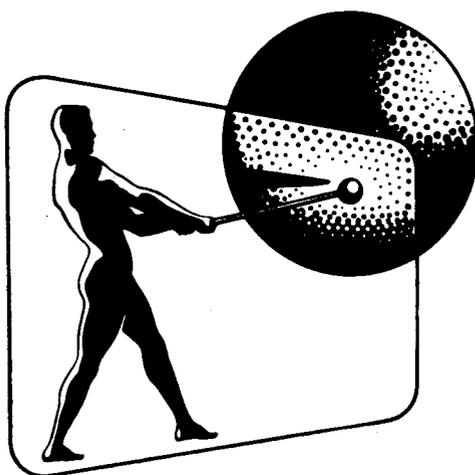


THE RANK ORGANISATION LIMITED

Annual Report and Accounts
1973







THE RANK ORGANISATION LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31st OCTOBER 1973

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The Financial Calendar

Half-Year Interim Report: published mid July.

Annual Results: Preliminary Statement published mid January. Annual Report posted to shareholders in February.

Annual General Meeting: Held in March.

Date of Payment of Dividends and Interest

Ordinary and 'A' Ordinary Shares.

6½% Preference Shares
8% Second Preference Shares
4½% Convertible Loan 1993
6% Unsecured Loan Stock 1983/88
5½% Unsecured Loan Stock 1990/95
8% Unsecured Loan Stock 1988/93
8½% Bonds 1986
10½% Unsecured Loan Stock 1997/2002

Interim announced mid July paid November.
Final Dividend announced mid January paid April.

30th June	31st December
30th June	31st December
15th February	—
30th June	31st December
30th June	31st December
30th June	31st December
1st November	—
30th April	31st October

Highlights

£ figures in thousands	1973	1972
Turnover	£260,293	£195,219
Trading Profit	£24,667	£16,107
Share of Profits before Taxation of Associated Companies	£51,347	£39,158
Profit before Taxation	£68,410	£50,376
Profit after Taxation attributable to the Ordinary and 'A' Ordinary Shareholders	£33,494	£24,895
Earnings per 25p Ordinary and 25p 'A' Ordinary Share (See note (1) below)		
Pence	22.3	17.7
U.S. cents (\$2.44=£1—1972 \$2.34=£1)	54.4	41.4
Earnings as a percentage of average net assets (Ordinary and 'A' Ordinary Shareholders' interest)	17.8%	17.3%
Dividends per 25p Ordinary and 25p 'A' Ordinary Share (See notes (2) and (3) below)		
Pence		
Interim	2.1875	2.1875
Final	2.8656	2.6250
Total	5.0531	4.8125
U.S. cents (\$2.44=£1—1972 \$2.34=£1)		
Interim	5.3375	5.1188
Final	6.9921	6.1425
Total	12.3296	11.2613
Average capital employed	£370,689	£253,142
Return after taxation on average capital employed	11.1%	11.9%

Notes

(1) The calculation of earnings per share is based on earnings of £33,494,000 and on shares in issue at 31st October 1973 of 150,168,000 (1972 £24,895,000 and 140,680,000 shares as increased by capitalisation issue 30th March 1973).

(2) The dividends for the year ended 31st October 1972, have been calculated by reference to the capital as increased by the one for one capitalisation issue approved by shareholders on 30th March 1973.

(3) On the basis of tax rates currently in force, a U.K. shareholder will normally be entitled to a tax credit equal to 3/7ths of a dividend paid after 5th April 1973. In order to show a consistent presentation, the 1972 Interim Dividend per share has been adjusted to 70% of the gross amount thereof.

Notice of Meeting

Notice is hereby given that the thirty-seventh Annual General Meeting of the Company will be held at the Royal Lancaster Hotel, Lancaster Terrace, Hyde Park, London W2, on Tuesday, 12th day of March 1974, at 12 noon for the following purposes:

- 1 To receive and adopt the Accounts for the year ended 31st October 1973, and the Reports of the Directors and Auditors.
- 2 To declare a Final Dividend on Ordinary and 'A' Ordinary Shares.
- 3 To elect Directors including Mr C. R. P. Hamilton who became 70 years of age on 4th August 1973.
- 4 To fix the Auditors' Fee.
- 5 As special business to consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

Resolution

- THAT (i) the Directors be and are hereby authorised to grant options to subscribe for 'A' Ordinary Shares in the capital of the Company to individuals not resident for tax purposes in the United Kingdom who would otherwise be eligible to participate in the Executive Share Option Scheme adopted on 30th March 1973 ('the Scheme'),
- (ii) the grant of such options shall be subject to the same restrictions and upon the same terms *mutatis mutandis* as would have applied under the Scheme, with power to the Directors in their discretion to agree such variations in each case as may be necessary to comply with the legal, administrative and other requirements in the countries in which such individuals are resident, and
- (iii) the total nominal value of 'A' Ordinary Share capital of the Company issued under all such options and the Scheme shall not exceed the maximum nominal value of such capital capable of being issued under the Scheme.

Note A copy of the Executive Share Option Scheme adopted on 30th March 1973 can be inspected at the offices of Richards, Butler & Co., Stone House, 128-140 Bishopsgate, London EC2M 4HY at any time during normal business hours on any weekday (excluding Saturdays) up to and including the date of the Meeting. A copy of the document will also be available for inspection at the Meeting. A summary of the Scheme appears in the Chairman's Statement on pages 19 and 20.

By Order of the Board
Russell W. Evans
Director and Secretary

14th February 1974

A warm invitation to attend the Annual General Meeting is extended to all shareholders.

Under the Company's Articles of Association only the holders of Ordinary Shares are entitled to vote. A holder of Ordinary Shares is entitled to appoint one or more proxies to attend and (on a poll) to vote in his stead. A proxy need not be a member. If you are the holder of Ordinary Shares, a Form of Proxy is enclosed.

If the proposed Final Dividend on Ordinary and 'A' Ordinary Shares is approved at the meeting, warrants in payment will be posted on 9th April 1974, to those shareholders on the Register at 27th February 1974.

There will be available for inspection at the Registered Office of the Company, Millbank Tower, Millbank, London SW1 during the usual business hours from 14th February 1974, until 12th March 1974, statements of the terms of each Service Contract, not expiring or determinable by the Company without payment of compensation within one year, of any Director of the Company with the Company or any of its Subsidiary Companies.

Such statements will also be available at the place of the Annual General Meeting at least fifteen minutes prior to and throughout the meeting.

Directors

Sir John Davis *Chairman and Chief Executive*

Graham R. Dowson *Deputy Chief Executive*

Sir Robert Bellinger, G.B.E., D.Sc.

J. P. Collis *Managing Director, Rank Radio International Limited*

Russell W. Evans, M.C., LL.B. *Secretary*

Sir Arnold France, G.C.B.

C. R. P. Hamilton, C.M.G.

The Lord Helsby, G.C.B., K.B.E.

F. Keighley

Denis M. Mountain

The Rt. Hon. Lord O'Brien of Lothbury, G.B.E., P.C.

The Hon. Angus Ogilvy

F. John Read

Sir Robert Shone, C.B.E.

Harry Smith

Sir Richard Trehane

Secretary and Registered Office

Russell W. Evans
Millbank Tower, Millbank,
London SW1P 4QR

Deputy Secretary

B. C. Owers

Bankers

National Westminster Bank Limited

Brokers

Cazenove & Co.
Joseph Sebag & Co.

Auditors and Consultant Accountants

Peat, Marwick, Mitchell & Co.

Solicitors

Richards, Butler & Co.

Directors' Report

1 Accounts

The Directors present the Balance Sheet of the Company and Consolidated Balance Sheet at 31st October 1973 and Consolidated Profit and Loss Account for the year ended on that date.

	£000s	£000s
The Consolidated Trading Profit for the year was		24,667
<i>Add</i> Share of Profit before Taxation of Associated Companies		
Rank Xerox Group		47,384
Others		3,963
Dividends and Interest Receivable		3,619
		<hr/>
		79,633
<i>Less</i> Interest Payable		11,223
		<hr/>
Profit before Taxation		68,410
<i>Less</i> Taxation based thereon		33,338
		<hr/>
Profit after Taxation		35,072
<i>Less</i> Outside Shareholders' Interests		956
		<hr/>
		34,116
<i>Add</i> Extraordinary Items		690
		<hr/>
The Consolidated Profit attributable to the Company was		34,806
<i>Less</i> Retained by		
Subsidiary Companies	1,285	
Associated Companies	18,162	19,447
		<hr/>
Leaving a Surplus in the Company of		15,359
The Revenue Reserves of the Company brought forward amounted to	22,466	
<i>Less</i> Increase in Deferred Taxation due to the change in rate of Corporation Tax	629	21,837
		<hr/>
Making a total of		37,196
Which your Directors (a) have applied (b) recommend be appropriated as follows:		
(a) 6¼% Preference Dividend	466	
(a) 8% Second Preference Dividend	156	
(a) Interim Dividend of 2·1875p per share on the Ordinary and 'A' Ordinary Shares	3,285	
(b) Final Dividend of 2·865625p per share on the Ordinary and 'A' Ordinary Shares	4,303	8,210
		<hr/>
Leaving an amount to be carried forward in the Company of		£28,986
		<hr/>

2 Principal Activities

Leisure: Film exhibition at home and overseas, suites, clubs, dancing, film production and distribution, studios and laboratories, radio, television, audio visual, motor-ports, restaurants, hotels and holiday centres.

Directors' Report *continued*

2 Principal Activities *continued*

Manufacturing: Production of scientific instruments, optical goods, electronic equipment, radio and television receivers, high fidelity audio equipment, educational products and theatre lighting equipment.

Property: Development of property for investment.

Investment in Associated Companies

Rank Xerox: Manufacture and marketing of xerographic equipment for high-speed document copying and duplicating.

Others: Manufacture overseas of television and radio receivers, radiograms and high fidelity audio equipment; film exhibition overseas; film distribution in the U.K., and Southern Television.

3 Analysis of Turnover and Profit

An analysis of the Turnover and Profits of the various classes of the business carried on by the Company and its subsidiaries for the year ended 31st October 1973 is as follows:

Class of Business	Turnover £000s	Profit before Tax (see note below) £000s
Leisure		
Film Exhibition		
British Isles	24,482	2,243
Overseas (mainly Canada)	13,581	1,482
Dancing and Bingo	15,503	2,416
Motorports and Restaurants	10,362	277
Film Studios and Laboratories	9,359	1,132
Film Production and Distribution	4,687	(299)
Hotels	10,622	(744)
Holiday Centres	24,951	5,024
Audio Visual	26,548	2,167
Radio, Television and Hi-Fi	87,348	8,233
	<hr/>	<hr/>
	227,443	21,931
Scientific Instruments, Optics and Electronics	20,972	(164)
Property	5,710	3,363
Other Activities	6,168	477
<i>Less</i> Unallocated Central Costs		(940)
	<hr/>	<hr/>
	260,293	24,667
Share of profits before taxation of Associated Companies		
Rank Xerox Group		47,384
Others		3,963
Dividends and Interest Receivable		3,619
		<hr/>
		79,633
<i>Less</i> Interest Payable		11,223
	<hr/>	<hr/>
	£260,293	£68,410

Note In the opinion of the Directors it is not practicable to apportion interest payable and certain central costs between the various activities of The Rank Organisation.

Directors' Report *continued*

3 Analysis of Turnover and Profit *continued*

A geographical analysis of Turnover and Trading Profits of trading operations carried on by the Company and its subsidiaries for the year ended 31st October 1973 is as follows:

	Turnover £000s	Trading Profit £000s
United Kingdom	205,196	22,639
Europe	30,473	993
U.S.A.	6,108	189
Canada	13,546	1,572
Rest of World	4,970	214
Less Unallocated Central Costs		(940)
	<hr/> £260,293	<hr/> £24,667

4 Issue of Shares and Loan Capital

During the year ended 31st October 1973 the following shares and loan capital were issued. Issues of 'A' Ordinary Shares are stated after taking into account the one for one capitalisation issue approved at an Extraordinary General Meeting of the Company held on 30th March 1973.

- (1) U.S. \$75,000,000—4¼% Convertible Loan 1993 was issued at 100% and is convertible between 16th February 1974 and 12th February 1993 at 600p per Share into 'A' Ordinary Shares of the Company. Full conversion would involve the issue of 5,319,148 'A' Ordinary Shares.
- (2) 3,944,416 'A' Ordinary Shares and £18,735,976 10¾% Unsecured Loan Stock 1997/2002 were issued in exchange for the Ordinary Shares of Butlin's Limited.
- (3) The Ordinary and Preference Share Capital of Oddenino's Property and Investment Company Limited was acquired in exchange for the issue of 5,258,749 'A' Ordinary Shares and £9,236,314 in cash.
- (4) 21,666 'A' Ordinary Shares were issued as consideration for the acquisition of part of the minority interest in Mercury Yacht Harbours Limited held by certain directors of that company.
- (5) 15,000 'A' Ordinary Shares were issued as part consideration for the acquisition of Templecolor Laboratories Limited.
- (6) 179,247 'A' Ordinary Shares were issued as part consideration for the acquisition of Yonge-Sheppard Developments Limited (Canada).
- (7) 48,522 'A' Ordinary Shares were issued as a result of the conversion on 30th April 1973 of £173,292 7¼% Unsecured Loan Stock 1988/1993. All but £70,665 Stock was converted at that date. Under the provisions of the Trust Deed, the Trustees gave Notice requiring the Company to allot to them such number of 'A' Ordinary Shares of 25p each as would have been allotted had the outstanding Stockholders exercised their right to convert. 19,787 'A' Ordinary Shares were allotted to the Trustees for sale on the market and distribution of the proceeds to the Stockholders concerned.

Directors' Report *continued*

5 Directors

The following were Directors of the Company throughout the year ended 31st October 1973. The age of each Director is shown in brackets after his name.

Sir Robert Bellinger (63), Mr. J. P. Collis (46), Sir John Davis (67), Mr. Graham R. Dowson (51), Mr. Russell W. Evans (51), Mr. C. R. P. Hamilton (70), The Lord Helsby (65), Mr. F. Keighley (73), Mr. Denis M. Mountain (44), The Hon. Angus Ogilvy (45), Mr. F. John Read (53), Sir Robert Shone (67), Mr. Harry Smith (56), Sir Richard Trehane (60).

Mr. C. Peter McColough retired from the Board on 30th March 1973, Mr. Bryan Quilter on 30th April 1973 and Mr. C. W. P. Mac Arthur on 8th October 1973.

Sir Arnold France (62), and The Rt. Hon. the Lord O'Brien of Lothbury (65), were appointed Directors on 4th June 1973 and 7th January 1974 respectively. They retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

Sir John Davis, The Lord Helsby, Mr. Harry Smith and Sir Richard Trehane retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

Mr. C. R. P. Hamilton who attained the age of 70 on 4th August 1973 retires in accordance with the provisions of the Companies Act, 1948, and his proposed re-election will be the subject of a Resolution of which special notice has been given.

6 Directors' Interests

The beneficial interests of the Directors in shares and debentures of the Company and its subsidiaries, which are set out in the following table, include such family interests in shares and debentures as are required to be shown by the Companies Act, 1967. Their interests do not in the aggregate in respect of either share capital or voting control exceed 5% in the case of the Company or any one of its subsidiaries.

	The Rank Organisation Limited			at 1st November 1972, or later date of appointment as Director		
		at 31st October 1973				
	Ordinary	'A'	6¼%	Ordinary	'A'	6¼%
		Ordinary	Preference		Ordinary	Preference
J. P. Collis	220	17,260	—	110	8,630	—
Sir John Davis	34,000	83,444	—	17,000	41,722	—
Graham R. Dowson	500	52,720	—	250	26,360	—
Russell W. Evans	—	8,320	—	—	4,160	—
C. R. P. Hamilton	5,400	400	—	2,700	—	—
The Lord Helsby	—	2,600	329	—	1,300	329
F. Keighley	1,600	1,830	900	800	915	900
Denis M. Mountain	250	—	1,000	125	—	1,000
The Hon. Angus Ogilvy	142	2,144	—	71	572	—
F. John Read	400	10,000	—	—	5,000	—
Sir Robert Shone	2,000	—	1,000	1,000	—	1,000
Harry Smith	260	—	1,563	130	—	1,563
Sir Richard Trehane	1,000	—	1,000	500	—	1,000
A. Kershaw & Sons, Limited		Ordinary			Ordinary	
C. R. P. Hamilton		1,100			1,100	

Directors' Report *continued*

6 Directors' Interests *continued*

Except as stated herein none of the Directors was interested in shares in or debentures of the Company at 1st November 1972 (or later date of appointment as Director) or at 31st October 1973, nor was any Director interested at such dates in shares in or debentures of any other body corporate being the Company's subsidiary or holding company or a subsidiary of the Company's holding company.

Throughout the financial year Sir John Davis and Mr. F. Keighley as Trustees of the Charities mentioned in paragraph 8 below held non-beneficial interests in 81,000 'B' non-voting Ordinary Shares of 50p each in Group Holdings Limited, a holding Company of Rank Group Holdings Limited and the Company.

Mr. Denis Mountain has the following non-beneficial interests in shares and Loan Stock of the Company as Trustee of:

Eagle Star Staff Pension Fund—£35,000 8% Unsecured Loan Stock.

Eagle Star Widows' Benefit Fund—£10,000 8% Unsecured Loan Stock and 10,000 Ordinary shares.

Mr. C. R. P. Hamilton, as a Trustee of The Standard Bank Limited Pension Fund, has a non-beneficial interest in 120,000 'A' Ordinary Shares.

None of the Directors or their families has acquired or sold any interests in shares or debentures of the Company or its subsidiaries since 31st October 1973.

7 Fixed Assets

The total expenditure on additions to Fixed Assets of the Company and its Subsidiaries (other than arising on acquisition of Subsidiaries) during the year ended 31st October 1973, amounted to £45,583,000.

The principal categories of expenditure were:

	£
Factories and Plant	11,425,000
New Theatres and improvements to existing Theatres	3,018,000
Suites, Clubs and Motorports	1,140,000
Hotels	3,743,000
Development of properties for investment	26,257,000

Disposals of Fixed Assets by the Company and its Subsidiaries during the year ended 31st October 1973 realised £5,204,000.

8 Ultimate Holding Company

53% of the Ordinary Shares of The Rank Organisation Limited, representing the original shareholdings of the late Lord Rank and the late Lady Rank, is now owned by Rank Group Holdings Limited, the whole of the share capital of which is ultimately owned by The Rank Foundation Limited and the Trustees of the J. Arthur Rank Group Charity (to whom these interests were given by Lord and Lady Rank under arrangements made in 1953) and by the Trustees of the 1961 Rank Group Charity.

The Rank Foundation Limited, a company incorporated in England and limited by guarantee, which was set up as part of these arrangements, is the Company's ultimate holding company.

Directors' Report *continued*

8 Ultimate Holding Company *continued*

Sir John Davis and Mr. F. Keighley are Directors and members of The Rank Foundation Limited and Trustees of the J. Arthur Rank Group Charity and are also Trustees of the 1961 Rank Group Charity but neither of them has any beneficial interest in the shareholdings referred to above.

9 Shareholdings Exceeding 10 Per Cent

Additional information is given, so far as is known, regarding persons holding or beneficially interested at 31st October 1973 in more than 10% of the Ordinary or 'A' Ordinary share capital of the Company.

	Ordinary Shares of 25p each	'A' Ordinary Shares of 25p each
Rank Group Holdings Limited	16,052,080	250,000
Guaranty Nominees Limited	149,561*	74,760,020*
Eagle Star Insurance Company Limited and Subsidiaries	3,928,988	1,090,000

*Substantially represented by American Depositary Receipts.

10 Ordinary and 'A' Ordinary Shares

At the 31st October 1973 the Ordinary and 'A' Ordinary Shares of the Company in issue were held by 56,892 holders (excluding holders of American Depositary Receipts) as follows:

Shares held	Number of Shareholders
1—100	31,711
101—250	8,114
251—500	6,673
501—1,000	5,326
1,001—5,000	4,220
5,001—10,000	376
10,001—50,000	312
Over 50,000	160

The total number of Ordinary and 'A' Ordinary shareholdings, including American Depositary Receipts, was 83,343 (1972—51,946).

11 Exports and Overseas Earnings

Value of goods exported by the Company and its Subsidiaries in the year ended 31st October 1973	£ 15,624,000
Profit of overseas Subsidiaries, film revenues and royalties earned overseas and share of profits of overseas Associated Companies Rank Xerox Limited—Associated Company	8,070,000
Exports mainly to and earnings of overseas Subsidiaries	129,996,000
	<hr/> £153,690,000

Directors' Report *continued*

12 Close Companies—Income and Corporation Taxes Act 1970

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1970.

13 Capital Gains Tax—Finance Act 1965

For the information of Shareholders and Stockholders who acquired their holdings on or before 6th April 1965, the market values of the Company's shares (adjusted for the one for one capitalisation issue in 1973) and loan stocks at that date were as follows:

Ordinary Shares of 25p (5s.) each	£0.615625	(12s. 3¾d.)
'A' Ordinary Shares of 25p (5s.) each	£0.575	(11s. 6d.)
6¼% Cumulative Preference Shares of £1 each	£0.8375	(16s. 9d.)
8% Second Cumulative Preference Shares of £1 each	£1.10	(22s. 0d.)
6% Unsecured Loan Stock 1983/88	90	

14 Employees

The average number of persons in the employment of the Company and its Subsidiaries in each of the 52 weeks to 31st October 1973, and the aggregate gross remuneration for the year was:

	Number	Aggregate Gross Remuneration £
Employees within the United Kingdom including 7,568 part-time employees	34,046	44,957,000
Employees outside the United Kingdom including 1,056 part-time employees	5,716	13,221,000
	<u>39,762</u>	<u>£58,178,000</u>

15 Charitable and Political Contributions

During the year ended 31st October 1973, the Company and its Subsidiaries made contributions for charitable purposes totalling £115,398. The Company contributed £35,000 to the Conservative and Unionist Party and £5,000 to the Liberal Party.

16 Executive Share Schemes

A Resolution to extend the Executive Share Option Scheme to include overseas executives will be proposed at the Annual General Meeting. Details of the proposals are set out in the Chairman's Statement on pages 19 and 20.

Directors' Report *continued*

16 Executive Share Schemes *continued*

Prior to the 31st October 1972 a total of 54,550 shares had been issued to the following persons who were Directors of the Company during all or part of the year ended 31st October 1973; Mr. J. P. Collis, Mr. Graham R. Dowson, Mr. R. W. Evans, Mr. C. W. P. Mac Arthur and Mr. Bryan Quilter.

It is not intended to issue any further shares under the Executive Incentive Scheme—a total of 258,050 'A' Ordinary shares having been issued under the Scheme prior to the 31st October 1972 for an aggregate consideration of £1,803,618. Shareholdings stated above are before the 1 for 1 capitalisation issue of 30th March 1973.

This Scheme was constituted on the 19th October 1970 and provides for the Company and certain subsidiary companies to lend money through Trustees to nominated executives to enable them to acquire 'A' Ordinary shares of the Company at market values. Loans made thereunder were interest free and are repayable within 10 years.

17 Contracts with Directors

There were no contracts or arrangements subsisting during the year ended 31st October 1973, or at that date, in which a Director of the Company is or was materially interested and which was significant in relation to the Company's business.

18 Auditors

Messrs. Peat, Marwick, Mitchell & Co. have signified their willingness to continue in office as Auditors.

14th January 1974

By Order of the Board
Russell W. Evans
Director and Secretary

Statement by the Chairman

Sir John Davis

Dear Fellow Shareholder,

I am pleased yet again to report record profits with a significant increase after taxation at £34,116,000 for 1973 compared with £25,728,000 for 1972.

A straight comparison can be misleading unless account is taken of the acquisitions made during the year; a better measure of our profit growth is the comparative earnings per share for 1973, 22.3p as compared with 17.7p for 1972, an increase of 26%.

It is particularly encouraging, as was the case in 1972, that profits from our Rank activities have made a material contribution whilst a considerable proportion of the increase has come from Rank Xerox.

The year has seen the introduction of Stages 2 and 3 of the Government's Counter-Inflation policy on which I comment in detail later.

Significant Events

Capitalisation Issue—On 30th March 1973 shareholders approved an increase in the authorised capital of £23,250,000 by the creation of 16,000,000 additional Ordinary shares and 77,000,000 additional 'A' Ordinary shares.

At the same time the capitalisation of £18,080,002 standing to the credit of Share Premium Account by way of a scrip issue of Ordinary and 'A' Ordinary shares was approved on the basis of one new share for each share of the same class held.

Convertible Loan—In February 1973 we issued U.S. \$75,000,000 4¼% Convertible Loan 1993 for cash at par raising some £30m. This loan took the form of bearer bonds and is convertible between 16th February 1974 and 12th February 1993 into 'A' Ordinary shares on the basis of 70.92 shares for each \$1,000 bond. This loan established something of a record in the euro-dollar market as regards amount and interest rate and demonstrated the financial strength of the Organisation.

Butlin's Limited—I referred to the acquisition of this company in my report last year. It has now taken its place as a separate division within the Organisation, under the vigorous and able direction of its Managing Director, Mr. Robert Butlin.

The company made a satisfactory profit in the year to October 1973 which is included in our consolidated results for the first time. The operation was enlarged during the summer by the acquisition of two holiday camps located in Hayling Island and at Polperro.

Oddenino's Property and Investment Co. Ltd.—On 13th April 1973 we declared unconditional an offer to acquire the whole of the issued share capital of this hotel and property group. The acquisition involved the issue of 5,258,749 new 'A' Ordinary shares and the payment of £9,236,314 in cash.

The hotel interests comprise five hotels in the United Kingdom, two in Continental Europe and a number of completed and uncompleted property developments in the United Kingdom, Canada and the U.S.A. and in Australia through a 50%-owned associated company. These important interests have now been absorbed by the Hotel and Property Divisions.

Marine Activities—We entered this rapidly expanding leisure field in 1971 when we obtained a controlling interest in a marina project located on the River Hamble in Hampshire. These interests have now been substantially increased by the acquisition in

Chairman's Statement *continued*

October last of the whole of the share capital of Port Hamble Ltd., a company operating another important marina on the river and owning riverside lands almost adjacent to our existing one.

We have also entered into an arrangement with American Marine, a company manufacturing the world famous Grand Banks and Laguna range of yachts, whereby we shall market their products in the U.K. through a jointly owned company, Solent Yachts Limited.

Matubel N.V.—Our interest in film distribution in Holland dates from 1947. In 1957 we acquired a 36·2% interest in Matubel N.V. which currently operates 18 theatres and has interests in film distribution and catering operations.

Matubel has operated successfully in recent years and is well placed to expand in the leisure field. During 1973 the opportunity occurred to acquire the shares of the principal shareholders and, with their agreement, we made an offer for all the outstanding share capital in October last.

Our offer, involving £4m., was accepted by holders of 99·6% of the shares subject to the offer and the company will in future operate as a subsidiary.

Australia—A reorganisation has been carried out of the activities of Sixteen Millimetre (Australia) Pty. Ltd., an associated company of The Greater Union Organisation Pty. Ltd. in which the Organisation holds a 50% interest.

Sixteen Millimetre had represented through subsidiary companies Rank interests in Australia in precision instruments, theatre lighting and hi-fi equipment. Other subsidiaries of Sixteen Millimetre factored audio visual products of other manufacturers complementary with those of Rank Audio Visual

The Greater Union Organisation had for some time wished to concentrate their interests in the expansion of film and leisure activities rather than in the industrial activities carried on by Sixteen Millimetre. It was, therefore, agreed with our partners in 'Greater Union' that Rank should acquire the whole of Sixteen Millimetre's interest in its subsidiary companies which held our agencies as well as those other interests which were complementary.

For this purpose we established a new wholly-owned subsidiary in Australia, Rank Industries Australia Pty. Limited, to acquire these interests.

The remaining businesses formerly carried on by Sixteen Millimetre have been disposed of outside the group.

I am confident that this action places us in a more favourable position to take advantage of the growing market for our products in Australia.

North Sea Oil—In my report for 1971 I said that we had entered a new field of activity by investing in three Groups formed to exploit the concessions granted by the Government in the British North Sea; subsequently we made a small indirect investment in a fourth. At the Annual General Meeting in 1972 I reported the following details of these Groups and the Licences awarded to them.

The first Group, in which we have a 25% interest, includes three other U.K. companies, Tarmac Limited, London & Overseas Freighters Limited and Johnson Firth Brown Limited. The Operator for this Group is to be Fluor Corporation, a U.S. corporation with world-wide oil exploration and drilling experience. The other U.S. participants are Oceanic Exploration Company Limited, El Paso Natural Gas Company and Eason Oil Company. The Licence awarded to this Group covers Block 16/13 which is East of Scotland. Drilling is planned for 1975.

Chairman's Statement *continued*

In the second Group we also have a 25% interest but we are the only U.K. participant. The other seven participants are all U.S. companies and include Forest Oil Corporation, which acts as Operator, Zapata Norness and Newmont Oil Company. This Group's Licence covers Block 14/10 which is East of Scotland, and Block 3/13 which is East of the Shetlands. This group plans to drill in 1974.

We also have an indirect interest in two other Licences through our shareholding in Caber Oil Limited, a Scottish company managed by Noble Grossart Limited, which has joined a group of British companies brought together by N. M. Rothschild & Sons Limited. This Rothschild group is participating in two Groups in which the major interest is held by the French companies, Total, Elf and Aquitaine, with Total acting as Operator. These Total Groups have licences covering eight Blocks.

One of the Total Groups announced last Summer a gas discovery on Block 3/19, the first to be drilled of the Blocks licensed to these Groups. Our interest in this Block is 0.4%. This discovery is still in the course of being evaluated.

The present energy crisis should give rise to further opportunities for investment in oil exploration. Should we extend our activities, our financial commitments will be strictly controlled.

Acquisitions—We have, as a matter of policy, acquired in recent years considerable assets in the leisure field, including hotels and property, which will take some years to reach profitable maturity. It was our view that it was desirable to acquire these basic assets when available and then to develop them as quickly as practical.

Rank Xerox Limited—The activities of Rank Xerox during the past year have been covered fully in the Statement of the Chairman, Mr. Maldwyn Thomas, reproduced on Pages 31 to 38 including the reference to the Monopolies Commission investigation into the domestic market for indirect electrostatic copiers.

Price Control—Under the Counter-Inflation regulations introduced by the Government, this Organisation along with other large companies, is classified within the Pre-Notification and Reporting category with the exception of certain areas where we act as factors. This involves prior notification to the Price Commission before price increases are implemented. It also requires us to report periodically our results to the Commission in order to satisfy them that our profit margins are kept within the reference level.

On the whole our results for 1973 have not been materially affected by the legislation.

We have now entered Stage 3 of the Governmental measures. The effect has been to prevent us from increasing certain prices to the extent that we might otherwise have done on normal commercial grounds and, in addition, procedures for pre-notifying and negotiating with the Price Commission have the effect of delaying the implementation of permitted price increases.

Thus there is difficulty in raising prices quickly enough to meet sharply rising costs, many of which cannot unfortunately be offset by increased productivity.

Dividends—The Ordinary and 'A' Ordinary dividends paid in respect of the year ended 31st October 1972 consisted of an interim of 25% (6.25p per share) paid on 2nd November 1972 and a final of 21% (5.25p per share) paid on 11th April 1973. The final dividend was paid under the new system of taxation which came into force in the United Kingdom on 1st April 1973 and, if the imputed tax credit is added, was equivalent to a 30% dividend rate (7.5p per share). The total 'grossed' dividend rate for 1972

Chairman's Statement *continued*

was therefore 55% (13.75p per share) actual or 27½% (6.875p per share) taking into account the one-for-one capitalisation issue approved on 30th March 1973.

The Government's counter-inflation measures require us to restrict our dividends for the year ended 31st October 1973 to a rate not in excess of 5% above that for 1972. Total dividends for 1973 are therefore restricted to 28.875% (7.219p per share), including the imputed tax credit, or an 'actual' rate of 20.2125% (5.0531p per share).

The final dividend of 11.4625% (2.8656p per share) will be payable on 10th April 1974 to those shareholders on the register at 27th February 1974.

Preference dividends are included in the accounts at lower rates than hitherto due to the effect of the new tax system.

Inflation Accounting

Much has been written during the past year about inflation accounting whilst the Accounting Standards Steering Committee, with the tacit support of the Department of Trade and Industry, has been endeavouring to bring together all those interested in this important problem so as to produce an agreed code of practice.

It was, therefore, a surprise to many people in Industry that Her Majesty's Government should announce in July 1973 the setting up of a Committee of Enquiry to examine the problem.

This action, in my view, can delay the introduction of standard practice on inflation accounting which I believe to be vital in modern terms to enable a proper assessment to be made of the state of a company's affairs.

The Accounting Standards Steering Committee on 17th January 1973 issued Exposure Draft 8: an attempt to provide a solution to one of the most difficult problems in modern accounting. We in the U.K. are the forerunners in this exercise world-wide.

I do not believe anyone now accepts that 'the pound in your pocket' is a permanent indication of value—or of purchasing power. It looks as if inflation is with us for a long time—however successful we are in restricting it. Consequently, a Balance Sheet and Profit and Loss Account which consists of pounds of varying purchase values is a jumble and can, in fact, be quite misleading.

We cannot, however, abandon historic accounting for a variety of reasons—contractual obligations, taxation and so on. What the Exposure Draft proposes is that the historic accounts should be supplemented by a statement recalculating profits and shareholders' equity on an inflation adjusted basis.

It is important that all companies—at least public companies—should act uniformly on this issue, otherwise comparison between 'real results' as compared with historic results will not be possible. Hence, the proposal to have an Accounting Standard.

The principle involved is a fairly simple one. A distinction is drawn between monetary items (cash, debtors, creditors and loans) and non-monetary items (stock, plant and buildings). Holders of monetary assets lose purchasing power in a time of inflation—for example, if you have £100,000 on deposit for a year, it will have lost say, 10% of its purchasing power.

Those owing money gain. For instance if you borrow £100,000 for 5 years, the lender will get back £100,000 in depreciated pounds which could amount in purchasing power to only 50% of the sum lent.

Chairman's Statement *continued*

Holders of non-monetary assets neither gain nor lose, since the price of these assets, ignoring other factors, will increase broadly in proportion to the fall in the value of the pound.

As regards profits, these are likely to be lower on an inflation accounting basis since depreciation of fixed assets must be higher in terms of depreciated pounds. Stock profits arising from inflation are also eliminated. On the other hand, if a company is well borrowed, there is a compensating gain in purchasing power which may well offset the other two factors.

Apart from the importance of inflation adjusted accounts to shareholders and investors, they are equally important to management. Unless inflation is taken into account, stock 'paper profits' may easily be regarded as growth and insufficient provision for depreciation may cloud the stated results.

I believe that all managements should take a close look at inflation accounting straight away.

Although we do not know when an Accounting Standard will be fully effective, a Provisional Standard is to be issued, which will not be mandatory. We, however, have taken the initiative by including a statement on pages 60 and 61 showing the effect of applying the principles set out in Exposure Draft 8 to the Consolidated Balance Sheet and Profit and Loss Account as appearing on pages 44 to 47 which shows that the gain on our high gearing (borrowings) exceeds additional depreciation and that the shareholders' equity is very much increased.

Financial Accounts

The audited accounts are set out on pages 43 to 58 and other financial information is given on pages 59 to 67.

Consolidated Profit and Loss Account—A summary for the last two years is set out below for convenience:

	1973 £000s	1972 £000s
Turnover	260,293	195,219
Trading Profit	24,667	16,107
Share of Profit before taxation of Associated Companies		
Rank Xerox Group	47,384	36,320
Others	3,963	2,838
Dividends and Interest receivable	3,619	1,154
	79,633	56,419
Interest Payable	11,223	6,043
Profit before taxation	68,410	50,376
Taxation	33,338	23,939
Profit after taxation	35,072	26,437
Outside shareholders' interests	956	709
Profit, excluding extraordinary items	34,116	25,728
Preference Dividends	622	833
Profit, excluding extraordinary items attributable to the Ordinary and 'A' Ordinary shareholders	£33,494	£24,895

Chairman's Statement *continued*

Shareholders should appreciate that the year to 31st October 1973 was the year of transition to the new imputation system of taxation and the rate of U.K. Corporation Tax chargeable on profits at the assumed new rate of 50% applies only as from 1st April 1973 compared with a rate of 40% before that date.

The year to 31st October 1974 will be the first year in which the full effect of the new system will be reflected.

Consolidated Balance Sheet—A summary of the last two years is as follows:

	1973	1972
	£000s	£000s
Capital Employed		
Equity Share Capital	37,542	17,585
Share Premiums	64,151	45,789
Reserves	120,448	89,890
	<hr/>	<hr/>
	222,141	153,264
Preference Share Capital	12,598	12,598
Outside Shareholders' Interests in Net Assets of Subsidiaries	5,375	4,024
Deferred Taxation	8,799	6,890
Loan Capital	118,942	43,376
Short Term Advances	36,038	11,548
Bank Loans and Overdrafts	69,260	36,526
	<hr/>	<hr/>
	£473,153	£268,226
	<hr/>	<hr/>
Employment of Capital		
Fixed Assets	278,854	133,261
Goodwill and Deferred Revenue Expenditure	42,451	21,488
Investments—Rank Xerox	57,784	41,399
Others	25,957	20,427
Net Current Assets	68,107	51,651
	<hr/>	<hr/>
	£473,153	£268,226
	<hr/>	<hr/>

It is perhaps of interest to refer to the various growth charts, etc. which are produced by important institutions such as The Times 1000 and the Growth League in Management Today.

Our position in the former, based on turnover, improved from 89 to 77 whilst in the latter we became No. 1 to show the highest growth rating during the period 1963/72—1,441%.

Stock Exchange Quotations—During the year we arranged for our 'A' Ordinary shares to be quoted on the Brussels and Frankfurt Stock Exchanges having in previous years secured quotations in Amsterdam and Toronto. As soon as it is practicable we intend to secure quotations on other principal stock exchanges of the world.

It is well known that our shares are actively dealt with as A.D.R.'s in the U.S. market.

Donations—It will be seen on page 11, item 15, that we supported two of the political parties by £40,000 based on our philosophy that we will support political parties which are actively opposed to any extension of nationalisation other than of public utilities. It is our view that it has been well proved that nationalisation is not in the interest of the workers, management and the shareholders, nor of the nation.

We have also made substantial contributions to the Arts, Charitable Institutions and Educational Bodies.

Chairman's Statement *continued*

In 1973 it fell to Great Britain to sponsor Europalia, an organisation which presents on behalf of the European Economic Community art activities representative of the member nations.

I was encouraged to support this effort and we agreed to finance the presentation in Brussels of some of the important treasures which are in the properties controlled by the National Trust and which are part of our national heritage.

I personally have also undertaken a major charitable activity, having become a Trustee of the Westminster Abbey Trust and Chairman of the Committee formed to raise the funds needed for the restoration of Westminster Abbey—this great National heritage. I attach the utmost importance to this work—as I am sure most people will.

Executive Share Option Scheme

This Scheme approved by shareholders on 30th March 1973 has remained inoperative due to the Government's Counter-Inflation measures. It will be put into effect as soon as we are permitted to do so.

Overseas Executives—The provisions of the Finance Act 1972 effectively prevent executives resident outside the United Kingdom for tax purposes from participating in the Executive Share Option Scheme adopted at the 1973 Annual General Meeting.

In October, 1970 the shareholders approved an Executive Incentive Scheme under which it was permissible to issue a maximum of 700,000 'A' Ordinary shares of which 258,050 have been issued. This scheme was replaced by the Share Option Scheme and the shares issuable under the option scheme are restricted to the balance of 441,950 shares not issued under the earlier scheme (now 883,900 shares as a result of the Scrip Issue). Having regard to the continuing growth of the Group's overseas activities the Directors consider it is desirable that full time executives resident and taxed outside the United Kingdom should be eligible to receive benefits similar to those available to their United Kingdom colleagues.

Accordingly, it is proposed that the Directors be authorised to grant options to overseas executives on substantially the same terms as the Executive Share Option Scheme, subject only to the legal and other requirements applicable in the country of residence.

A Resolution to give effect to this proposal will be proposed as special business at the Annual General Meeting.

The number of shares available under both the Executive Share Option Scheme and the proposed new arrangement will be limited to the 883,900 'A' Ordinary shares presently available for issue under the Scheme approved last year.

No shares will be issued under the new arrangements for overseas employees until such time as the present restrictions in the United Kingdom are removed.

For convenience, the main provisions of the Executive Share Option Scheme are summarised below:

The issue price for options will be a price per share equal to the middle market quotation of the Company's 'A' Ordinary Shares on the Stock Exchange on the date an option is acquired. A non-returnable sum equivalent to 1p per share will be payable on the grant of option. The grant of options to an executive is limited so that the total price of shares over which options have been granted and which remain outstanding does not in aggregate exceed four times the executive's remuneration.

Chairman's Statement *continued*

Options are not transferable and will normally be exercisable at any time between four and seven years from the date they are acquired. Shares when issued under options will be fully paid and rank *pari passu* in all respects with the 'A' Ordinary Shares then in issue and application will be made for listing on the Stock Exchange.

The Directors consider that the introduction of the new arrangements will benefit the Organisation and ask you to vote in favour of the Resolution.

Personnel and Manpower

It has been the practice by some Chairmen to address their Statements primarily to shareholders, but as modern thinking comes more into our way of life, it is my view that the Chairman's review of a corporation's activities is equally addressed to all those who work within it, as well as to those who own the business—the shareholders.

All of us who are employed in The Rank Organisation depend on the success of the enterprise—and there are prospects for each of us—and the degree of success achieved in turn reflects the quality of our work.

I feel that in these circumstances the excellent results set out in this report justify my congratulating and thanking all employees wherever they may work and whatever part they may play in our many businesses for their effort during the year which I am reviewing.

Business continues to grow in complexity and competitiveness which places an increasingly heavy emphasis on the need to train and develop operatives, supervisors and managers. This is an essential part of our wellbeing which we, in Rank, believe will only achieve worthwhile results as long as the Group has a well-defined management structure integrated with training and development plans.

The ever-increasing competitive pressures highlight the importance of employee motivation, particularly for key staff. It is our wish to put into operation the revised incentive scheme which the shareholders approved a year ago and which has been in cold storage as a result of the Government's Counter-Inflation efforts, and again with the interest of our employees at heart we wish to extend this scheme to cover those employees who work for us overseas.

But, having said this, I do believe that we have to face the reality that to ensure the maintenance of our standards of life and to improve them as we would all like to see them improved, in the final analysis the basic twin virtues of hard work and thrift have to be applied to all our efforts.

It is my belief that our Industrial Relations practice meets the standards set by the Industrial Relations Code of Practice. Nevertheless, we are constantly endeavouring to improve this important aspect of our operation—and I can say that it has been encouraging during a year when industrial unrest has been far more the way of life than the reverse, that we have, through the diligence of our management and personnel executives on the one hand and our employees on the other, kept it to a minimum.

Directors—I was delighted to welcome to the Board Sir Arnold France, G.C.B., and The Rt. Hon. the Lord O'Brien of Lothbury, G.B.E., P.C., the former in June last and the latter in January 1974. The vast experience and knowledge of these two gentlemen will be of considerable assistance in our deliberations.

Chairman's Statement *continued*

Non-Executive Directors—During the last year much has been said and written about the need for and the responsibilities of non-executive directors and the part which they should play in helping to maintain the wellbeing of a public corporation.

I have always believed that the non-executive directors should be in a majority on our Board. During the past year we have been faced with a number of difficult problems; our deliberations have been facilitated by being able to call on the vast collective experience of the Board. This has been of immense value to me and to my colleagues. I thank all of them for the time and support which they have given.

The Chairman and Chief Executive—Before I deal with our expectations for the current year, I should like to refer to another aspect of the future, namely my personal association with The Rank Organisation in which I have spent the greater part of my working life.

I joined the predecessor company, Odeon Theatres Limited, in January 1938 when its profits before tax were running at £350,000 per annum. Ten years later I became sole managing director when the profit level was around £5m.

In 1962 I was appointed Chairman and Chief Executive: by 1972 our profits were in excess of £50m.

It has been an exciting and eventful period—not without the occasional setback—but I believe the foundations have been laid for the continuation of growth in our profits and assets in future years.

I feel that it is timely that the arrangements for the future management of the Group should now be reported. I am happy to say that Mr. Graham Dowson, who has been closely associated with me for twelve years, will be appointed Chief Executive in the Autumn of 1974. I shall remain as Chairman—on a part-time basis—retaining overall responsibility for financial and main policy.

I have complete confidence, not only in Mr. Dowson's abilities and personality, but in the continuance of the happy relationship and the identity of policy which has enabled us to work so closely together in the past.

On 4th September, 1972, before the Prices and Incomes legislation was introduced, my colleagues on the Board authorised an increase in my salary of £15,000 effective 1st July, 1972 of which £5,000 was reflected in the annual accounts to October 1972 and in Note 19, Emoluments of Chairman and Directors. My salary had been unchanged since June 1965 and this increase amounted to about 4% p.a. The full amount is reflected in this year's accounts for the first time. I had contemplated—in view of current conditions—waiving £10,000 salary for the year ended 31st October, 1973. I was advised, however, that had I done so I should have placed in jeopardy the level of pension which I will be entitled to draw later this year. It was, therefore, with regret that I decided not to make this concession for last year in view of the long term implications.

The Future

It is satisfying to me that in reporting on the results for the last financial year I am able to record satisfactory increases on a broad front and I have endeavoured in the pages which precede this one and those which follow to outline in greater depth the achievements and some frustrations of the divisional operations.

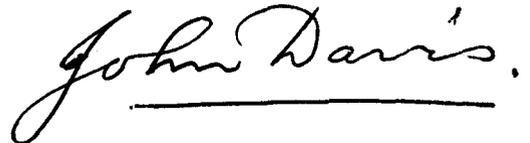
I am faced with expressing a view as to where this Organisation will be a year from now. I find this extremely difficult, not through lack of confidence in our own operation, but

Chairman's Statement *continued*

because at the present time there are so many unresolved extraneous factors which may affect us materially. For example, the effect of Stage 3 on prices and our ability to secure increases when commercially justified; the energy crisis and its effect on the world economy; the international political scene; high interest rates; industrial unrest; shortage of components and possible restrictions on the movement of goods and capital on an international scale. All these and, in particular, our customers' attitude towards, and capacity for, spending in the leisure and consumer markets will affect us to a greater or lesser degree.

The Organisation is in good shape and is geared for growth. We shall do our best in what we know will be a difficult year.

Yours sincerely,

A handwritten signature in cursive script that reads "John Davis". The signature is written in black ink and is positioned above a solid horizontal line.

Chairman and Chief Executive

The Chairman's Review of Divisional Operations and Associated Companies

The Rank Organisation

The Man with the Gong—A Man of Many Skills

It will have been realised by what I have written so far that considerable progress has continued to be made by the Organisation which has been satisfying to all.

A year ago I said, 'The year began—as it ended—with challenges'. The last year has had more than its fair share of problems which we have treated as challenges and met many of them successfully.

The year ahead will be difficult, but we approach it with confidence and, I believe, clear thinking.

The Government's efforts to control or contain inflation have met with some success, but undoubtedly as I write this we are in a highly critical period.

Leisure Activities

Our involvement in leisure activities has expanded. Our confidence in this area of growth remains strong.

One important section continues to be that associated with films. The Film Industry is faced with many problems, not the least of which is that there are many in it, and for that matter outside it, who are not prepared to face the facts as they are and so adjust the Industry's needs to current economic and social requirements. We have tried to do so in our operations and have made progress, but could make faster progress if all in the Industry accepted the situation as it exists.

The most aggravating problem of all, and one to which there appears to be no answer, is the attitude of those who make films. Some go as far as openly saying that they are not interested in the needs of the market, but wish to make films which they feel the public should see, often with disastrous results, thus weakening still further the confidence of financial institutions and others who are important to the Industry.

As a result, we continue to receive for exhibition far too many films depicting extreme violence which large sections of the community find distasteful and those which are termed 'skin films' which, whilst they may have a specialised appeal, do not meet the requirements or the tastes of the large audiences which are seeking entertainment.

Part of this overall problem is the vital question of the availability of studio stages and facilities.

Whilst practically every country in the world has accepted that material change has occurred in film production and in the methods used, which has reduced the demand for such facilities, we in this country continue to bury our heads in the sand and not to face the fact that studio facilities are in excess of current or probable future requirements.

We endeavoured to assist in rationalising certain studio activities earlier in the year which we believed would have been in the interests of film producers and the workers in the Industry but, unfortunately, reason did not prevail.

I know that I have said all this before. I know there are those who disagree with me. All I can say is if people will examine in depth cinema attendances, they will find the evidence to support the firm views which I hold.

Chairman's Review *continued*

Film is still one of the finest forms of entertainment available for people of vastly differing tastes.

Theatres—The downward trend in admissions has not only continued but accelerated with the result that the drop in attendances in comparable theatres this year as compared with a year ago is 9.7%.

The one encouraging factor that began to appear towards the end of the year, was the acceptability of the multi-auditoria cinema theatre. We hope, with the more extensive application of flexible booking policies, which this type of cinema facilitates, that we will secure benefits.

We have continued our policy of reducing sites (as a result of lack of demand) whilst increasing screens, so that whilst at the beginning of the year we had 232 screens on 210 sites, at the end there were 248 screens on 194 sites. Our current plans provide for the conversion of another 35 sites.

I wish I could look forward to 1974 with greater confidence, but there is little indication that the films which will be available in the coming year will be more acceptable on average than those in the past year, nor probably in sufficient number to reduce the downward trend of attendances.

Top Rank Clubs—have been successful in increasing admissions against the national trend, thus realising a record profit. Consequently, with the additional clubs which we hope to open we face the current year with some confidence.

Motorports—continue to be a problem, primarily because of the terms of the contracts which we have with Her Majesty's Government and which were negotiated in circumstances very different from those existing today, in particular current factors of indirect taxation etc. could not have been anticipated by either party. We believe that in the interests of the public revised arrangements would benefit all.

We have had endless correspondence and discussion with the authorities, but no-one seems to be prepared to face the facts as they are. It is a frustrating situation for our Management who continue to do their best, but could do better under different conditions and probably improve the service to the public.

Entertainment and Catering—To meet changing conditions we constantly review and adjust our operations which include ballrooms, banqueting, cabaret bars, discotheques, restaurants, etc. Where we find we cannot maintain a profitable operation we discontinue the venture. This policy will be continued in 1974.

Northern Ireland—The unhappy political situation has continued throughout the year.

We have made losses as in the previous four years, but believed we had a duty to continue to operate our cinemas for the benefit of those who wished to use them.

Our staff has responded loyally and unselfishly, working under the most difficult conditions.

Chairman's Review *continued*

It is with regret that I have to record that Mr. R. V. C. Eveleigh, the Managing Director, had a breakdown in health last year from which he has not fully recovered but, nevertheless, is most anxious to return to his duties as soon as possible.

Southern Ireland—has had a difficult and disappointing year, partly arising out of the civil disturbances which, whilst primarily in Northern Ireland, have also affected Dublin and the surrounding areas by bomb explosions and scares, thus reducing tourism.

This year's trading results have been assisted by the income from new properties, all of which are now fully let, but adversely affected by the lack of growth in television rental as the demand for colour has not yet materialised to the degree which was anticipated, whilst income from monochrome rental is slowly contracting.

In the short term it is difficult to express a view, but in the longer term an essential factor in achieving improved results must be a recovery in the tourist trade. This obviously will not come about quickly.

Film Studios—I have referred to the general problems affecting the Film Industry which have adversely affected our studio operations, as all others, but fortunately to a lesser extent.

We have continued to maintain at a high level the services we offer film producers and the technical quality of the equipment within our studios.

There was considerable activity during parts of the year in which 15 films were produced based on Pinewood, supplemented by television commercials and other supporting film services, so that whilst the year has been difficult, nevertheless we made a small profit.

We do not anticipate any improvement in the current year. At the present time the number of contemplated films for production is perhaps lower than it has ever been.

Film Production—We continued to support British film production. Conditions have remained difficult whilst the financial results have been poor. We were involved in five first features: 'Carry On Abroad'—'Nothing But The Night'—'Go for a Take'—'Bless This House'—'Father Dear Father'.

Film Laboratories—This Division has also been faced with the problem of shrinkage in traditional film markets, but in spite of this has now been able to secure a large share of the film printing available, so that coupled with expansion in new areas, record sales and profits were achieved.

The footage processed increased by some 10% to an all-time record. This satisfactory result has been brought about by an extensive marketing effort and expansion in the growing 16mm. and 8mm. markets, both for programmes and for advertising material.

It is our belief that the use of film for commercials will decline whilst the use of video tape will expand materially. With this in view, as I indicated a year ago, we have fully equipped the Rank Video Laboratory in anticipation of the coming video era which we believe will provide much of the material in the future.

Our scheme of a 'total concept' facility was partly hampered by the late delivery of specific equipment which will not now be installed until later this year.

Chairman's Review *continued*

This delay and the inevitably cautious approach to new techniques, as well as the fact that we are pioneering video technology, computerised electronic editing and laser beam transfer work in Europe, has resulted in our forecasts for the last financial year not being achieved, but we hope that the video laboratory will be profitable in 1974.

The laboratory in Rome, in which we have a substantial interest, had an unsuccessful year, partly as a result of major labour disputes in Italy extending to the laboratory, resulting in its closure for nearly two months. The situation was resolved in June, but at a cost, as the settlement provided for payment of retrospective wage demands, coupled with rising operating costs whilst price increases to offset these increased costs could only be introduced from July onwards.

Italy still remains the largest European market for film. Provided that the economic and social conditions in that country improve, our investment will be worthwhile.

To sum up, the laboratory operation continues to be faced with great technological change which, I believe, it is dealing with realistically.

Film Distribution—I have already referred to the general problems within the Film Industry which inevitably affects all distributors. We are fortunate in having a happy association with Twentieth Century-Fox in our joint venture.

Advertising Films—The Advertising Industry has been buoyant; as a result the Division has enjoyed a successful year.

Butlin's—The acquisition of this Group became unconditional on 15th November 1972 so that we had the benefit of their profits for a full year.

It has been an active one during which considerable thought, time and effort has been applied in considering the policy to be adopted for expansion and growth.

We have reached the conclusion that the policy for the immediate future will be to concentrate on three fronts:

- (1) expansion and improvement of the facilities of the main existing holiday centres;
- (2) to increase the proportion of self-catering accommodation within large centres, the construction of new units and the conversion of existing ones to full catering chalets; expanding our capacity to absorb the increasing demand for self-catering which, whilst satisfying customer needs will, in addition, enable us to improve our service as it should ease staffing problems;
- (3) the acquisition of smaller holiday centres, caravan and other similar holiday activities by extending our holiday expertise to these parallel markets.

We believe that the demand for the type of facilities which we offer and which will be constantly reviewed to ensure that we meet changing public taste will make the Division an important growth area.

It became clear that the operation of Butlin's, which is a provider of services, beds and entertainment to large groups of people in the holiday time was, in the terms of management control, not dissimilar to operating a fleet of boats on the Broads which also involves providing beds and services. Consequently, we decided to expand our activities into this area.

Chairman's Review *continued*

Marinas—A year ago we agreed to build a Marina on the Hamble providing 250 dock berths for yachts with the appropriate services. It is accepted that as the demand for leisure facilities increases one of the growth areas has been and is likely to be in the foreseeable future, providing facilities for those who sail in 'little ships'.

Hotels—The Division has, not unexpectedly, made a substantial loss as on the one hand trade has been difficult whilst on the other inevitable losses are involved in opening a new hotel. Including those we acquired with Oddenino's, we have opened four major hotels: 'The Royal Windsor'—Brussels—opened on 16th April 1973—300 rooms; 'The Westminster'—Paris—re-opened following a major reconstruction scheme, on 17th April 1973—100 rooms; 'The Gloucester'—London—opened on 19th June 1973—571 rooms; 'The Athenaeum'—London—re-opened following a major reconstruction scheme, on 29th August 1973—100 rooms.

In addition, at 'The White House', some 750 rooms, a major reconstruction scheme is in work which will not be completed until April 1975 and major renovation schemes are also being carried out in the operating hotels.

All this effort, in the short term, will restrict profitability, but we are satisfied that our decision to increase our hotel operation was a sound one and that over the next few years it will become a profitable part of our activities.

In spite of difficulties, such as that created by extensive cancellation of American tours, the Royal Lancaster continues to prove its worth and has established a first-class reputation for conference facilities and banquets.

In Europe the Romazzino in Sardinia had its best year ever.

We have done much to improve our marketing operations and have created world-wide representation constantly motivated by central management to ensure that we secure our fair share of the hotel market.

Audio Visual—In the early part of the year the Division was faced with inevitable problems, resulting from the hiving off of the Leak-Wharfedale hi-fi activities to Rank Radio International and the resultant reorganisation of its management. Nevertheless the Division has had a highly successful year and faces the future with confidence.

The Division has concentrated on the development of the market for imported consumer hi-fi and photographic products for which there has been a substantial demand and has improved its share of the market.

Performance in all parts of the operation has improved. Unfortunately, amateur Film Processing shows a decline in profitability which is attributed to competition from the growth of 'free film'.

The reorganisation of Rank Strand Electric has largely been completed during the year with the closure of numerous premises/factories as part of the reorganisation plan, and we have centralised our manufacturing activities at Kirkcaldy.

The new computerised lighting control system MMS (Modular Memory System) has been well received resulting in 14 major orders including the Royal Festival Hall and BBC in the U.K., Australian Broadcasting Corporation (for television application), Birmingham Hippodrome, Stadttheater Klagenfurt, Austria whilst in addition we secured the order to equip the new National Theatre in London with an advanced Digital Dimmer Memory system.

Chairman's Review *continued*

Century Strand—In view of continuing heavy losses, a detailed examination of the operation was carried out resulting in the decision to close the California factory as the competitive market conditions were such that no one was making an adequate profit. Thus we have curtailed heavy losses and believe that the business should make profits largely operating as a distributor of products manufactured in this country.

So, with the anticipated elimination of American losses, the present Management believe that in the current financial year they will make further progress and intend to extend into the overseas markets which they believe they will be able to do successfully. Thus the Division has developed into a growth area.

Rank Radio International—I referred a year ago to the setting up of this operation to co-ordinate the manufacture, marketing and sale of the products under the trade names of:

Bush, Murphy (colour and monochrome television)

Arena, Leak and Wharfedale (hi-fi stereo systems)

Bush, Murphy and Dansette (radio, cassette and record playing systems)

Heco (speakers)

We knew that this would be a major undertaking; even so, whilst progress has been made, it has not been as fast as anticipated.

Long term we attach great importance to this programme as it is our aim to be established firmly in Europe with the product range, including colour television.

We already are established in important parts of Europe in hi-fi and it is the intention to expand the marketing of such products so as to reduce our dependence on the sale of colour television receivers in this country, but our objective will only be achieved over the next few years with an outstanding effort.

Turning to the year just ended, sales of consumer electronics in the United Kingdom were at an unprecedented high level, the buoyancy of the market spreading across the entire range of television and sound reproduction products.

Obviously the major growth was in colour television receivers—industry figures rose from 1.61m to 2.67m.

We have had, like other manufacturers, production difficulties associated with world shortages of plastic products and components. In the past it has been possible largely to contain rising prices to the consumer through advances in technology, but this is no longer possible as costs are rising so rapidly that price increases are inevitable.

Today it is virtually impossible to define the hi-fi market as it contains both 'separates' and 'sound' systems so that the area of definition constantly expands, but the demand for Leak, Wharfedale, Bush and Arena products remains high, whilst in Germany, in particular, there is heavy demand for Heco loudspeakers.

We have added some 39,000 sq. ft. to production facilities near Plymouth and have streamlined Danish production at Horsens to increase production of colour television receivers.

Currently a further 45,000 sq. ft. of factory space is being built at Saltash (in Cornwall) to create a feeder factory to the Plymouth plant. At the same time to meet expansion and

Chairman's Review *continued*

our growing needs in Europe, a central warehouse of some 120,000 sq. ft. is being built at Milton Keynes.

By and large, throughout the year sales have been controlled by production restraints which, whilst irritating at times, is not an unsatisfactory position, bearing in mind the abnormally high demand which may not be sustained.

Turning to associated companies, Bush India and Murphy India are continuing to be faced with difficulties which have curtailed sales, whilst Management has been disappointed that the Indian authorities have not allowed them to become involved in television receiver production. On the other hand, Bush Ireland has had a successful year, whilst we have been able to provide further work for them by asking them to make special assemblies for the British factories.

Scientific Instruments, Optics and Electronics

It is regrettable that yet again the improved results anticipated by the Management of **Rank Precision Industries Limited** have not been realised. It is equally unfortunate that the statement I made a year ago that a profit pattern had not been established still applies, so whilst in the first half of the year there was a trading profit of £69,000, by the year end a loss of £244,000 had been incurred.

The Divisional structure, analytical, metrology, electronic instruments, contracts and optics had, by the close of the year, moved a stage further forward towards greater autonomy, as the Managers had greater direct responsibility subject to strict central financial control.

We have a strong order book in all Divisions.

This operation has been a problem for a considerable time and major rationalisation and reorganisation has been carried out with inevitable losses; but it is still one from which we are trying to secure, as we should, satisfactory trading results, as there is no doubt that the specialised high quality precision instruments and allied products which we make have great international reputations.

Property Companies

Oddenino's—The acquisition of Oddenino's was an important addition to our activities in two areas:

- (1) important property developments here and overseas
- (2) hotels which fitted into our overall long-term plans.

Oddenino's had an interest in the Flinders Gate Development in Melbourne, Australia, which it was intended to develop in association with Lend Lease Corporation Limited (Mr. G. J. Dusseldorp).

Taking into consideration the political problems in Australia for an overseas company at this time, the complex development and financing programme which would extend over at least the next 5 to 7 years, we came to the conclusion—somewhat reluctantly—that it would be better not to participate in this project. As a result in November last I negotiated an arrangement with Mr. Dusseldorp satisfactory to both parties resulting in our withdrawing from this particular development.

I believe this decision was right, particularly taking into consideration our overall property development programme.

Chairman's Review *continued*

United States—Again we acquired from Oddenino's a small operation in Washington D.C. which we are not proposing to expand.

Rank City Wall—which now controls our property activities. An active and encouraging year involving the bringing together of the operations of City Wall Properties Limited, Oddenino's Property and Investment Company Limited and Rank Property Developments Limited. By the end of 1973 a unified management was installed in new offices from which considerable benefits should accrue.

Needless to say, this rationalisation has involved a great deal of effort. During the year six major projects, at a cost of £11.5 million have been completed whilst £29 million of work is under construction covering 2,177,000 sq. ft. (office space 1,261,000 sq. ft.; industrial and warehousing 122,000 sq. ft. and shopping 794,000 sq. ft.)

In addition the forward development programme comprises 31 schemes (19 in the U.K. and 12 overseas) for 15 of which planning consents have been obtained (10 in the U.K. and 5 overseas).

The developments with planning consent will produce a total gross area of 1,412,500 sq. ft. comprising office 839,000 sq. ft., industrial and warehouse 17,500 sq. ft. and shopping 556,000 sq. ft.

The cost of these developments is estimated at £52 million for which a large proportion of the funds needed will be provided either from our resources or by existing credits available to us.

The 16 schemes where planning consents are awaited will produce a total gross area of 2,150,000 sq. ft. comprising office 1,430,000 sq. ft., industrial and warehouse 220,000 sq. ft., shopping 390,000 sq. ft., residential 45,000 sq. ft. and leisure 65,000 sq. ft.

The overall programme will be spread over 5 to 7 years and will be proceeded with only when conditions in the locations concerned are, in our view, right, including the economic and political climate.

Currently a large proportion of gross income comes from property in this country, but, as our plans materialise it is our aim that at least 50% will come from overseas projects even taking into consideration the continuing rise in U.K. income.

We, like others, are faced with ever-increasing delays in securing planning permission, some of which clearly arises from the staff of the planning authorities being overworked. I am sorry to observe, in addition, a growing tendency to regard all property developments as selfish, economically unproductive and anti-social. This attitude is unfortunate and unfair to those who endeavour to perform an essential service to the community by providing modern industrial, commercial and residential accommodation which is badly needed. If this tendency is carried too far, there can only be one result—demand will exceed supply, aggravating the trend of rising rentals caused by scarcity.

Associated Companies

Rank Xerox Limited—Our investment in Rank Xerox Limited continues to be of first importance to The Rank Organisation and my colleagues and I have full confidence in its future.

Since Mr. Maldwyn Thomas, Chairman of Rank Xerox, has fully covered its operations in his Chairman's Statement which is set out below, no further comment is required on my part:

Chairman's Review *continued*

Quote:

"Rank Xerox had a highly satisfactory year in 1973. Taking full advantage of the buoyant economy of the enlarged European Economic Community (where we have 80% of our total business) our turnover increased from £268.1 million to £370.3 million (up 38%).

Pre-Tax profits rose from £105.6 million to £139.3 million (up 32%). Profit growth after tax was 30%.

Looking back over the past three years, it is interesting to note the accelerating growth pattern of Rank Xerox. Turnover has risen from £163.4 million in 1970 to £370.3 million, an increase of 127%: pre-tax profits are up from £70 million to £139.3 million (up 99%). These figures give some idea of the great efforts and achievements of the company as a whole.

Turnover and profits expressed in sterling in 1973 were helped by the effects of currency changes. If these and other non-operational factors are excluded, growth of profits before taxation would approximate 18%. The growth is underlined by the fact that the number of additional machines in use grew at about the same high percentage rate as in the previous year despite the considerably larger base. Even so, demand for all our main-stream products exceeded supply. Despite all our plants could do to meet the big increases we were looking for, we still ended the year with a very large number of outstanding orders.

Continuing inflation in all our markets has increased costs right across the operation, from manufacturing in the plants through to supply, administration, sales and service in each country. Government anti-inflation measures in most markets have meant that these increased costs could not be matched by higher prices, with the result that profit margins came under pressure.

Availability of the new 4000 copier/duplicator in quantity from the Mitcheldean Plant enabled our field forces to put more of their effort into the 'console' sector at the centre of our market. The 4000 is the first new product for this sector that we have had for some time: its second-generation features and performance have proved very popular and as a result we have experienced rapid growth in the sector.

The 4000 has brought us a lot of new business. In addition, many of our customers have exchanged their older copiers for the 4000, but the bulk of these displaced machines have been refurbished and successfully re-installed.

A second 4000 production line started up at Mitcheldean in the summer to give us increased output during the coming year.

New Copier—The second new product in our second generation of machines—the 3100 copier—was announced in September and then shown at the major business equipment fairs in Paris and London. This is a compact copier combining the best features of our desk-top machines and of the 914 family and gives improved copy quality and greatly-increased speed. The 3100 was originally to be built at Mitcheldean, but the expanding programme for the 4000 and the forecast of the space needed for the next major new product led to the decision to transfer the 3100 programme to the plant at Venray in the Netherlands.

This called for a major effort both from our Engineering and Manufacturing Groups to transfer the technical information, background knowledge and experience from the

Chairman's Review *continued*

one plant to the other and the success of the operation indicates the high level of co-operation achieved by our British and Dutch staff managing the programme and running the production line.

Availability of the 3100 in quantity during 1974 will provide a major opportunity for the Rank Xerox sales force to develop existing accounts and to obtain new customers.

Demand for, and placement of, the desk-top copier/duplicators at the low-volume end of the market and the 3600 copier/duplicator and the 7000 reduction duplicator at the higher volume end remained at a high level. In a more specialised market, the 840 printer has proved very attractive to our customers and demand far outstripped supply.

Progress in New Areas—Encouraging progress has also been made in two other product areas—facsimile and xeroradiography. In facsimile, the 400 Telecopier transceiver, which sends and receives printed information over the telephone line, is now being successfully placed in most major West and East European markets and also in Hong Kong, New Zealand and South Africa. Negotiations are continuing with other telephone authorities for approval to make installations in their countries.

Customers in more than sixty main sectors of trade and industry are now using the 400 Telecopier. We believe that a very sound start has been made in the introduction of this machine and that as the 400 becomes more readily available and more widely known the number of users will increase rapidly during 1974.

The Telecopier will be particularly useful in improving business communications at a time when fuel shortages make business travel more difficult and more expensive.

The possibility of using xerography to record X-ray images has been known for many years. Research and development carried out by Xerox Corporation resulted in a product called System 125 whose primary application is in the early detection of breast cancer. It produces X-ray prints which can be interpreted more easily and accurately than those made by other methods.

A number of eminent doctors in our markets were eager to have this equipment and we were able to supply the first of them with American-built machines early in the year. Only small numbers of machines were available and we decided to spread these over as many European countries as possible so that the doctors specialising in the detection of breast cancer could evaluate them and help us to estimate potential demand. System 125 was exhibited at the International Congress of Radiology in Madrid in October and evoked a high level of interest.

As quickly as sets of the equipment become available from the American plant we shall be able to supply the backlog of orders and also extend our marketing of it to Eastern Europe, South Africa, Australia, New Zealand and Iran.

Customer Liaison—Besides expanding our operations into these new market areas, increased attention was also paid to improving marketing methods and liaison with the customer. Good results were achieved, for example, by organising service engineers into small teams: the idea is that each team services all the machines in its area, enabling individual engineers within the team to specialise in a small number of products instead of having to cope with the whole of the growing range of copier/duplicators.

Despite the fact that much larger numbers of machines were in use, there were no more cancellations of machines than in the previous year, and this is at least partly due to these continued efforts to improve our service to the customer.

Chairman's Review *continued*

Activities in Eastern Europe—There was an important development in the company's relationship with the U.S.S.R. in May, when a long-term protocol agreement was reached in Moscow. The agreement was signed by Dr. J. M. Gvishiani, Deputy Chairman of the State Committee of the Council of Ministers of the U.S.S.R. for Science and Technology, and by myself on behalf of Rank Xerox.

This agreement resulted from talks between the State Committee, the Ministry of Foreign Trade, the Ministry of Instrument Construction, Technopromimport and other Soviet Union organisations and a delegation of senior executives from the company.

A high-level technical delegation from the U.S.S.R. visited Rank Xerox, including the Mitcheldean and Venray Plants, in the autumn and a technical team from the company has visited the U.S.S.R. The agreement is the first step towards closer co-operation offering significant opportunities for us in the U.S.S.R. whilst at the same time introducing our technologies into the country.

Meanwhile, export of machines and consumables to the East European countries, including the U.S.S.R., continued at satisfactory levels.

A specially-equipped Rank Xerox train started in February on a two-year tour of East Europe to promote the company's copier/duplicators. During its tour it is visiting 63 towns in seven countries, covering over 10,000 miles. The seven countries are Rumania, Bulgaria, Yugoslavia, Hungary, Poland, Czechoslovakia and the German Democratic Republic. Response so far has been excellent to this very ambitious project. A programme for a tour by the train to the U.S.S.R. is under discussion.

First Exhibition in China—I am pleased to report that in March we were able to exhibit for the first time in the People's Republic of China, at the British Industrial Technology Exhibition in Peking. Some orders were taken and the deliveries were made. I hope that, as a result, we shall be able to do more business in China.

Royal Event—At the end of October, a new headquarters building in Oslo for the Norwegian company was officially inaugurated in the presence of Their Royal Highnesses Crown Prince Harald and Crown Princess Sonja. This was an occasion of great interest and encouragement to our company, particularly to Keld Nielsen, our General Manager in Norway, and his enthusiastic staff.

Exports—Naturally, as the plant at Venray expands, and other plants in Europe commence production, machines built outside the U.K. will represent an increasing part of our overseas sales.

However, it is interesting to note that our exports from the U.K. continue to rise steeply, and in 1973 reached £70.7 million compared with £55.1 million in 1972, an increase of 28%.

Manufacturing and Supply—The value of output from the manufacturing plants continued to rise rapidly, and all the plants are being expanded to meet increased demand and future requirements.

At Mitcheldean, Gloucestershire, a new office block of just under 50,000 sq. ft. was completed and brought into use. Work is well advanced on a new computer centre to house a manufacturing-orientated control system.

Chairman's Review *continued*

A similar computer centre is being built at Venray, in the Netherlands. The technical facilities block was completed and other extensions are being made. This year also saw the completion of a 183,000 sq. ft. Supply Centre.

At Welwyn, an additional production building is under construction. Production facilities for the 400 Telecopier transceiver and the 840 printer are being increased. A building alongside the Welwyn Plant became available and this is being adapted and will be used as a warehouse.

The toner plant being built in Spain at Coslada, near Madrid, is on schedule and will come into production in late 1974.

A new assembly plant is being constructed on a 35-acre site near Lille, France. Work is on schedule: the complex of more than 300,000 sq. ft. will start production in late 1974 with up to 400 employees. Further expansion of plant and staff will follow.

Planning for the construction of a machine plant in Germany continued and a 74-acre site is being acquired for this purpose at Aachen.

Manufacturing will thus be extended from two countries (the U.K. and the Netherlands) to multinational operations in five countries, four of them within the enlarged E.E.C.

Research and Engineering—The Rank Xerox Development Laboratory, at Welwyn Garden City, England, forms part of Xerox Corporation's overall R & D programme. The role of the Welwyn Laboratory is soon to be expanded beyond the area of copying technology to cover part of the Corporation's research into new communications methods, and this represents a considerable vote of confidence in the calibre of the management and staff at the Laboratory.

The Rank Xerox engineering staff at each of the three plants is being expanded to support the numerous new product programmes which are now taking shape. A great deal of hard work has also gone into ensuring that these new products will meet multinational requirements, so that wherever they are developed they can be manufactured in any of the plants with only a minimum of re-design.

Directors—The multinational nature of the main Board of Rank Xerox was strengthened by the appointment to it of the two Directors of the French and German Regions, M. Pierre Ranque and Herr Albert Greiner. Mr. Clyde Mayo resigned from the Board to return to the United States on his appointment with Xerox Corporation as a Staff Vice President, on the corporate Research and Development staff, and Dr. Fred Winternitz has taken over from him as Group Director, Engineering. Mr. Michael Hughes, formerly Divisional Director, Central Strategy, was appointed to the Board as Group Director, Central Strategy. Mr. John Buckingham-Burr, then Director of the Southern Region, was also appointed a Group Director.

At the end of the year Dr. Alfonso Bordone, Group Director, Marketing Operations, left the company to become Managing Director of a well-known company in his native Italy. Since the end of the year, Michael Hughes has left Rank Xerox to join Xerox Corporation as Director of Strategy and Long Range Planning. He is the second Rank Xerox director to be appointed to a senior post in Xerox Corporation. Mr. Alex Park, Group Director, Planning Information and Control, left the company to take up a

Chairman's Review *continued*

senior management appointment with a major British company. These three have all made significant contributions to the progress of the company and I wish them well in their new fields of activity.

Frederick Wickstead, who left the Board in 1971 to become Vice President of Manufacturing and Logistics with Xerox Corporation, has re-joined it as Chief Staff Officer, responsible for Planning, Information and Control, Central Strategy, Marketing Services, Personnel, Supply and Finance.

At the same time Donald E. Riley joined the Board as Director, Central Strategy Group, from Xerox Corporation. A further Board appointment was that of Russell W. Evans, who is also a Director and Company Secretary of The Rank Organisation.

The Boards of a number of overseas operating companies have been strengthened by the appointment of prominent and distinguished gentlemen who agreed to serve as non-executive directors to ensure that our companies are kept in close touch with national feelings and aspirations.

People and Personnel Policies—The total number of employees rose from 24,800 to 30,500, a growth rate of 23%. Expansion of the payroll is carefully controlled, but big increases of this kind are essential to support the growth of the business as a whole. Emphasis continued to be placed on the development of the field sales and service forces, which both grew by more than 30%.

We have greatly increased our efforts to improve selection techniques so that we are able to recruit and—equally important—to retain the people we need. The company has an obligation to provide good career opportunities linked with advanced training and development techniques so that career opportunities within the company for everyone are clearly demonstrated.

Closely related to this is the effort to improve procedure within the company by decentralising authority from headquarters to the operating companies and pruning out all routine reporting which is not essential to the efficient running of the business.

Fortunately, the rapid growth of Rank Xerox makes it attractive to able and ambitious people: I believe that this internal drive to improve our life-style will prove just as important.

Particular attention was paid to the development of a policy on the employment of women, both because we think it right and because we believe that grave staff shortages will develop if women are not encouraged and enabled to play a full part in business.

In the International Headquarters the multinational character of the business is reflected in the increasing percentage of non-British managers—up to about 30% by the end of the year compared with about 20% at the start of the year.

An experimental Social Service Leave programme was launched in eight countries. Under this programme, the company releases on full pay a number of employees for a period of weeks or months to enable them to work on a community project of their choice. The applicants are selected by a voluntary committee of employees in each country taking part in the programme.

A total of 204 months of leave were offered, and while not all of them have been allocated the standard of the successful applicants was very high indeed.

Chairman's Review *continued*

I believe it is important for the company to help and encourage its employees to serve the community and we are exploring, with programmes such as Social Service Leave, the most positive ways in which the company can achieve these aims.

The small group of Asian staff displaced from the operation in Uganda were all helped to relocate—one in our company in Iran and the others in Canada (happily, most of those were found suitable employment with Xerox of Canada). This is one aspect of our multinational resources which enables us to give direct help to our staff.

Our South African company has made good progress in further improving the pay, conditions and prospects of its non-white employees and—within the legal constraints—has set a new standard in the office equipment business there.

I recorded in last year's report the problem which had arisen with our Executive Share Purchase Scheme. Our scheme had initially received Treasury approval but the Finance Act of 1972 then made general provisions which made that scheme unworkable so far as U.K. tax residents are concerned.

Our U.K. staff are consequently less favourably dealt with than staff in other countries in which we operate. I had hoped for alleviating legislation by H.M. Government but unfortunately this has not been forthcoming.

European Heritage—Rank Xerox has undertaken to sponsor a film and a series of magazines to support the three-year campaign which will culminate in 1975 in European Architectural Heritage Year. Rank Xerox companies throughout Europe will help the campaign in each country in as many ways as possible, for example by encouraging our people to give the campaign their personal backing in whatever way they can and by arranging films and exhibitions on company premises and providing local motivational support.

Donations to Charity—Some £300,000 was given to charities during the year. Each operating unit is allocated a share of this total (ranging from £40,000 in the case of the U.K. marketing company to £2,000 each in the smallest companies).

This enables the General Manager on the spot and his staff to recommend which causes to support, provided that they do not offer any direct business advantage and are not of a religious or political nature. Our companies chose to spend about 70% of the total on Social causes, 25% on Educational and 5% on Cultural causes.

Among Social causes, the Danish company supported a project for the resettlement of subsistence farmers from Greenland on the mainland. In New Zealand, the Dairy Research Institute was supported in its research into protein supplements for people in developing countries. Other companies made donations to children's charities and to medical research. The South African company gave to the Bantu Sports and Recreation Fund and under the Educational category they supported Bantu education. A Blind School in Greece and homes for university students in Finland also benefited.

The London Bach Orchestra, an Arts Festival in Hong Kong, a town music centre in Venray in the Netherlands and struggling young painters in Belgium were helped under the Cultural category. Altogether, well over 150 causes were helped, with donations ranging from just a few pounds to the £30,000 which the French company gave for nature protection and defence of the environment.

Chairman's Review *continued*

U.K. Monopolies Commission—The United Kingdom Monopolies Commission began an investigation into the domestic market for indirect electrostatic copiers. The company was notified that it would be called on to give evidence to the Commission and a detailed questionnaire has been received.

We are co-operating fully with the Commission in its enquiry.

U.S.A.—Federal Trade Commission—In January 1973 the United States Federal Trade Commission filed a complaint against Xerox Corporation which alleged that Xerox has monopolized the office copier industry by engaging in unfair marketing and patent practices and by foreclosing foreign affiliates, including Rank Xerox, from competing with it in the United States. Amongst the actions the F.T.C. wishes Xerox to take are: (1) to offer royalty free unrestricted licensing of all existing Xerox copier patents and related know-how and to offer for licensing all copier patents and related know-how obtained during the next 20 years and (2) to divest its 51% interest in Rank Xerox.

Xerox has denied any wrongdoing in respect of the foregoing complaint and is engaged in preparing its defences.

Data Systems Group—In the computer business, rather more emphasis than before was placed on rental marketing (as opposed to outright sale). This policy will postpone the time when the operation will pay its own way, but will provide a sounder base for the future. Also, following the weakness of Government-funded business, the main effort was re-directed towards specialised areas of the industrial market.

The product line was strengthened with the introduction early in the year of the 530, a low-priced general purpose computer. The 530 has already successfully displaced some previously well-entrenched competitive systems.

The main effort continues to be concentrated in the U.K. and Germany, but we have also been successful in winning orders in other countries. The Swedish State Power Board, for example, ordered two Sigma 9 computers worth £500,000, one for scientific data processing and the other for allocating energy resources and balancing local demand against local availability.

Fuji Xerox Co. Ltd.—This was a year of very rapid growth in machine placements for Fuji Xerox, our Japanese associate. Despite a significant increase in competition, the number of machines installed during the year was double that of the previous year.

This increased activity was helped by the more favourable economic climate in Japan, and also by the success of two products—the 2200 desk-top copier (introduced in 1972) and the 2400B which brought a significant increase in Government business because it handles the size of paper used by Government departments. The 4000 copier/duplicator was successfully introduced in the latter part of the year.

Fuji Xerox turnover reached £81.4 million (an increase of 46%). At £14.5 million, pre-tax profits were 59% over the previous year. The high growth rates in turnover and profit, as expressed in sterling, are to an extent the result of favourable currency benefits.

I am confident that the long term outlook for Fuji Xerox continues to be bright. They have ambitious plans involving considerable increases in manufacturing capacity including an expansion of their main plant at Ebina. The energy crisis in Japan may have a short term impact and Fuji Xerox will monitor their position very closely.

Outlook—At the end of the year we had a very strong order book and demand for our products remained at a high level.

Chairman's Review *continued*

All the indications are that we can look forward to continuing growth but the emergence of the energy crisis at about the end of our financial year, obviously poses problems for us. We are taking every possible step to meet the situation and to minimise any impact on our business.

Whatever problems we may face in the coming year, I know that we can rely on receiving the same splendid support from all our staff who played such a vital part in our success in the past year. I am deeply grateful to the Managing Director, Robert M. Pippitt, and to all my management and other colleagues, wherever they are located, for the great skill, enthusiasm and loyalty to the company which they displayed in such abundance during the past year."

end of quote

The financial results of Rank Xerox for the last five years have been:

	<i>Sales/Rental Income</i>	<i>Profit after Interest but before Taxation</i>
	£000s	£000s
Year to October 1973	370,341	139,321
Year to October 1972	268,131	105,589
Year to October 1971	207,132	84,166
52 weeks to October 1970	163,444	70,000
52 weeks to June 1969	115,275	46,047

Rank Xerox Consolidated Balance Sheet—Set out below are the assets and liabilities under the significant headings:

	October 1973	October 1972	October 1971	October 1970	June 1969
	£000s	£000s	£000s	£000s	£000s
Fixed Assets (including rental equipment) less Depreciation	253,304	194,462	154,213	118,356	88,073
Associated Company	17,313	14,038	11,848	5,915	444
Goodwill	—	—	—	—	90
Loans for the purchase of 'E' shares	1,756	1,112	—	—	—
Net Current Assets/(Liabilities)	(6,015)	(22,737)	974	(1,918)	180
Taxation on Unrealised					
Intra-Group Profits	25,246	18,235	12,040	9,512	6,985
Development Expenditure	8,664	5,455	2,497	1,081	469
	300,268	210,565	181,572	132,946	96,241
<i>Less</i> Loans and Deferred Liabilities	135,433	95,783	65,497	40,926	31,629
	164,835	114,782	116,075	92,020	64,612
<i>Less</i> Minority Interests	2,813	1,285	1,120	897	556
	£162,022	£113,497	£114,955	£91,123	£64,056
Represented by:					
Share Capital	26,064	26,052	26,025	26,025	26,025
Share Premium	1,626	1,061	—	—	—
Retained Profits	131,332	83,384	85,930	62,098	35,031
Shareholders' Loans	3,000	3,000	3,000	3,000	3,000
	£162,022	£113,497	£114,955	£91,123	£64,056

Chairman's Review *continued*

Rank Xerox—Source and Application of Funds—Year ended 31st October 1973:

	£000s	£000s
Source of Funds		
Within the Group		
Profit after Taxation	71,659	
Less: Profit retained in Associated Company	3,275	
	<hr/>	
Add:	68,384	
Items charged against Profits not requiring funds		
Depreciation	48,650	
Deferred Taxation and Other Charges	31,513	
	<hr/>	148,547
Proceeds from sale of Fixed Assets		3,414
		<hr/>
Outside the Group		151,961
Additional Share and Loan Capital and Borrowed Money		20,038
Minority Subscription for Shares in a Subsidiary		965
		<hr/>
		£172,964
		<hr/>
Application of Funds		
Additions to Rental Equipment		85,951
Additions to Properties and Plant		26,502
Loans for the purchase of 'E' shares		644
Additional Deferred Expenditure		13,019
Repayment of Mortgages and other Loans		1,515
Increase in Net Current Assets		16,722
Reduction of Non-Current United Kingdom Corporation Tax		4,900
Dividends		23,711
		<hr/>
		£172,964

Rank Xerox Limited issued share capital at 31st October 1973 in shares of £1 each was:

	A	B	C	D	E	Total
Xerox Corporation			6,356,147			6,356,147
Lyell Holdings Limited	7,401,254		1,125,241			8,526,495
The Rank Organisation						
Limited		3,700,627		1,870,347		5,570,974
Rank Precision Industries (Holdings) Limited		3,700,627		1,870,347		5,570,974
Executive share purchase scheme					39,200	39,200
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	7,401,254	7,401,254	7,481,388	3,740,694	39,200	26,063,790

The datum line at October last stood at £7,401,254. The balance of profits in excess of datum subject to the participation of 'E' shares are then allocated as two-thirds to Xerox—the 'C' shares and one-third to Rank—the 'D' shares.

Southern Television—in which we have a 37½% participation. The improvement in advertising revenue which I reported a year ago continued in the past year.

Net revenue was £11,674,484 an improvement of £1,849,872 over the previous year.

This has resulted in a profit of £2,635,752 the highest in Southern Television's history and an increase of 10·55% over last year. This profit was achieved in spite of heavy

Chairman's Review *continued*

increases in costs, including an increase of £586,580 in the cost of programmes from the ITV Network.

It is also worth noting that this profit is struck after providing for heavy depreciation of expenditure on equipment which is written off over the period of the company's licence.

Substantial expansion has been undertaken. Programme budgets have been increased and the staff has been strengthened by additional specialist talent. The company's facilities have been enlarged and improved and the conversion of the Dover studios to colour has been completed.

Programmes produced by Southern Television amounted to 504 hours, of which 162 hours were taken by the ITV network.

The Company is proud of its strong presence in the Region and the contribution it is able to make to Regional activities.

It is a pleasure to report that the Company again had the privilege of recording two operas at Glyndebourne, this time Mozart's 'Marriage of Figaro' and Monteverdi's 'The Return of Ulysses'. The national screening of the two operas recorded in the previous year, Verdi's 'Macbeth' and Mozart's 'Die Entführung aus dem Serail' (Il Seraglio), met with considerable acclaim by the Press. Approximately 4 million people viewed at least half-an-hour of 'Macbeth', which taking into consideration the specialised appeal of these programmes was a considerable achievement.

The future is unusually difficult to predict. In the short term increased costs and the Government's Counter-Inflation policy are bound to have a depressing effect on profits. Another material factor will be the form of Levy, which is based on profits, not on turnover. The rate proposed for the Levy in the Independent Broadcasting Authority Bill published on 20th December 1973, is high but as the Bill has only just been published I will not say more until its full implications have been considered by the Industry.

In the longer term, the Company's future will be affected by two major decisions yet to be made—the IBA's decision on the allocation of Licences up to 1981 and the Government's decision on the allocation of the fourth television channel.

The Company has given strong support to the IBA's proposal that the fourth channel should be operated by the existing companies as a complementary service to ITV 1 and the companies' submission that time should be allocated to an independent foundation financed by the companies for the provision of programmes by independent producers and small minorities.

Whatever the outcome the future should provide more opportunities for Regional Companies. I am confident that Southern Television is strongly placed, in terms of both staff and equipment, to grasp these opportunities successfully.

Australia—Our substantial investment in Australia (50% in The Greater Union Organisation Pty. Ltd.) is an important and a satisfactory one.

We were fortunate in having the pleasure of a visit from Sir Norman Rydge towards the end of the year, when we reviewed the whole of our activities and were in accord as to the general policy under which the companies were operating.

Chairman's Review *continued*

Our original investment was made in 1946 since when it has shown consistent growth and it is our belief that in spite of some of the difficulties currently facing Australia (in which they are not alone) this investment will continue to show increasing benefits to us.

Our share of the pre-tax profits of Greater Union amounted to £1,217,000 against £818,000 in the preceding year.

New Zealand—We have had a 50% interest since 1946 in the Kerridge Odeon Corporation Limited, which has extensive interests in cinema operation, film distribution and the supply of film equipment. It also holds a 25% interest in Rank Xerox (N.Z.) Ltd.

Our share of the pre-tax profits of Kerridge Odeon amounted to £720,000 against £497,000 in the preceding year and here again we look forward to continuing growth.

Malaya and Singapore—We hold a 24% interest in the Cathay Organisation (Cathay Organisation (Malaya) Sdn. Berhad and Cathay Organisation Pte. Limited). The Cathay Organisation is an important film exhibition company in Malaya and Singapore, and has interests in film distribution and production in Malaya and Singapore and in film exhibition in North Borneo.

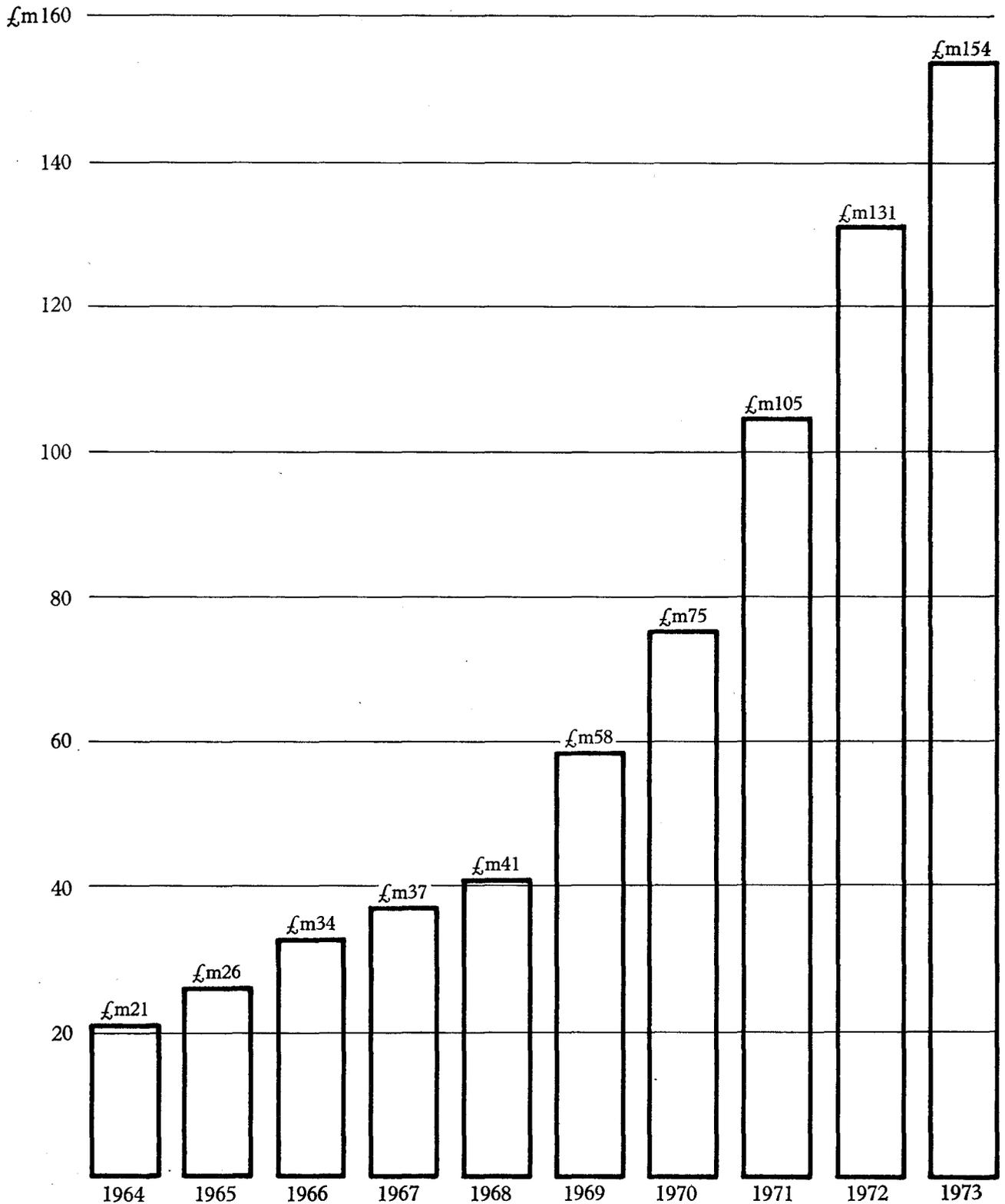
It had another successful year with our share of profits amounting to £446,000 against £183,000 in the preceding year.

This substantial advance in profitability is largely attributable to the success of the 'Chinese' films exhibited in Malaya and Singapore and the distribution of 'Kung Fu' pictures throughout the world.

I have endeavoured to give a frank appraisal of our activities which, on the one hand indicates the problems with which we have been or may be faced, whilst on the other hand shows the confidence which we have in our potentialities for growth.

Exports and Overseas Earnings 1964/73

The Rank Organisation and Associated Companies
including Rank Xerox



The Accounts of The Rank Organisation Limited

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Report of the Auditors to the Members of The Rank Organisation Limited

We have examined the balance sheet and consolidated accounts and the statement of source and application of funds set out on pages 44 to 58.

In our opinion the balance sheet and consolidated accounts comply with the Companies Acts 1948 and 1967 and give respectively a true and fair view of the state of the Company's affairs at 31st October 1973 and so far as concerns members of the Company, a true and fair view of the state of affairs and of the profit of the Group.

In our opinion the statement on page 58 gives a true and fair view of the source and application of the Group's funds for the year ended 31st October 1973.

PEAT, MARWICK, MITCHELL & CO.

London
14th January 1974

Chartered Accountants

Consolidated Profit and Loss Account for the year ended 31st October 1973

The Rank Organisation Limited and Subsidiaries

	Notes and Schedule References	1973 £000s	1972 £000s
Turnover (including certain inter-group sales amounting to approximately £2,767,000—1972 £2,789,000)		260,293	195,219
Trading Profit before charging Depreciation		31,453	21,353
Depreciation	5	6,786	5,246
Trading Profit		24,667	16,107
Share of Profits before taxation of Associated Companies			
Rank Xerox Group		47,384	36,320
Others		3,963	2,838
Dividends and Interest Receivable	A	3,619	1,154
		79,633	56,419
<i>Less: Interest Payable</i>	B	11,223	6,043
Profit before Taxation		68,410	50,376
<i>Less: Taxation based thereon</i>	C	33,338	23,939
		35,072	26,437
<i>Less: Outside Shareholders' Share of Subsidiaries' Profit</i>		956	709
Profit after Taxation attributable to the Shareholders in The Rank Organisation Limited		34,116	25,728
<i>Add: Extraordinary Items excluding amounts attributable to Outside Shareholders</i>	D	690	58
Balance of Profit attributable to the Shareholders in The Rank Organisation Limited (of which £15,359,000 is dealt with in the accounts of The Rank Organisation Limited—1972 £19,002,000)		£34,806	£25,786
Dividends of The Rank Organisation Limited			
6¼% Cumulative Preference		466	625
8% Second Cumulative Preference		156	208
Ordinary and 'A' Ordinary	E	7,588	8,193
		8,210	9,026
Profits Retained	3		
The Rank Organisation Limited and Subsidiaries		8,434	17,344
Associated Companies			
Rank Xerox Group		15,733	(1,185)
Others		2,429	601
		£34,806	£25,786
Earnings per Ordinary and 'A' Ordinary Share of 25p The calculation of earnings per share is based on earnings of £33,494,000 and on shares in issue at 31st October 1973 of 150,168,000 (1972 £24,895,000 and 140,680,000 shares as adjusted for the capitalisation issue in 1973).		22.3p	17.7p

Notes relating to this Profit and Loss Account appear on pages 50 to 57.

Schedules

	1973 £000s	1972 £000s
A Dividends and Interest Receivable		
Quoted companies	120	190
Unquoted companies	162	77
Bank and other Interest, less loss on Short Term Investments	3,337	887
	<u>£3,619</u>	<u>£1,154</u>
B Interest Payable		
Bank Loans and Overdrafts	3,401	1,779
Other Loans not fully repayable within 5 years	6,240	3,118
Other Loans fully repayable within 5 years	1,582	1,146
	<u>£11,223</u>	<u>£6,043</u>
C Taxation		
The Rank Organisation Limited and Subsidiaries		
United Kingdom		
Corporation Tax (£8,203,000 before double taxation relief—1972 £4,464,000) (see note below)	7,129	3,942
Less: Benefit arising from the transitional provisions of the Finance Act 1972	(518)	—
Overseas	1,928	1,356
On share of profits of Associated Companies		
Rank Xerox Group	22,881	17,204
Others	1,918	1,437
Note: Corporation Tax is provided at 40% for the 5 months to 31st March 1973 and at an assumed rate of 50% thereafter (1972 40%).	<u>£33,338</u>	<u>£23,939</u>
D Extraordinary Items		
Share of extraordinary items of Associated Companies	1,612	100
Amounts written off goodwill and franchise costs	(144)	(339)
Provision for losses less profits on cessation of businesses and disposal of properties (after taxation relief of £413,000)	(595)	(837)
Taxation recoveries and provisions released	—	939
Other items	(136)	119
	<u>737</u>	<u>(18)</u>
Attributable to Outside Shareholders	47	(76)
	<u>£690</u>	<u>£58</u>
E Dividends on Ordinary and 'A' Ordinary Shares		
Interim of 2·1875p per share paid on 150,168,000 shares (1972 interim of 6·25p per share paid November 1972 on 70,340,000 shares)	3,285	4,396
Final of 2·865625p per share proposed on 150,168,000 shares (1972 final of 5·25p per share on 72,320,000 shares)	4,303	3,797
On the basis of tax rates currently in force, a UK shareholder will normally be entitled to a tax credit equal to $\frac{3}{8}$ ths of a dividend paid after 5th April 1973. The interim dividend of 2·1875p per share is equivalent to the 1972 interim dividend of 6·25p per share taking into account the tax credit and capitalisation issue made during the year	<u>£7,588</u>	<u>£8,193</u>

Consolidated Balance Sheet

at 31st October 1973

The Rank Organisation Limited and Subsidiaries

	Note Reference	1973		1972	
		£000s	£000s	£000s	£000s
Issued Share Capital of The Rank Organisation Limited	3				
6¼% Cumulative Preference Shares of £1 each		9,996		9,996	
8% Second Cumulative Preference Shares of £1 each		2,602		2,602	
Ordinary Shares of 25p each		7,576		3,788	
'A' Ordinary Shares of 25p each		29,966	50,140	13,797	30,183
		<hr/>		<hr/>	
Capital Reserves	3				
Share Premium Account		64,151		45,789	
Other Capital Reserves		72,580	136,731	48,735	94,524
		<hr/>		<hr/>	
Revenue Reserves	3				
The Rank Organisation Limited		28,986		22,466	
Subsidiaries		18,882	47,868	18,689	41,155
		<hr/>		<hr/>	
Issued Share Capital and Reserves Attributable to the Shareholders in The Rank Organisation Limited			234,739		165,862
Outside Shareholders' Interest in Net Assets of Subsidiaries			5,375		4,024
Deferred Taxation			8,799		6,890
Loan Capital and Borrowed Money	4				
Secured—United Kingdom		43,019		22,436	
Overseas		23,585		4,723	
		<hr/>		<hr/>	
		66,604		27,159	
		<hr/>		<hr/>	
Unsecured—United Kingdom		65,856		27,799	
Overseas		91,780		36,492	
		<hr/>		<hr/>	
		157,636	224,240	64,291	91,450
		<hr/>		<hr/>	
			£473,153		£268,226
			<hr/>		<hr/>

	Note Reference	1973		1972	
		£000s	£000s	£000s	£000s
Fixed Assets	5		278,854		133,261
Interests in Associated Companies	7				
Rank Xerox Limited		57,784		41,399	
Others		18,103	75,887	12,432	53,831
Investments	8		7,854		7,995
Goodwill			41,567		20,746
Deferred Revenue Expenditure	10		884		742
			405,046		216,575
Current Assets					
Stocks and Work in Progress		37,463		27,840	
Film Productions		2,197		2,771	
Debtors and Prepayments	11	61,128		46,822	
Dividends Receivable		480		17,949	
Short Term Deposits		39,044		1,792	
Cash at Bank and in Hand		5,625		2,454	
		145,937		99,628	
Deduct: Liabilities and Provisions (Other than borrowed money)					
Creditors, Expenses Accrued and Provisions	12	58,463		35,797	
United Kingdom Corporation Tax					
due within one year		4,610		772	
due between one and two years		1,163		1,765	
Other Taxation, mainly Overseas		2,181		930	
Dividends					
Shareholders in the Company		7,783		8,474	
Outside Shareholders of Subsidiaries		210		239	
Advance Corporation Tax		3,420		—	
		77,830	68,107	47,977	51,651
			£473,153		£268,226

Notes relating to this Balance Sheet appear on pages 50 to 57

Balance Sheet

at 31st October 1973

The Rank Organisation Limited

	Note Reference	1973		1972	
		£000s <i>Authorised</i>	£000s <i>Issued and Fully Paid</i>	£000s <i>Authorised</i>	£000s <i>Issued and Fully Paid</i>
Share Capital	3				
6½% Cumulative Preference Shares of £1 each		10,000	9,996	10,000	9,996
8% Second Cumulative Preference Shares of £1 each		3,000	2,602	3,000	2,602
Ordinary Shares of 25p each		8,000	7,576	4,000	3,788
'A' Ordinary Shares of 25p each		37,000	29,966	17,750	13,797
		<u>£58,000</u>	<u>50,140</u>	<u>£34,750</u>	<u>30,183</u>
Capital Reserves	3				
Share Premium Account		64,151		45,789	
Other Capital Reserves		2,533	66,684	4,809	50,598
Revenue Reserves	3		28,986		22,466
			<u>145,810</u>		<u>103,247</u>
Deferred Taxation			1,470		3,109
Loan Capital and Borrowed Money	4				
Secured—United Kingdom		38		41	
Unsecured—United Kingdom		65,743		25,675	
Overseas		57,014		25,012	
		<u>122,757</u>	122,795	<u>50,687</u>	50,728
Liabilities and Provisions (Other than borrowed money)					
Creditors, Expenses Accrued and Provisions	12	10,991		7,836	
United Kingdom Corporation Tax due within one year		472		340	
due between one and two years		—		339	
Dividends					
Accrued on Preference Shares		194		281	
Proposed on Ordinary and 'A' Ordinary Shares		7,588		8,193	
Advance Corporation Tax		1,621	20,866	—	16,989
			<u>£290,941</u>		<u>£174,073</u>

	Note Reference	1973		1972	
		£000s	£000s	£000s	£000s
Fixed Assets	5		38,609		38,706
Interest in Associated Companies					
Unquoted					
Rank Xerox Limited				5,571	
Shares at par		5,571			
Subordinated Unsecured Loan Notes at cost		600		600	
Others at cost		797	6,968	839	7,010
Investments	8		7,152		7,935
Subsidiaries					
Shares in Operating Subsidiaries at or under cost	9	128,958		49,806	
Amounts owing by Operating Subsidiaries including dividends receivable		106,379		63,970	
		235,337		113,776	
<i>Less:</i> Amounts owing to Operating Subsidiaries		35,168	200,169	14,525	99,251
Shares in Dormant Subsidiaries		13,242		19,746	
<i>Less:</i> Amounts owing to Dormant Subsidiaries		13,242	—	19,746	—
Goodwill at or under cost			4,314		4,319
Deferred Revenue Expenditure	10		139		166
			257,351		157,387
Current Assets					
Stocks		1,074		1,016	
Film Productions		1,807		2,317	
Debtors and Prepayments	11	5,951		2,771	
Dividends Receivable		451		9,194	
Short Term Deposits		23,677		659	
Cash at Bank and in Hand		630	33,590	729	16,686
JOHN DAVIS GRAHAM R. DOWSON		} <i>Directors</i>			
			£290,941		£174,073

Notes relating to this Balance Sheet appear on pages 50 to 57.

Notes forming part of the Accounts on pages 44-49

1 Accounting Policies

Subsidiary Companies

The Consolidated Accounts include the audited accounts of all Subsidiary Companies made up to 31st October 1973. With minor exceptions, profits arising from trading transactions between companies within the Group have been eliminated. Details of principal Subsidiary Companies are given in note 9.

Associated Companies

The Consolidated Profit and Loss Account includes the proportion of the results of Rank Xerox Limited and its Subsidiaries and (with minor exceptions) of other Associated Companies attributable to the shareholdings of The Rank Organisation Limited and its Subsidiaries. The principal cases where accounts have been used which are not co-terminous with those of The Rank Organisation Limited, are as follows:

<i>Company</i>	<i>Year End Date of Accounts</i>
Cathay Organisation (Malaya) Sdn. Berhad	31st December 1972
The Greater Union Organisation Pty. Limited	30th June 1973
Matubel N.V.	3rd May 1973
Kerridge Odeon Corporation Limited	31st March 1973

In the Consolidated Balance Sheet the investments in Rank Xerox Limited and other Associated Companies are shown at the aggregate of cost (less amounts written off) and the Group's share of post-acquisition retained profits and reserves. Details of principal Associated Companies are given in note 7.

Exchange Rates

Assets and Liabilities and Profit and Loss Account items in foreign currencies are converted into sterling at the rates ruling at the Balance Sheet date. Exchange differences on trading transactions are dealt with in arriving at Trading Profit. Realised exchange differences on non-trading transactions are dealt with in the Profit and Loss Account in Extraordinary Items. All other exchange differences are dealt with in Capital Reserves.

Depreciation of Fixed Assets

The following is a summary of the Group's policy for depreciation of fixed assets applied in respect of the year ended 31st October 1973.

Properties held for investment

- (a) No depreciation has been provided on land.
- (b) No depreciation has been provided on freehold buildings other than in respect of certain overseas properties where depreciation has been provided on a straight line basis to write off the cost over the estimated useful lives.
- (c) No depreciation has been provided on leasehold properties where the leases have more than 50 years to run. Other leasehold properties have been depreciated on a straight line basis over the remaining terms of the leases.

Other Properties

- (a) No depreciation has been provided on land.
- (b) Freehold properties situated in the United Kingdom qualifying for industrial buildings allowances are depreciated on a straight line basis at 2% per annum. With the exception of certain overseas properties other freehold properties are not depreciated.
- (c) Leasehold Properties are depreciated on a straight line basis over the remaining terms of the leases.

Plant, Vehicles and Equipment

Depreciation is provided on a straight line basis to write off the cost of the assets over their estimated useful lives.

Goodwill

Goodwill represents the net excess of the cost of shares in Subsidiaries over the net tangible assets at dates of acquisition and is stated at cost less amounts written off.

Deferred Revenue Expenditure

Deferred Revenue Expenditure comprises pre-opening expenses which are written off on a straight line basis over ten years.

Stocks and Work in Progress

Stocks and Work in Progress are stated at the lower of cost (including where appropriate, production overheads) and net realisable value on bases consistent with the previous period.

Film Productions

Film productions are valued on bases consistent with the previous period. Released films are valued at estimated recoverable value, which in aggregate is below cost. Unreleased and uncompleted films are valued at or below cost.

Deferred Taxation

Deferred Taxation mainly represents taxation set aside at current rates on the excess of the book values over the written down values for tax purposes of the relevant fixed assets and is stated after deduction of Advance Corporation Tax considered to be recoverable against future Corporation Tax.

No provision has been made for taxation payable

- (a) in the event of the profits of certain overseas subsidiaries and associated companies being distributed and
- (b) on capital gains which might arise from the sale of properties and investments in Rank Xerox Limited and other associated companies at the values at which they are stated in the Consolidated Balance Sheet.

Turnover

Turnover consists of sales of goods and services, admission receipts, film distribution revenues, royalties, commissions and gross rent receivable from investment properties and proceeds of sale of properties held as trading assets. Certain inter-group sales and rents are included as their elimination is not considered appropriate. Turnover of associated companies is not included.

2 Acquisition of Butlin's Limited and Oddenino's Property and Investment Company Limited

During the year to 31st October 1973, the whole of the issued share capitals of Butlin's Limited and Oddenino's Property and Investment Company Limited were acquired. For the purpose of stating the considerations for these acquisitions in the accounts the proportions thereof which were satisfied by the issue of 'A' Ordinary Shares of The Rank Organisation Limited were taken to be 90% of the mid market valuations of such shares on the dates at which the respective offers became unconditional.

The excess of the total purchase consideration over the net tangible assets acquired has been included in Goodwill.

3 Capital and Reserves

By virtue of paragraph 18 Schedule 23 Finance Act 1972 dividends payable on or after 6th April 1973 on the 6¼% Cumulative Preference Shares and 8% Second Cumulative Preference Shares are calculated at the rates of 4.375% and 5.6% per annum respectively, without deduction of income tax. U.K. resident shareholders will normally be entitled to a tax credit equal to the difference of 1.875% and 2.4% respectively.

Movements in Capital and Reserves	Ordinary 'A' Ordinary		Share	
	Share	Share	Capital	Premium
	Capital	Capital	Account	
	£000s	£000s	£000s	£000s
Balances at 31st October 1972	3,788	13,797		45,789
Issue of Shares during year				
Part consideration for the acquisition of Subsidiaries prior to capitalisation issue	—	495		17,556
	3,788	14,292		63,345
Capitalisation Issue	3,788	14,292		(18,080)
Part consideration for the acquisition of Subsidiaries subsequent to capitalisation issue	—	1,365		19,627
Conversion of Convertible Loan Stock	—	17		227
Expenses relating to changes of capital	—	—		(968)
Balances at 31st October 1973	<u>£7,576</u>	<u>£29,966</u>		<u>£64,151</u>
	<i>Other Capital Reserves</i>		<i>Revenue Reserves</i>	
	<i>Group</i>	<i>Company</i>	<i>Subsidiaries</i>	<i>Company</i>
	£000s	£000s	£000s	£000s
Balances at 31st October 1972	48,735	4,809	18,689	22,466
Exchange adjustments	218	(2,276)	—	—
Surplus on revaluation of properties	6,007	—	—	—
Adjustments to Deferred Taxation due to change in rate	—	—	(1,031)	(629)
Sundry adjustments	(603)	—	—	—
Profit retained				
The Rank Organisation Group	61	—	1,224	7,149
Associated Companies	18,162	—	—	—
Balances at 31st October 1973	<u>£72,580</u>	<u>£2,533</u>	<u>£18,882</u>	<u>£28,986</u>
Included above in respect of undistributed profits of Associated Companies since dates of acquisition				
Rank Xerox Group	<u>£47,520</u>			
Others	<u>£10,721</u>			

4 Loan Capital and Borrowed Money

The Group	1973			1972		
	Secured £000s	Unsecured £000s	Total £000s	Secured £000s	Unsecured £000s	Total £000s
Not fully repayable within 5 years						
U.S. \$75,000,000 4¼% Convertible Loan 1993	—	30,769	30,769	—	—	—
Debenture Stocks, Mortgages and other loans repayable by annual sinking fund or by instalments						
Final Redemption dates from 1978 to 1988 (Average rate of interest 1973 7.9%—1972 8.5%)	8,563	10,389	18,952	1,359	10,729	12,088
Final Redemption dates after 1988 (Average rate of interest 1973 8%—1972 6.9%)	43,055	26,166	69,221	23,608	7,436	31,044
	<u>£51,618</u>	<u>£67,324</u>	<u>£118,942</u>	<u>£24,967</u>	<u>£18,165</u>	<u>£43,132</u>
Fully repayable within 5 years						
Short Term Advances and Acceptance Credits (including £30,827,000 from Banks—1972 £9,220,000)	£8,639	£27,399	£36,038	£2,156	£9,636	£11,792
Bank Loans and Overdrafts	£6,347	£62,913	£69,260	£36	£36,490	£36,526
Total	<u>£66,604</u>	<u>£157,636</u>	<u>£224,240</u>	<u>£27,159</u>	<u>£64,291</u>	<u>£91,450</u>
The Company						
Not fully repayable within 5 years						
U.S. \$75,000,000 4¼% Convertible Loan 1993	—	30,769	30,769	—	—	—
Unsecured Loan Stock, Loan and Mortgage						
Final redemption 1978 to 1988						
Loan—6% repayable 1979	—	35	35	—	41	41
Mortgage—7.3% repayable 1985	38	—	38	41	—	41
8¾% U.S. \$ Bonds 1986	—	10,256	10,256	—	10,689	10,689
6% Unsecured Loan Stock 1983/88	—	127	127	—	133	133
Final redemption after 1988						
5½% Unsecured Loan Stock 1990/95	—	2,361	2,361	—	2,361	2,361
8% Unsecured Loan Stock 1988/93	—	4,942	4,942	—	4,942	4,942
10¾% Unsecured Loan Stock 1997/2002	—	18,736	18,736	—	—	—
	<u>£38</u>	<u>£67,226</u>	<u>£67,264</u>	<u>£41</u>	<u>£18,166</u>	<u>£18,207</u>
Fully repayable within 5 years						
7¼% Convertible Unsecured Loan Stock 1988/93	—	—	—	—	244	244
7¾% Unsecured Loan Stock 1974	—	52	52	—	52	52
Acceptance Credit from a Bank	—	100	100	—	400	400
Bank Loans and Overdraft	—	55,379	55,379	—	31,825	31,825
	—	£55,531	£55,531	—	£32,521	£32,521
Total	<u>£38</u>	<u>£122,757</u>	<u>£122,795</u>	<u>£41</u>	<u>£50,687</u>	<u>£50,728</u>

All the above loans are repayable at par.

Holders of the U.S. \$75,000,000 4¼% Convertible Loan 1993 have the right to convert into fully paid 'A' Ordinary Shares of the Company exercisable from 16th February 1974 until 12th February 1992 inclusive on the basis of \$14.10 of the loan for one 'A' Ordinary Share of 25p.

By an agreement dated 23rd October 1972 the Company undertook to create in a subsidiary £15,000,000 10% First Mortgage Debenture Stock 1996 for subscription by Eagle Star Insurance Company Limited at par by instalments over a period terminating on 31st December 1975. £5,000,000 of this Stock had been issued at 31st October 1973.

5 Fixed Assets

	<i>Freehold Land and Buildings £000s</i>	<i>Leasehold Land and Buildings £000s</i>	<i>Plant, Vehicles and Equipment £000s</i>	<i>Total £000s</i>
The Group				
Cost or Valuation at 31st October 1972*	80,720	37,041	57,412	175,173
New Subsidiaries	52,252	44,530	14,448	111,230
Exchange adjustments	160	674	(46)	788
Additions	19,813	12,816	12,954	45,583
Disposals	(3,188)	(517)	(2,698)	(6,403)
Increase on Revaluation	6,274	—	—	6,274
Cost or Valuation at 31st October 1973	<u>£156,031</u>	<u>£94,544</u>	<u>£82,070</u>	<u>£332,645</u>
Depreciation at 31st October 1972*	8,471	4,615	28,826	41,912
New Subsidiaries	118	120	6,995	7,233
Exchange adjustments	(126)	14	(70)	(182)
Charge for period	532	647	5,607	6,786
Provision for loss on disposal of properties	(145)	399	536	790
Disposals	(688)	(222)	(1,838)	(2,748)
Depreciation at 31st October 1973	<u>£8,162</u>	<u>£5,573</u>	<u>£40,056</u>	<u>£53,791</u>
Net Book Amount at 31st October 1973	<u>£147,869</u>	<u>£88,971</u>	<u>£42,014</u>	<u>£278,854</u>
Net Book Amount at 31st October 1972*	<u>£72,249</u>	<u>£32,426</u>	<u>£28,586</u>	<u>£133,261</u>
The net book amounts of Freehold and Leasehold Land and Buildings at 31st October 1973 include:				
(i) Properties at Directors' Valuation				
31st October 1971	<u>£20,262</u>	<u>£7,774</u>		
31st October 1973	<u>£17,131</u>			
(ii) Properties held for and in course of development				
	<u>£28,472</u>	<u>£22,905</u>		
The Company				
Cost at 31st October 1972*	21,097	13,932	21,356	56,385
Inter-group transfers	(1,259)	(84)	(176)	(1,519)
Additions	1,386	1,178	2,051	4,615
Disposals	(1,206)	(240)	(780)	(2,226)
Cost at 31st October 1973	<u>£20,018</u>	<u>£14,786</u>	<u>£22,451</u>	<u>£57,255</u>
Depreciation at 31st October 1972*	3,893	2,951	10,835	17,679
Inter-group transfers	(173)	(33)	(120)	(326)
Charge for period	41	210	1,539	1,790
Provision for loss on disposal of properties	(145)	166	258	279
Disposals	(71)	(144)	(561)	(776)
Depreciation at 31st October 1973	<u>£3,545</u>	<u>£3,150</u>	<u>£11,951</u>	<u>£18,646</u>
Net Book Amount at 31st October 1973	<u>£16,473</u>	<u>£11,636</u>	<u>£10,500</u>	<u>£38,609</u>
Net Book Amount at 31st October 1972*	<u>£17,204</u>	<u>£10,981</u>	<u>£10,521</u>	<u>£38,706</u>

*The opening balances have been adjusted in respect of assets reclassified.

The Net Book Amount of Leasehold Land and Buildings at 31st October 1973 includes for the Group £20,834,000 (1972 £4,601,000) and for the Company £3,269,000 (1972 £3,418,000) in respect of leases with less than 50 years to run.

The aggregate book amount at 31st October 1973 of properties not depreciated was, in respect of the Group £163,289,000 (1972 £70,425,000) and in respect of the Company £14,751,000 (1972 £16,421,000).

Interest payable, rents payable and other outgoings amounting to £1,530,000 incurred in the year, have been charged to Group properties in course of development or construction.

The disposal of properties included above at net book amounts in excess of their base cost for taxation purposes, at an amount equal to those net book amounts, would give rise to taxation on capital gains for which no provision has been made.

6 Future Capital Expenditure

	The Group		The Company	
	1973 £000s	1972 £000s	1973 £000s	1972 £000s
Commitments for Capital Expenditure	30,500	14,600	910	290
Capital Expenditure authorised by the Directors but not contracted for	27,000	8,200	1,350	1,860
	<u>£57,500</u>	<u>£22,800</u>	<u>£2,260</u>	<u>£2,150</u>

7 Interests in Associated Companies

	1973 £000s	1972 £000s
Rank Xerox Limited		
Unquoted 'B' and 'D' Shares at Cost	7,096	7,096
Share of retained profits and reserves including £4,046,000 since capitalised (before deduction of £1,968,000 attributable to Outside Shareholders in a Subsidiary)	49,488	33,103
	<u>56,584</u>	<u>40,199</u>
Subordinated Unsecured Loan Notes at cost	1,200	1,200
	<u>£57,784</u>	<u>£41,399</u>

Rank Xerox Limited is incorporated in Great Britain. Its business consists mainly in the manufacture and marketing of xerographic equipment for high speed document copying and duplicating in the United Kingdom and abroad through subsidiaries operating in Europe, Asia, Africa and Australasia and also in Japan through Fuji Xerox Co. Ltd. which is 50% owned. The subsidiaries are wholly owned apart from those operating in Australasia which are 75% owned.

The issued share capital of Rank Xerox Limited and the ownership thereof at 31st October 1973 was as follows:

	Class of Share of £1 each				
	A	B	C	D	E
The Company and Subsidiary		7,401,254		3,740,694	
Xerox Corporation and Subsidiary	7,401,254		7,481,388		
Executive share purchase scheme					39,200

The 'A', 'B' and 'E' Shares carry no votes. The 'C' Shares are entitled to 21 votes for each 20 of such shares.

The 'D' Shares are entitled to 2 votes for each share representing approximately 48.8% of the total votes attaching to the 'C' and 'D' Shares.

The holders of the 'A' and 'B' Shares are entitled *pari passu* to the profits of the Rank Xerox Group up to a maximum annual sum (fixed at an amount equal to one-half of the 'A' and 'B' capital subscribed) amounting at 31st October 1973 to £7,401,254 before charging taxation. Subject to the participation of 'E' Shares issued under an executive share purchase scheme, the holders of the 'C' and 'D' Shares are entitled *pari passu* to any excess of profits of each year over and above such maximum annual sum.

Other Associated Companies

	1973 £000s	1972 £000s
Quoted Companies		
Shares at cost (Market Value £52,000, 1972 £43,000)	102	102
Others		
Shares at Cost	—	788
Share of post-acquisition retained profits and reserves	—	267
	<u>£102</u>	<u>£1,157</u>
Unquoted Companies		
Shares at Directors' Valuation	221	221
Others		
Shares at Cost less amounts written off	6,530	3,733
Share of post-acquisition retained profits and reserves	10,721	6,789
Advances	529	532
	<u>£18,001</u>	<u>£11,275</u>
Total	<u>£18,103</u>	<u>£12,432</u>

7 Interests in Associated Companies *continued*

Brief details of other Associated Companies are as follows :

	<i>Country of Incorporation and Operation</i>	<i>Class of Capital Owned</i>	<i>Holding of Share Capital</i>	
			<i>Percentage Group</i>	<i>Company</i>
Film Exhibition				
Cathay Organisation (Malaya) Sdn. Berhad	Malaysia	Ordinary	24.2	—
Ceylon Theatres Limited	Sri Lanka	Ordinary	27.3	—
The Greater Union Organisation Pty. Limited	Australia	Ordinary	50.0	—
Matubel N.V.	Holland	Ordinary	36.2	—
Kerridge Odeon Corporation Limited	New Zealand	Ordinary	50.0	—
Film Laboratories				
Technospes S.p.A.	Italy	Ordinary	33.3	—
Manufacture				
Bush India Limited	India	Ordinary	49.0	—
Murphy India Limited	India	Ordinary	49.0	—
Property				
Rank Estates Limited	Great Britain	Ordinary	47.5	47.5
Television				
Southern Television Limited	Great Britain	Ordinary	37.6	37.6

To avoid giving particulars which in the opinion of the Directors would be of excessive length the above statement includes details only of the principal Associated Companies.

Dividends receivable from Associated Companies

Dividends receivable from Associated Companies whose results have been dealt with in the Profit and Loss Account on the basis of including the proportion of their results attributable to the shareholdings of the Group are as follows:

	1973 £000s	1972 £000s
Quoted	47	23
Unquoted	9,267	21,226
	<u>£9,314</u>	<u>£21,249</u>

8 Investments

	1973 £000s	1972 £000s
The Group		
Quoted Companies at Cost (Market value £5,755,000, 1972 £6,315,000)	7,212	7,995
Unquoted Companies at Cost	642	—
	<u>£7,854</u>	<u>£7,995</u>
The Company		
Quoted Companies at Cost (Market value £5,642,000, 1972 £6,255,000)	<u>£7,152</u>	<u>£7,935</u>

The investments for the Group and the Company include an investment in George Kent Limited, a company incorporated in Great Britain. At 31st October 1973 the Group and the Company owned 20% of the total Ordinary Shares and 1.4% of the total Deferred Ordinary Shares then in issue making a total of 17.8% of the Equity Capital of that company.

9 Subsidiary Companies

Details of the principal subsidiary companies are as follows:

Details of the principal subsidiary companies are as follows:	Nature of Principal Operations	Class of Capital Owned	Percentage of Capital Owned		
			Direct	Indirect	Total
Butlin's Limited	Holiday Centres	6% Cumulative Preference	100	—	100
		Ordinary	100	—	100
City Wall Properties Limited	Property	Ordinary	100	—	100
English Numbering Machines Limited	Manufacture of Counting and Numbering Devices	Ordinary	40	40	80
A. Kershaw & Sons, Limited	Investment Holding Company (see (a) below)	8% 'A' Cumulative Preference	78	—	78
		12½% 'B' Non-Cumulative Preference	85	—	85
		Ordinary	80	—	80
Oddenino's Property and Investment Company Limited	Property and Hotels Holding Company	5½% Cumulative Preference	100	—	100
		Ordinary	72.5	27.5	100
Odeon (Ireland) Limited	Film Exhibition, Property, Television Rental and Retail	Ordinary	—	100	100
The Odeon Theatres (Canada) Limited	Film Exhibition	Ordinary	—	100	100
Rank Advertising Films Limited	Advertising Films	Ordinary	100	—	100
Rank Audio Visual Limited	Manufacturers and factors of Audio Visual, Professional Film, Electronic and Educational Equipment	Ordinary	100	—	100
Rank City Wall Limited	Property	Ordinary	100	—	100
Rank City Wall Overseas Limited	Property Holding Company	Ordinary	100	—	100
Rank Credit Facilities Limited	Leasing and Rental Finance	Ordinary	100	—	100
Rank Film Distributors Limited	Film Distribution	Ordinary	100	—	100
Rank Film Laboratories Limited	Film Processing	Ordinary	100	—	100
Rank Hotels Limited	Hotels	Ordinary	100	—	100
Rank Industries Australia Pty. Limited	Holding Company	Ordinary	—	100	100
Rank Leisure Services Limited	Manages Theatres, Bingo Clubs, Ballrooms, Suites and Motorports	Company Limited by Guarantee			
Rank Precision Industries Limited	Manufacture of Optical, Mechanical and Electronic Equipment	Ordinary	30	64	94
Rank Precision Industries (Holdings) Limited	Investment Holding Company	5% Cumulative Preference	56	35	91
		Ordinary	60	32	92
Rank Radio International Limited	Manufacture of Television and Radio Receivers and Hi-Fi Audio Equipment	Ordinary	100	—	100
Rank Strand Electric Limited	Manufacture of Theatre Lighting Equipment	Ordinary	—	100	100

(a) A. Kershaw & Sons, Limited holds 43% of the Preference and 40% of the Ordinary Share Capital of Rank Precision Industries (Holdings) Limited.

(b) To avoid giving particulars which in the opinion of the Directors would be of excessive length the above statement includes details only of the principal Subsidiary Companies.

(c) All companies listed above are incorporated and operate in Great Britain other than:
 Odeon (Ireland) Limited—Republic of Ireland
 Rank Industries Australia Pty. Limited—Australia
 The Odeon Theatres (Canada) Limited—Canada.

10 Deferred Revenue Expenditure	<i>The Group</i>		<i>The Company</i>	
	1973	1972	1973	1972
	£000s	£000s	£000s	£000s
Pre-opening expenses	884	530	139	166
Research and Development expenditure	—	212	—	—
	<u>£884</u>	<u>£742</u>	<u>£139</u>	<u>£166</u>

11 Debtors and Prepayments

Include £1,644,000 for the Group and £711,000 for the Company in respect of loans made to the Trustees of The Rank Organisation Executive Incentive Scheme for the purpose of acquiring, on behalf of Directors and other Executives, 'A' Ordinary Shares of the Company allocated under the terms of the Scheme.

12 Creditors, Expenses Accrued and Provisions

Include provisions for widows' non-contributory pensions amounting in the case of the Group to £791,000 and in the case of the Company to £687,000.

13 Contingent Liabilities

The Group There are Contingent Liabilities in respect of (a) guarantees amounting in aggregate to approximately £12,800,000 (1972 £11,900,000) and (b) additional taxation payable in the event of the profits of certain Overseas Subsidiaries and Associated Companies being distributed.

The Company There are Contingent Liabilities in respect of guarantees of advances to Subsidiaries amounting in aggregate to approximately £19,700,000 (1972 £8,500,000) of which £19,000,000 (1972 £7,800,000) is included as liabilities in the Consolidated Balance Sheet and in respect of guarantees of advances to Associated Companies of approximately £7,700,000 (1972 £7,300,000).

14 Emoluments of Directors of The Rank Organisation Limited

	Number of Directors	<i>In respect of Services as Directors</i>		<i>Other Emoluments</i>	
		1973	1972	1973	1972
		£000s	£000s	£000s	£000s
Chairman		3	3	62	52
Other Directors					
Nil— £2,500	2				
£2,501— £5,000	10				
£5,001— £7,500	—				
£7,501— £10,000	1				
£10,001— £12,500	1				
£12,501— £15,000	1				
£15,001— £17,500	1				
£35,001— £37,500	1				
		44	49	85	85
		<u>47</u>	<u>52</u>	<u>147</u>	<u>137</u>
Contributions to the Pension and Life Assurance Schemes		—	—	12	9
Compensation for loss of Executive Office		—	—	44	—
Total Emoluments		<u>£47</u>	<u>£52</u>	<u>£203</u>	<u>£146</u>

15 Employees receiving remuneration of more than £10,000

	<i>Number of Employees</i>	
	1973	1972
£10,001—£12,500	26	18
£12,501—£15,000	5	2
£15,001—£17,500	1	—

16 Remuneration of Auditors

	1973	1972
	£000s	£000s
The Rank Organisation Limited	35	33
Subsidiary Companies (including £131,000 overseas)	316	217
	<u>£351</u>	<u>£250</u>

17 Ultimate Holding Company

The ultimate holding company of The Rank Organisation Limited is The Rank Foundation Limited, a company incorporated in England.

Source and Application of Funds

for the year ended 31st October 1973

The Rank Organisation Limited and Subsidiaries

	1973 £000s	1972 £000s
Source of Funds		
Within the Group		
Profit after Taxation	34,116	25,728
Profit retained by Associated Companies	(18,162)	584
Items charged against Profits not requiring funds		
Depreciation	6,786	5,246
Deferred Taxation and Other Provisions	3,339	2,429
	<hr/>	<hr/>
	26,079	33,987
Net proceeds from the sale of Fixed Assets and Investments		
Properties and Plant	5,204	4,161
Investments	52	1,390
Special taxation recoveries	—	1,235
	<hr/>	<hr/>
	£31,335	£40,773
Outside the Group		
Issues of 'A' Ordinary Shares	38,319	1,308
Increase in Bank Loans and Overdrafts	19,075	198
Mortgages and Other Loans		
Fully repayable within five years	17,941	122
Not fully repayable within five years	57,198	11,235
	<hr/>	<hr/>
	£132,533	£12,863
	<hr/>	<hr/>
Total	£163,868	£53,636
	<hr/>	<hr/>
Application of Funds		
Acquisition of Net Assets and Goodwill of Subsidiaries	74,552	3,212
Acquisition of other Investments	3,860	4,358
Additions to Properties and Plant	45,583	18,051
Deferred Revenue Expenditure	451	361
Increase in Net Working Capital	20,263	13,605
Loans to Trustees of the Executive Incentive Scheme	—	355
Repayment of Debenture Stocks, Mortgages and Other Loans	6,138	4,668
Dividends of The Rank Organisation Limited	8,210	9,026
Advance Corporation Tax	4,811	—
	<hr/>	<hr/>
	£163,868	£53,636
	<hr/>	<hr/>

Financial Resources Available to The Group

at 31st October 1973

	1973 £000s	1972 £000s
Short Term Deposits	39,044	1,792
Unused Bank and Other Borrowing Facilities	37,000	48,000
	<hr/>	<hr/>
	£76,044	£49,792
	<hr/>	<hr/>

Financial Information

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Notes

(1) In the table set out on pages 64 and 65 the figures for periods ended October 1970 to 1973 include the full share of profit of Associated Companies including Rank Xerox Limited. The figures for periods ended June 1964 to 1969 include Rank Xerox Limited as a Subsidiary and only dividends from Associated Companies.

(2) In the table set out on pages 66 and 67 the figures for periods ended October 1970 to 1973 include the full share of profit of an Associated Company Fuji Xerox. Figures for periods ended June 1964 to 1969 include only dividends from Fuji Xerox.

Summary of Results and Financial Position adjusted for the Effects of Inflation

(based on the principles set out in Exposure Draft 8 of the
Accounting Standards Steering Committee)

The Rank Organisation Limited and Subsidiaries

	Current Purchasing Power Basis £000s	Historical Basis £000s
Results for the Year Ended 31st October 1973		
Turnover	271,420	260,293
Trading Profit	32,491	24,667
Share of Profits before Taxation of Associated Companies		
Rank Xerox Group	47,092	47,384
Others	3,939	3,963
Dividends and Interest Receivable	3,773	3,619
	87,295	79,633
Interest Payable	11,681	11,223
Profit before Taxation	75,614	68,410
Taxation	33,338	33,338
Profit after Taxation	42,276	35,072
Outside Shareholders	937	956
	41,339	34,116
Extraordinary Items	(444)	690
Profit attributable to Shareholders in The Rank Organisation Limited	40,895	34,806
Dividends	8,223	8,210
Profits Retained	£32,672	£26,596
Financial position at End of Year — October 1973		
Fixed Assets	345,678	278,854
Interests in Associated Companies		
Rank Xerox Group	71,116	57,783
Others	18,260	18,104
Investments	7,921	7,854
	442,975	362,595
Net Current Assets	69,130	68,107
	£512,105	£430,702
Preference Shares	12,598	12,598
Loan Capital and Borrowed Money	224,240	224,240
Deferred Taxation	8,799	8,799
Outside Shareholders	6,082	5,375
	£251,719	£251,012
Ordinary Shareholders' Interest in Net Tangible Assets	£260,386	£179,690

Notes

1 The figures in the current purchasing power basis columns were arrived at by converting the corresponding figures in the historical basis columns by reference to changes in the United Kingdom Consumer Price Index and appropriate overseas indices between dates of the original transactions and 31st October 1973. The United Kingdom Consumer Price Index at 31st October 1973 was taken as 129.9 by reference to movements in the Retail Price Index since the Consumer Price Index is only calculated on an annual basis (1970=100)

2 Trading Profit

The difference between the profit on an historical basis and on a current purchasing power basis is made up as follows:

	£000s	£000s
Trading Profit (historical basis)		24,667
Adjustments to convert to current purchasing power basis:		
Depreciation		
Additional depreciation based on cost, measured in pounds of current purchasing power	(3,161)	
Stocks		
Additional charge based on restating the cost of stock at the beginning and end of the year in pounds of current purchasing power, thus taking the inflationary element out of the profit on the sale of stocks	(2,674)	
Sales, Purchases and Other Costs		
These are increased by the change in the index between the average date at which they occurred and the end of the year. This adjustment increases profit as sales exceed the costs included in this heading	566	
Monetary Items		
(i) Gain in purchasing power resulting from the effects of inflation on Preference Shares and Loan Capital and Borrowed Money	15,981	
(ii) Net loss in purchasing power resulting from the effects of inflation on monetary assets less other monetary liabilities	(2,888)	7,824
Trading Profit (Current purchasing power basis at 31st October 1973)		<u>£32,491</u>

Analysis of Turnover

£ figures in thousands	1973 October £	1972 October £	1971 October £	1970 October £	1969 June £
Leisure					
Film Exhibition					
British Isles	24,482	26,261	26,617	27,709	27,383
Overseas (mainly Canada)	13,581	12,582	10,391	11,466	8,624
Dancing, Bingo and Tenpin Bowling	15,503	14,048	12,713	12,380	11,121
Motorports and Restaurants	10,362	8,903	7,169	5,361	4,746
Film Studios and Laboratories	9,359	7,718	7,367	5,757	5,889
Film Production and Distribution	4,687	5,561	5,011	6,374	8,782
Hotels	10,622	6,094	5,846	6,131	5,613
Holiday Centres	24,951	—	—	—	—
Audio Visual	26,548	18,694	15,384	14,239	9,956
Radio, Television and Hi-Fi	87,348	66,049	41,693	30,644	20,688
Scientific Instruments, Optics and Electronics	20,972	21,022	18,390	19,133	17,523
Property	5,710	3,226	2,675	—	—
Other Activities	6,168	5,061	3,771	2,675	1,494
	£260,293	£195,219	£157,027	£141,869	£121,819

Information per each Ordinary and 'A' Ordinary Share (see note 1 below)

(For the convenience of the many American Stockholders
this information is also shown in U.S. dollars)

	1973 October (adjusted see note 2) pence	1972 October pence	1973 October pence	1972 October pence	1971 October pence	1970 October pence	1969 June pence
Sterling							
Earnings	21.6	16.1	22.3	17.7	12.8	11.8	7.7
Dividends (note 3)			5.0531	6.875	5.625	4.4105	2.9375
Net Assets			147.9	108.9	96.1	79.0	58.6
U.S. Dollars							
(exchange rate)	(\$2.44= £1)	(\$2.34= £1)	(\$2.44= £1)	(\$2.34= £1)	(\$2.55= £1)	(\$2.40= £1)	(\$2.40= £1)
Earnings	52.7	37.7	54.4	41.4	32.6	28.2	18.4
Dividends (note 3)			12.3296	16.0875	14.344	10.5855	7.05
Net Assets			360.9	254.9	245.1	189.5	140.7

Notes:

1. The figures for 1969 to 1972 inclusive have been adjusted to take account of the one for one capitalisation issue approved by the Shareholders on 30th March 1973.

2. Profits on which the figures for 1972 and 1973 have been calculated have borne U.K. Corporation Tax at the rate of 40% and 46% respectively. The adjusted earnings figures for 1972 and 1973 have been calculated on the basis of providing for U.K. Corporation Tax at 50% being the estimated rate which will apply when the new imputation tax system is in operation for a full year.

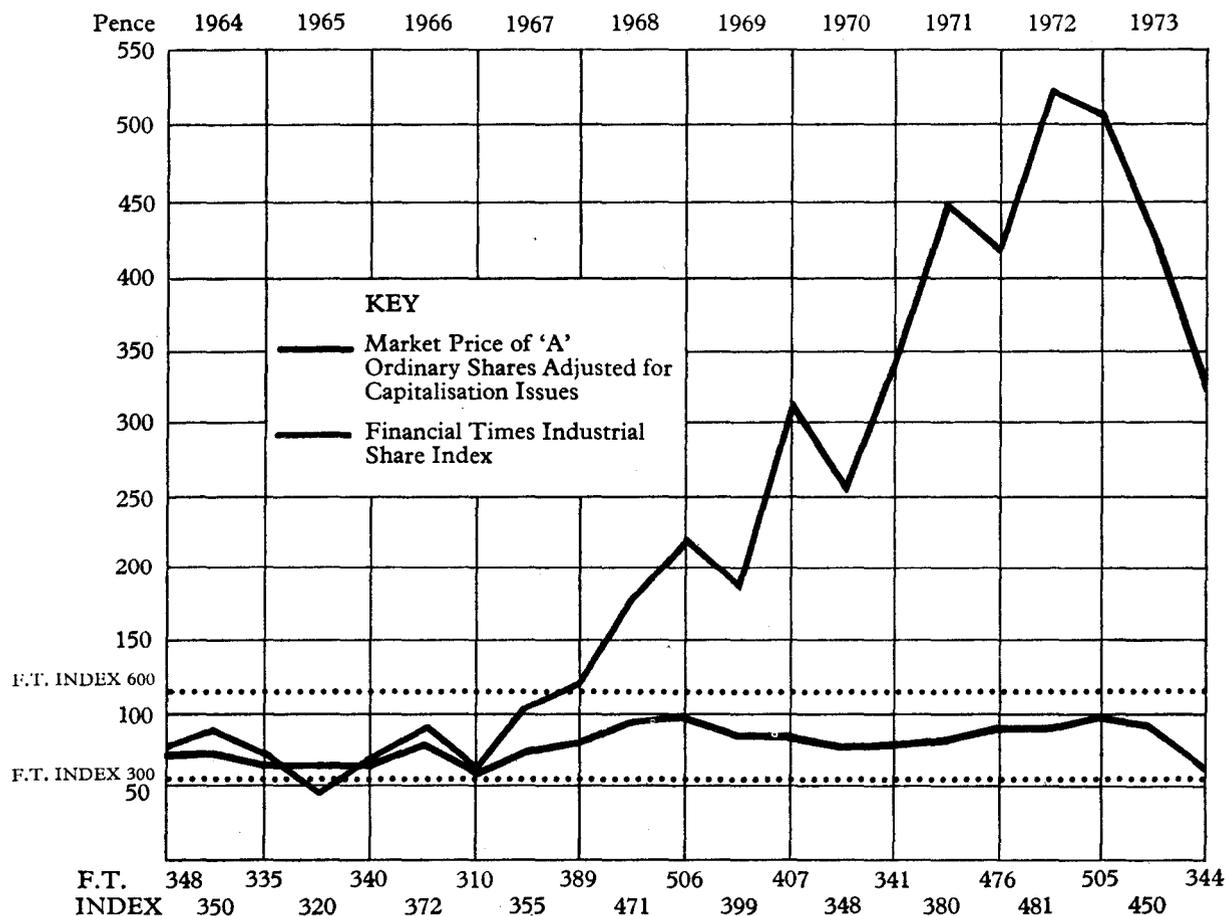
3. See page 15 of Chairman's Statement—'Dividends'.

Analysis of Trading Profits

£ figures in thousands	1973 October £	1972 October £	1971 October £	1970 October £	1969 June £
Leisure					
Film Exhibition					
British Isles	2,243	3,225	3,424	3,834	3,511
Overseas (mainly Canada)	1,482	1,363	1,166	1,366	967
Dancing, Bingo and Tenpin Bowling	2,416	2,072	1,505	1,632	1,134
Motorports and Restaurants	277	375	62	(132)	(138)
Film Studios and Laboratories	1,132	710	1,072	756	1,248
Film Production and Distribution	(299)	255	466	800	(280)
Hotels	(744)	298	29	218	(122)
Holiday Centres	5,024	—	—	—	—
Audio Visual	2,167	701	(505)	(305)	426
Radio, Television and Hi-Fi	8,233	5,857	2,127	2,107	848
Scientific Instruments, Optics and Electronics	(164)	(654)	(1,118)	310	27
Property	3,363	1,862	1,385	—	—
Other Activities	477	714	625	441	161
	25,607	16,778	10,238	11,027	7,782
Deduct:					
Unallocated Central Costs	940	671	646	514	499
Trading Profit	£24,667	£16,107	£9,592	£10,513	£7,283

Movement in Prices of 'A' Ordinary Shares and Financial Times Index 1964/73

(Share Prices and Index at 30th June and 31st December)



Ten Year Financial Review

£ figures in thousands	1973 October (year)	1972 October (year)	1971 October (year)	1970 October (52 weeks)
Turnover	£260,293	£195,219	£157,027	£141,869
Profits				
Trading Profit before depreciation	£31,453	£21,353	£14,350	£14,471
Depreciation	6,786	5,246	4,758	3,958
Trading Profit	24,667	16,107	9,592	10,513
Share of Profits before Taxation of Associated Companies				
Rank Xerox Group	47,384	36,320	29,187	24,456
Others	3,963	2,838	2,071	1,549
Dividends and Interest Receivable	3,619	1,154	1,055	935
Interest Payable	79,633 11,223	56,419 6,043	41,905 5,286	37,453 3,803
Profit before Taxation	68,410	50,376	36,619	33,650
Taxation				
The Rank Organisation Limited and Subsidiaries	8,539	5,298	2,904	4,062
Associated Companies				
Rank Xerox Group	22,881	17,204	13,351	11,245
Others	1,918	1,437	1,043	807
	33,338	23,939	17,298	16,114
Profit after Taxation	35,072	26,437	19,321	17,536
Outside Shareholders of Subsidiaries	956	709	533	656
Extraordinary Items	34,116 690	25,728 58	18,788 2,752	£16,880
	£34,806	£25,786	£21,540	
Appropriation				
Dividends of Parent Company:				
Preference	£622	£833	£833	
Ordinary	7,588	8,193	7,810	
Additions to Reserves etc.				
The Rank Organisation Limited and Subsidiaries	8,434	17,344	4,616	
Associated Companies				
Rank Xerox Group	15,733	(1,185)	7,808	
Others	2,429	601	473	
	£34,806	£25,786	£21,540	
Capital Employed				
Ordinary Share Capital and Reserves	£222,141	£153,264	£134,878	
Preference Share Capital	12,598	12,598	12,598	
Outside Shareholders of Subsidiaries	5,375	4,024	3,782	
Deferred Taxation (and for 1964 Future Income Tax)	8,799	6,890	5,332	
Loan Capital	118,942	43,376	37,892	
Short Term Advances	36,038	11,548	8,833	
Bank Loans and Overdrafts	69,260	36,526	34,742	
	£473,153	£268,226	£238,057	
Represented by:				
Fixed Assets	£278,854	£133,261	£121,698	
Investments—Rank Xerox Limited	57,784	41,399	42,632	
Other	25,957	20,427	16,015	
Goodwill and Deferred Revenue Expenditure	42,451	21,488	21,650	
Net Current Assets	68,107	51,651	36,062	
Taxation on Unrealised Profits within the Rank Xerox Group	—	—	—	
	£473,153	£268,226	£238,057	

(see note 1 on page 59 as to treatment of profits of Associated Companies and page 15 of Chairman's Statement in respect of Dividends).

1970 October (70 weeks)	1969 June (52 weeks)	1968 June (52 weeks)	1967 June (53 weeks)	1966 June (52 weeks)	1965 June (52 weeks)	1964 June (52 weeks)
£187,133	£237,094	£204,355	£171,611	£152,181	£127,147	£106,583
£19,185 5,297	£77,490 21,286	£58,202 18,518	£42,411 15,211	£33,570 11,326	£21,950 8,157	£15,795 5,543
13,888	56,204	39,684	27,200	22,244	13,793	10,252
30,934 2,060 1,215	— — 2,811	— — 2,118	— — 1,810	— — 1,254	— — 1,557	— — 1,251
48,097 5,028	59,015 6,708	41,802 5,969	29,010 6,293	23,498 4,519	15,350 3,806	11,503 2,354
43,069	52,307	35,833	22,717	18,979	11,544	9,149
5,310	24,614	16,286	10,549	8,058	4,256	3,371
14,123 1,048	— —	— —	— —	— —	— —	— —
20,481	24,614	16,286	10,549	8,058	4,256	3,371
22,588 844	27,693 16,435	19,547 10,905	12,168 6,844	10,921 5,453	7,288 2,506	5,778 1,171
21,744 340	11,258 39	8,642 (82)	5,324 28	5,468 (166)	4,782 (75)	4,607 158
£22,084	£11,297	£8,560	£5,352	£5,302	£4,707	£4,765
£1,114 8,115	£833 3,996	£833 3,713	£833 3,082	£661 2,768	£500 1,673	£417 1,477
4,325	6,468	4,014	1,437	1,873	2,534	2,871
8,291 239	— —	— —	— —	— —	— —	— —
£22,084	£11,297	£8,560	£5,352	£5,302	£4,707	£4,765
£107,798 12,598 6,996	£79,755 12,598 43,731	£64,549 12,598 35,424	£44,225 12,598 27,519	£42,374 12,598 22,116	£39,429 12,598 16,225	£33,572 12,553 9,685
4,416 16,437 12,808 26,064	9,036 32,496 37,308 19,109	6,066 31,607 36,367 15,589	5,043 46,675 35,942 15,249	3,256 47,611 25,326 11,447	1,212 41,469 23,088 5,703	6,045 29,192 17,910 5,604
£187,117	£234,033	£202,200	£187,251	£164,728	£139,724	£114,561
£85,132 34,501 24,212 21,166 22,106	£168,586 — 6,019 18,826 33,945	£146,030 — 7,443 10,116 31,729	£134,564 — 6,929 11,803 26,705	£117,161 — 6,638 11,069 23,768	£97,889 — 6,473 11,429 19,814	£77,237 — 5,551 9,035 19,758
—	6,657	6,882	7,250	6,092	4,119	2,980
£187,117	£234,033	£202,200	£187,251	£164,728	£139,724	£114,561

Ten Year Financial Review

Rank Xerox Limited

£ figures in thousands	1973 October (year)	1972 October (year)	1971 October (year)	1970 October (52 weeks)
Turnover	£370,341	£268,131	£207,132	£163,444
Profits				
Trading Profit before depreciation	£192,608	£143,651	£112,521	£92,081
Depreciation	48,650	37,924	29,275	22,952
Trading Profit	143,958	105,727	83,246	69,129
Share of Profit before Taxation of Fuji Xerox	7,245	4,565	5,159	4,111
Dividends and Interest Receivable	1,464	1,430	940	976
Interest Payable	152,667	111,722	89,345	74,216
	13,346	6,133	5,179	4,216
Profit before Taxation	139,321	105,589	84,166	70,000
Taxation based thereon	67,099	49,970	38,400	32,130
Profit after Taxation	72,222	55,619	45,766	37,870
Profit attributable to Minority Interests	563	165	223	160
Extraordinary Items	71,659	55,454	45,543	37,710
	—	—	—	—
Deduct: Amount attributable to Xerox Corporation and 'E' Shareholders	71,659	55,454	45,543	37,710
	47,156	36,338	29,707	24,499
Profit after Taxation attributable to The Rank Organisation Group	£24,503	£19,116	£15,836	£13,211
Capital Employed				
Share Capital and Reserves				
The Rank Organisation Group	£56,585	£40,199	£41,432	
Xerox Corporation	100,772	69,210	70,523	
'E' Shareholders	1,665	1,088	—	
Minority Interests	2,813	1,285	1,120	
Loan Capital and Borrowed Money				
Repayable after one year	86,569	68,623	45,431	
Deferred Taxation	48,338	25,260	14,166	
Non-Current Taxation	3,526	4,900	8,900	
	£300,268	£210,565	£181,572	
Represented by:				
Fixed Assets	£253,304	£194,462	£154,213	
Goodwill and Patent Rights	—	—	—	
Investment in Fuji Xerox	17,313	14,038	11,848	
Loans for the purchase of 'E' Shares	1,756	1,112	—	
Net Current Assets/(Liabilities)	(6,015)	(22,737)	974	
Deferred Expenditure:				
Taxation on Unrealised Intra-Group Profits	25,246	18,235	12,040	
Development Expenditure	8,664	5,455	2,497	
	£300,268	£210,565	£181,572	

(see note 2 on page 59 as to treatment of profits of Fuji Xerox)

1970 October (70 weeks) £206,372	1969 June (52 weeks) £115,275	1968 June (52 weeks) £84,361	1967 June (53 weeks) £61,812	1966 June (52 weeks) £44,353	1965 June (52 weeks) £26,933	1964 June (52 weeks) £14,971
£117,056 29,503	£66,618 17,697	£46,386 13,693	£31,753 10,568	£23,311 7,014	£12,431 4,213	£5,357 1,991
87,553 4,979 1,261	48,921 — 797	32,693 — 702	21,185 — 702	16,297 — 311	8,218 — 29	3,366 — 9
93,793 5,526	49,718 3,671	33,395 3,458	21,887 2,974	16,608 1,822	8,247 1,282	3,375 615
88,267 40,226	46,047 21,324	29,937 13,506	18,913 8,525	14,786 6,449	6,965 2,861	2,760 1,077
48,041 226	24,723 171	16,431 114	10,388 71	8,337 44	4,104 20	1,683 17
47,815 —	24,552 (397)	16,317 514	10,317 (33)	8,293 (273)	4,084 (49)	1,666 (115)
47,815	24,155	16,831	10,284	8,020	4,035	1,551
31,004	15,496	10,593	6,287	4,858	2,240	789
£16,811	£8,659	£6,238	£3,997	£3,162	£1,795	£762
£33,301 54,822 — 897	£24,012 37,044 — 556	£19,787 29,115 — 386	£15,455 21,615 — 226	£12,256 16,530 — 130	£8,541 10,877 — 87	£3,807 4,436 — 31
20,405 8,932 14,589	20,708 6,121 7,800	20,580 3,760 5,286	20,584 3,071 5,137	17,157 1,714 4,800	9,037 778 3,893	7,515 — 2,891
£132,946	£96,241	£78,914	£66,088	£52,587	£33,213	£18,680
£118,356 — 5,915 — (1,918)	£88,073 90 444 — 180	£72,197 90 427 — (1,381)	£60,406 90 397 — (3,016)	£45,527 187 397 — (789)	£30,990 248 397 — (3,161)	£18,124 320 198 — (3,156)
9,512 1,081	6,985 469	6,882 699	7,250 961	6,092 1,173	4,119 620	2,980 214
£132,946	£96,241	£78,914	£66,088	£52,587	£33,213	£18,680



