

Rank Leisure Machine Services Limited
(Registered Number: 657720)

Annual Report for the year ended 31 December 2001



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Rank Leisure Machine Services Limited

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Rank Leisure Machine Services Limited

Directors' report for the year ended 31 December 2001

The directors present their report and audited financial statements for the year ended 31 December 2001.

Principal activities, business review and future developments

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

The directors do not anticipate any immediate or substantial variations in the company's current activities.

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 (2000: £nil).

Fixed assets

The directors have considered the total net book value of land and buildings and are of the opinion that it is not significantly different from the market value at 31 December 2001.

Directors and their interests

The following were directors of the company during the year:

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 December 2001				1 January 2001		
	Ordinary shares	ESOS	SAYE	Exercise Price (p)	Ordinary shares	ESOS	SAYE
D Boden	-	69,507	-	372.92	-	230,986	5,412
	-	33,144	-	346.96	-	-	-
	-	47,236	-	338.82	-	-	-
	-	81,099	-	222.75	-	-	-
	-	-	6,870	141.00	-	-	-
D Walcott	-	4,588	-	435.82	-	54,494	-
	-	8,487	-	338.72	-	-	-
	-	29,472	-	222.75	-	-	-
	-	11,947	-	274.75	-	-	-

Rank Leisure Machine Services Limited

Directors' report for the year ended 31 December 2001 (continued)

Directors and their interests (continued)

In addition to the above, D Boden has been granted conditional awards totalling 289,753 ordinary shares, and D Walcott has been granted conditional awards totalling 117,310 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 year ended 31 December 2001 are set out below. Except as stated, no options lapsed during the year.

	Granted		Lapsed		Exercised		Price per Option	Market price at date of exercise (p)
	ESOS	SAYE	ESOS	SAYE	ESOS	SAYE		
D Boden	-	6,870	-	-	-	-	141.00	
				5,412			179.00	
D Walcott	-	-	-	-	-	-	-	

Options outstanding at 31 December 2001 are exercisable at various dates between 10 February 1998 and 9 September 2009.

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 2001 the interest was in a total of 324,389 ordinary shares and at 31 December 2001 the interest was in a total of 1,224,389 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 2001 or at 31 December 2001.

Human resources

The company recognises that the contribution made by its employees is crucial to the success of each of its businesses. 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 and consultation programmes exist at site, company and group level.

The company endorses the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age, disability or sexual orientation.

Rank Leisure Machine Services Limited

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 December 2001 is calculated at 51 days (2000: 48 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 presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently.

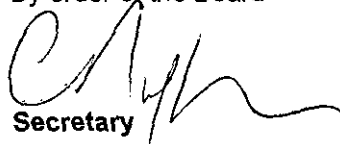
They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have been followed.

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 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

21 October 2002

Independent auditors' report to the members of Rank Leisure Machine Services Limited

We have audited the financial statements, which comprise the profit and loss account, the 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.

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.

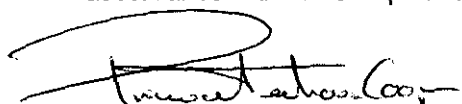
Basis of audit opinion

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.

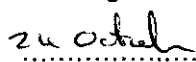
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham

 2002

Rank Leisure Machine Services Limited

Profit and loss account for the year ended 31 December 2001

	<i>Note</i>	2001 £'000	2000 £'000
Turnover		41,442	45,463
Operating profit	2	1,723	1,522
Exceptional items: profit on disposal of freehold properties		1,371	-
Interest payable	4	(2,204)	(2,527)
Profit/(loss) on ordinary activities before taxation	5	890	(1,005)
Taxation on profit/(loss)	6	462	(774)
Profit/(loss) after taxation		1,352	(1,779)
Profit/(loss) for the financial year	17	1,352	(1,779)
Accumulated losses brought forward		(56,814)	(55,035)
Accumulated losses carried forward		(55,462)	(56,814)

All turnover and operating profit/(losses) arise 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.

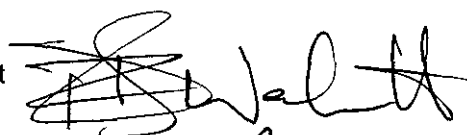
Rank Leisure Machine Services Limited

Balance sheet at 31 December 2001

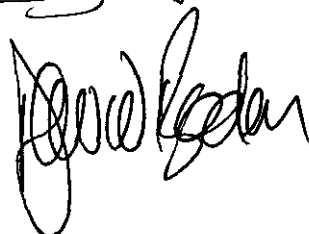
	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	7	19,098	20,944
Investments in subsidiary undertakings	8	-	-
		19,098	20,944
Current assets			
Stocks	9	901	936
Debtors	10	32,575	33,894
Cash at bank and in hand		1,424	1,718
		34,900	36,548
Creditors: amounts falling due within one year	11	(10,571)	(11,211)
Net current assets		24,329	25,337
Total assets less current liabilities		43,427	46,281
Creditors: amounts falling due after more than one year	12	(31,856)	(35,771)
Provisions for liabilities and charges	14	(1,033)	(1,324)
Net assets		10,538	9,186
Capital and reserves			
Called up share capital	16	66,000	66,000
Profit and loss account	17	(55,462)	(56,814)
Equity shareholders' funds	18	10,538	9,186

The financial statements on pages 5 to 16 were approved by the Board of Directors on 21/10/2002 and were signed on its behalf by:

D Walcott
Director



D Boden
Director



Rank Leisure Machine Services Limited

Notes to the accounts for the Year Ended 31 December 2001

1 Accounting policies

a) 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.

The requirements of FRS 18 (Accounting Policies) have been implemented during the year. There have been no changes in the company's accounting policies as the company was in compliance with the requirements of the standard retrospectively.

b) 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.

c) Taxation

Current taxation is applied to taxable profits at the rates ruling. Deferred taxation, computed under the liability method, is provided in respect of timing differences to the extent that it is probable that a liability will arise in the foreseeable future.

d) 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.

e) Fixed assets

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.

f) 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.

Rank Leisure Machine Services Limited

Notes to the accounts for the year ended 31 December 2001 (continued)

1 Accounting policies (continued)

g) Stocks

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

h) Deferred expenditure

Deferred expenditure comprises those trading costs and advance payments on supply contracts, incurred during the period of trading which are regarded as a prepayment against future profits to be earned. The expenditure is included in the balance sheet as a prepayment and is written off over periods of one to five years, the period over which the related benefits are expected to arise.

i) 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.

j) 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 accounts for the year ended 31 December 2001 (continued)

2 Operating profit/(loss)

	2001 £'000	2000 £'000
Turnover	41,442	45,463
Cost of sales	(32,029)	(34,732)
Gross profit	9,413	10,731
Selling and distribution costs	(2,508)	(2,190)
Administrative expenses	(6,848)	(7,950)
Other operating income	419	226
Profit on disposal of tangible fixed assets	1,247	1,047
Redundancy and reorganisation costs	-	(342)
Operating Profit	1,723	1,522

3 Directors and employees

The directors did not receive and remuneration from the company during the year as they are paid by the parent company

	2001 £'000	2000 £'000
Directors' costs consist of:	-	-
Directors' emoluments	-	77
Pension costs	-	2
Benefits in kind	-	3
Compensation for loss office	-	141
	-	223

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

	2001 £'000	2000 £'000
Employee costs (including Directors) consist of:		
Wages and salaries	9,967	10,948
Social security costs	831	749
Pension costs	546	631
	11,344	12,328

Rank Leisure Machine Services Limited

Notes to the accounts for the year ended 31 December 2001 (continued)

3 Directors and employees (continued)

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

	2001	2000
Management	30	31
Administration & operations	697	756
	727	787

4 Interest payable

	2001 £'000	2000 £'000
Interest on group loan	2,059	2,373
Finance charges on finance leases	134	141
Other interest	11	13
	2,204	2,527

5 Profit/(loss) on ordinary activities before taxation

This is stated after charging the following items:

	2001 £'000	2000 £'000
Depreciation of tangible fixed assets	15,731	17,877
Redundancy and reorganisation costs	-	342
Operating lease payments - land and buildings	220	302
Auditors' remuneration - for audit work	21	23

6 Taxation on profit/(loss) on ordinary activities

	2001 £'000	2000 £'000
United Kingdom taxation		
UK corporation tax credit/(charge) at 30% (2000: 30%)	462	(774)
	462	(774)

Rank Leisure Machine Services Limited

Notes to the accounts for the year ended 31 December 2001 (continued)

7 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Vehicles, fixtures and equipment £'000	Total £'000
Cost				
At 31 December 2000	2,690	153	45,492	48,335
Additions	43	-	16,260	16,303
Disposals	(988)	-	(16,289)	(17,277)
At 31 December 2001	1,745	153	45,463	47,361
Depreciation				
At 31 December 2000	(230)	(76)	(27,085)	(27,391)
Disposals	60	-	14,799	14,859
Charge for the period	(21)	(7)	(15,703)	(15,731)
At 31 December 2001	(191)	(83)	(27,989)	(28,263)
Net book amount				
At 31 December 2001	1,554	70	17,474	19,098
At 31 December 2000	2,460	77	18,407	20,944

(a) Included in vehicles, fixtures and equipment are amusement machines held for rental at a cost of £45,532,000 (2000: £46,954,000) and accumulated depreciation of £31,490,000 (2000: £31,849,000).

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

	2001 £'000	2000 £'000
Cost	3,652	3,759
Accumulated depreciation	(1,649)	(1,762)
Net book amount	2,003	1,997
Depreciation charged in the period	825	873

The Company has no significant commitments for future capital expenditure.

Rank Leisure Machine Services Limited

Notes to the accounts for the year ended 31 December 2001 (continued)

8 Investments in subsidiary undertakings

	2001 £'000	2000 £'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 December 2001, 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 Property SCI - (France)	Ordinary	-	100
Associated Leisure France SARL - (France)	Ordinary	100	-

9 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	123	58
Finished goods and goods for resale	778	878
	901	936

Rank Leisure Machine Services Limited

Notes to the accounts for the year ended 31 December 2001 (continued)

10 Debtors due within one year

	2001 £'000	2000 £'000
Trade debtors	3,589	3,793
Amounts owed by parent undertakings	7,479	16,324
Amounts owed by fellow subsidiary undertakings	8,298	960
Amounts owed by subsidiary undertakings	5,335	5,573
Corporation tax recoverable	449	-
Other debtors	-	11
Prepayments and accrued income	6,396	6,521
Prepaid pension contributions	1,029	712
	32,575	33,894

11 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	5,808	6,024
Obligations under external finance leases	750	782
Other tax and social security	648	1,026
Other creditors	357	11
Accruals and deferred income	3,008	2,530
Amounts owed to parent undertaking	-	64
Corporation tax	-	774
	10,571	11,211

12 Creditors: amounts falling due after more than one year

	2001 £'000	2000 £'000
Amounts owed to fellow subsidiary undertakings	30,878	34,920
Amounts owed to subsidiary undertakings	115	115
Obligations under external finance leases	863	736
	31,856	35,771

Rank Leisure Machine Services Limited

Notes to the accounts for the year ended 31 December 2001 (continued)

13 Loans and other borrowings - finance leases

Future minimum payments under finance leases are as follows:

	2001 £'000	2000 £'000
Within one year	803	837
Within two to five years	1,002	854
Total gross payments	1,805	1,691
Less finance charges included above	(192)	(173)
	1,613	1,518

14 Provisions for liabilities and charges

	Onerous contracts £'000	Redundancy and reorganisation £'000	Other Provisions £'000	Total
Balance at 1 January 2001	882	342	100	1,324
Utilised during the year	(333)	(92)	-	(425)
Additional amounts provided	134	-	-	134
Balance at 31 December 2001	683	250	100	1,033

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.

Redundancy and reorganisation

The provision relates to ongoing costs that arose from the disposal of another group undertaking for which the Company was responsible. The provisions are to be utilised over the coming year.

Rank Leisure Machine Services Limited

Notes to the accounts for the year ended 31 December 2001 (continued)

15 Deferred taxation

The full potential liability, provided at 30% (2000: 30%) is as follows:

	As provided 2001 £'000	As provided 2000 £'000	Not provided 2001 £'000	Not provided 2000 £'000
Capital allowances	-	-	7,658	6,724
Other timing differences	-	-	(177)	(177)
	-	-	7,481	6,547

No deferred tax has been provided in the year (2000: £nil) as it is not expected to crystallise in the foreseeable future.

16 Share capital

	2001 Authorised £'000	2001 Issued and fully paid £'000	2000 Authorised £'000	2000 Issued and fully paid £'000
Ordinary shares of £1 each	66,000	66,000	66,000	66,000

17 Reserves

	2001 £'000	2000 £'000
As at 1 January	(56,814)	(55,035)
Profit for the year	1,352	(1,779)
As at 31 December	(55,462)	(56,814)

18 Reconciliation of movement in shareholders' funds

	2001 £'000	2000 £'000
Shareholders' funds as at 1 January	9,186	10,965
Profit / loss for the financial year	1,352	(1,779)
Shareholders' funds as at 31 December	10,538	9,186

Rank Leisure Machine Services Limited

Notes to the accounts for the year ended 31 December 2001 (continued)

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 £487,000, (2000 £547,000), being 10.5 % of pensionable salary and are based on pension costs across the group as a whole. As at the valuation date of 5 April 2001, the plan has a surplus of assets over liabilities on a ongoing basis of £49.2 million representing a funding level of 109%.

The Surplus on an FRS 17 basis is £36.5 million as shown in the Group accounts.

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 year to 31 December 2001 totalled £59,000, (2000: £58,000).

20 Financial commitments

As at 31 December 2001 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings	
	2001 £'000	2000 £'000
Within one year	3	10
Within two to five years	63	19
After five years	251	273
	<hr/>	<hr/>
	317	302

21 Ultimate parent undertaking

The immediate parent undertaking is Rank Leisure 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.

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