (continued)**

### **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 year. 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 year ended 31 March 2006 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



P M Coles  
Secretary

### **Registered Office:**

Statesman House  
Stafferton Way  
Maidenhead  
Berkshire  
SL6 1AY  
31 January 2007

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RANK LEISURE MACHINE SERVICES LIMITED**

We have audited the financial statements of Rank Leisure Machine Services Limited for the year ended 31 March 2006, which comprise of the Income Statement, the Balance Sheet, the Cashflow Statement and the related notes. *These financial statements have been prepared under the accounting policies set out therein.*

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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland). 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 into 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 whether the financial statements have been 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RANK LEISURE  
MACHINE SERVICES LIMITED**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS's as adopted by the European Union, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
St Albans

31 January 2007

# Rank Leisure Machine Services Limited

## Income statement for the year ended 31 March 2006

		Discontinued operations	Discontinued operations
		Year ended 31 March 2006	Year ended 31 March 2005
	Notes	£'000	£'000
<b>Operating (loss)/profit and (loss)/profit before taxation</b>		<b>(10)</b>	105
Taxation	3	-	(643)
<b>Loss for the financial period</b>	10	<b>(10)</b>	(538)
Accumulated losses brought forward	10	(50,073)	(49,535)
<b>Accumulated losses carried forward</b>	10	<b>(50,083)</b>	(50,073)

There are no recognised gains or losses other than the results for the year 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 2006

	Notes	31 March 2006 £'000	31 March 2005 £'000
<b>Non-current assets</b>			
Investments in subsidiary undertakings	4	-	-
<b>Current assets</b>			
Trade and other receivables	5	21,713	21,931
		<b>21,713</b>	<b>21,931</b>
<b>Total assets</b>		<b>21,713</b>	<b>21,931</b>
<b>Current liabilities</b>			
Trade and other payables	6	(5,796)	(5,294)
Provisions for liabilities and charges	7, 8	-	(710)
<b>Total liabilities</b>		<b>(5,796)</b>	<b>(6,004)</b>
<b>Net assets</b>		<b>15,917</b>	<b>15,927</b>
<b>Shareholder's equity</b>			
Ordinary share capital	9	66,000	66,000
Other reserves	10	(50,083)	(50,073)
<b>Equity shareholders' funds</b>	11	<b>15,917</b>	<b>15,927</b>

The financial statements on pages 6 to 15 were approved by the Board of Directors on 31 January 2007 and were signed on its behalf by:



P M Coles  
Director



# Rank Leisure Machine Services Limited

## Cashflow statement for the year ended 31 March 2006

	31 March 2006	31 March 2005
Note	£'000	£'000
<b>Cash flows from operating activities</b>		
Cash (outflow)/generated from operations	<u>(720)</u>	<u>1,361</u>
<b>Cash flows from financing activities</b>		
Funding from other Rank subsidiaries	<u>720</u>	<u>(1,361)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>-</u>	<u>-</u>
Cash and cash equivalents at 1 January	-	-
<b>Cash and cash equivalents at 31 December</b>	<u>-</u>	<u>-</u>

Reconciliation of operating profit to net cash inflow from operating activities:

	31 March 2006	31 March 2005
	£'000	£'000
Operating (loss)/profit	(10)	(538)
(Increase)/decrease in working capital	<u>(710)</u>	<u>1,899</u>
<b>Cash generated from operations</b>	<u>(720)</u>	<u>1,361</u>

# **Rank Leisure Machine Services Limited**

## **Notes to the financial statements for the year ended 31 March 2006**

### **1 Accounting policies**

The principal accounting policies adopted in the preparation of this financial information are set out below.

#### **A Basis of preparation**

The basis of preparation and accounting policies used in preparing the Company's financial information from 1 April 2005 is set out below. The basis of preparation describes how IFRS has been applied under IFRS 1, the assumptions made by the Company about the Standards and Interpretations expected to be effective, and the policies adopted by the Company.

From 1 April 2005, the Company's financial statements will be prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial information will be prepared under the historical cost convention as modified by the revaluation of available for sale investments and, financial assets and liabilities held for trading. A summary of the more important Company accounting policies is set out below.

The preparation of financial information, in conformity with GAAP, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out in the relevant accounting policies discussed below. The best estimate of the directors may differ from the actual result.

#### **B Changes in Accounting Policy**

On transition to IFRS, the Company recognised all assets and liabilities as required by IFRS and derecognised all assets and liabilities not permitted by IFRS. Assets and liabilities were all measured in accordance with IFRS.

There was no impact of transition to IFRS on the Company's shareholders' funds as at 1 April 2004 and 31 March 2005.

#### **C Revenue recognition**

Revenue consists of fees from a group undertaking for operating a bingo multiple game licence and it is stated net of value added tax.

# **Rank Leisure Machine Services Limited**

## **Notes to the financial statements for the year ended 31 March 2006 (continued)**

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

#### **D Taxation**

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

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### **E Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the year ended 31 March 2006 (continued)

### 2 Profit before taxation

Audit fees are borne by the immediate parent company Rank Group Gaming Division Limited. Operating lease payments are also borne by the immediate parent company.

### 3 Taxation

	Discontinued Operations	Discontinued Operations
	Year ended 31 March 2006	Year ended 31 March 2005
	£'000	£'000
<b>Current tax</b>		
UK current corporation tax charge at 30% (31 March 2005: 30%)	-	32
Adjustment in respect of prior years	-	611
	-	643
<b>Total taxation</b>	-	643

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

	Discontinued Operations	Discontinued Operations
	Year ended 31 March 2006	Year ended 31 March 2005
	£'000	£'000
<b>(Loss)/profit before tax</b>	<b>(10)</b>	<b>105</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31 March 2005: 30%)	(3)	32
<b>Effects of:</b>		
Other timing difference	3	-
Adjustment in respect of prior years	-	611
<b>Current tax charge for year</b>	<b>-</b>	<b>643</b>

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the year ended 31 March 2006 (continued)

### 4 Investments in subsidiary undertakings

	31 March 2006	31 March 2005
	£'000	£'000
Cost	14,350	14,350
Provisions	(14,350)	(14,350)
Net book amount	-	-

The Company also held interests in non-trading subsidiary undertakings. At 31 March 2006, the Company held the following interests in subsidiary undertakings, which are all incorporated in Great Britain and registered in England and Wales:

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 Properties SCI - (France)	Ordinary	-	100
Associated Leisure France SARL - (France)	Ordinary	50	50

### 5 Trade and other receivables

	31 March 2006	31 March 2005
	£'000	£'000
Amounts owed by parent undertaking	13,415	13,627
Amounts owed by fellow subsidiary undertakings	8,298	8,298
Prepayments and accrued income	-	6
	21,713	21,931

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the year ended 31 March 2006 (continued)

### 6 Trade and other payables

	31 March 2006	31 March 2005
	£'000	£'000
Trade creditors	-	6
Amount owed to fellow subsidiary in relation to group relief	643	643
Amount owed to fellow subsidiary	5,115	4,607
Other tax and social security	38	28
Accruals and deferred income	-	10
	5,796	5,294

### 7 Provisions for liabilities and charges

	Deferred taxation	Other provisions	Total
	£'000	£'000	£'000
Balance at 1 April 2005	-	710	710
Transferred to group undertakings	-	(710)	(710)
<b>Balance at 31 March 2006</b>	-	-	-

#### Other provisions

Other provisions primarily relate to the Directors' best estimates of future liabilities arising from claims principally in respect of insurance.

## Rank Leisure Machine Services Limited

### Notes to the financial statements for the year ended 31 March 2006 (continued)

#### 8 Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30%.

The movement on the deferred tax account is as shown below:

	31 March 2006	31 March 2005
	£'000	£'000
At 1 April	-	(595)
Transferred to Group Company	-	595
Deferred tax liability as at 31 March	-	-

#### 9 Share capital

	31 March 2006		31 March 2005	
	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

# Rank Leisure Machine Services Limited

## Notes to the financial statements for the year ended 31 March 2006 (continued)

### 10 Other reserves

	31 March 2006	31 March 2005
	£'000	£'000
Accumulated losses brought forward		
At 1 April	(50,073)	(49,535)
Loss for the year	(10)	(538)
At 31 March	(50,083)	(50,073)

### 11 Reconciliation of movement in shareholders' funds

	31 March 2006	31 March 2005
	£'000	£'000
Shareholders' funds as at 1 April	15,927	16,465
Loss for the financial year	(10)	(538)
Shareholders' funds as at 31 March	15,917	15,927

### 12 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 Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.