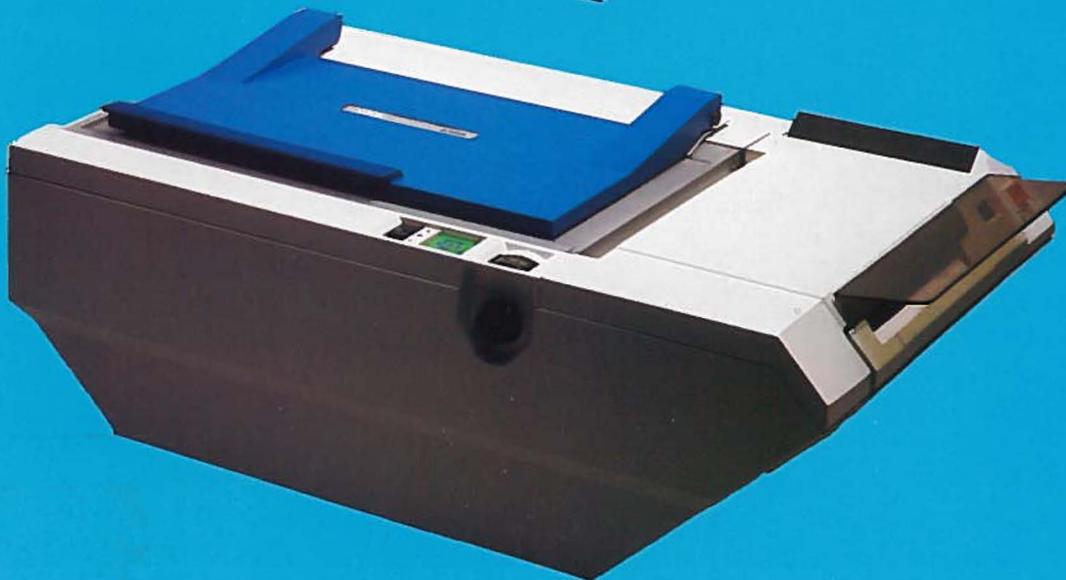
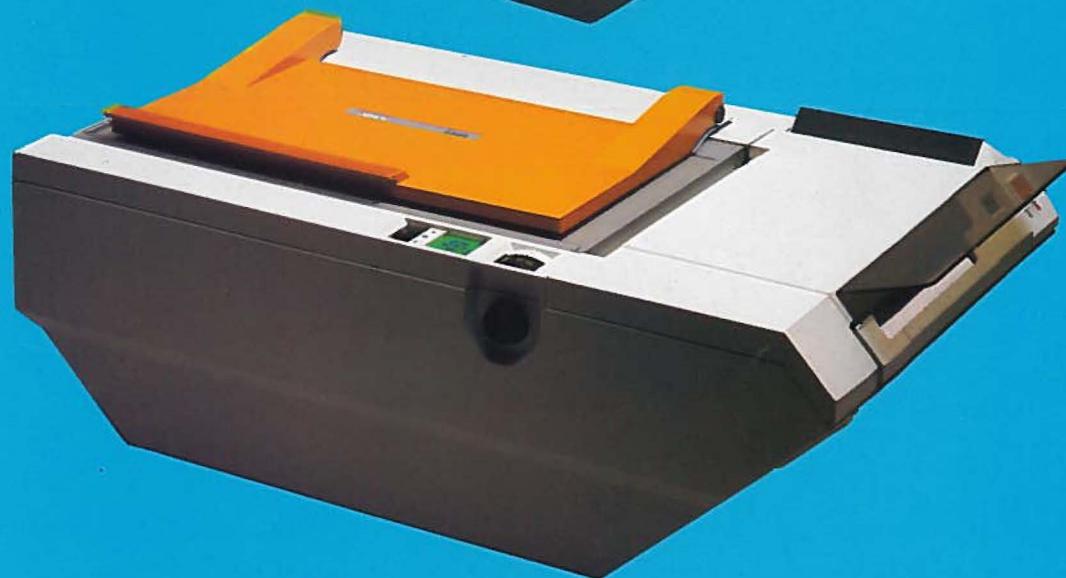

RANK XEROX

1979 Annual Report



This report is issued by Rank Xerox Limited,
338 Euston Road, London NW1 3BH, on behalf of the
companies owned jointly by Xerox Corporation of
the USA and The Rank Organisation Limited
of the UK.

The four jointly-owned holding companies are
Rank Xerox Limited, Rank Xerox Holding BV,
Rank Xerox Investments Limited and Rank Xerox
Business Equipment Inc. The subsidiaries of each
holding company are shown in Note 15 on
pages 20 and 21. The accounts reflect the combined
results of these holding companies.

Xerox Corporation owns approximately 51 per cent of the
voting rights in each holding company and receives
about two-thirds of their profits. The Rank Organisation
Limited owns approximately 49 per cent of the
voting rights in each holding company and receives
about one-third of their profits.

The business of the jointly owned companies consists
principally of the manufacture and marketing of
xerographic equipment and ancilliary supplies and the
marketing of word processing equipment and ancillary
supplies throughout the world outside North, Central
and South America and certain related territories.

Auditors to the Rank Xerox companies are
Peat, Marwick, Mitchell and Co.

*Our cover shows three Xerox 2300 copiers.
These machines, assembled at the Rank Xerox factory in
Mitcheldean in the West of England, are being marketed
for low-volume users.*

RANK XEROX

Companies jointly owned by Xerox Corporation and The Rank Organisation Limited

Contents

Page 2
Supervisory Board Directors of
Rank Xerox Holding BV

Page 3
Directors
Rank Xerox Limited

Pages 5 to 9
Review of the year

Pages 10 to 21
Combined Financial Statements

Page 10
Combined Profit and Loss Account

Page 11
Combined Balance Sheet

Pages 12 and 13
Combined Statement
of Source and Application of Funds

Pages 14 to 21
Notes to Combined Financial Statements

Page 22
Report of the Auditors

Page 23
Six year Financial Review

Page 24
Directors of
Rank Xerox Investments Limited
Rank Xerox Business Equipment Inc.

Rank Xerox Holding BV Supervisory Board Directors

Chairman

D T Kearns

Deputy Chairman

H Orr-Ewing

Russell W Evans MC

W F Glavin

G H Peregrine

F J Pipp

Harry Smith

J B Smith

Managing Director

L A Stierman

The Directors of Rank Xerox Investments Limited and
Rank Xerox Business Equipment Inc. are shown on page 24

Rank Xerox Limited Directors

Joint Presidents
C Peter McColough
Sir John Davis

Chairman
H Orr-Ewing

Managing Director
W F Glavin

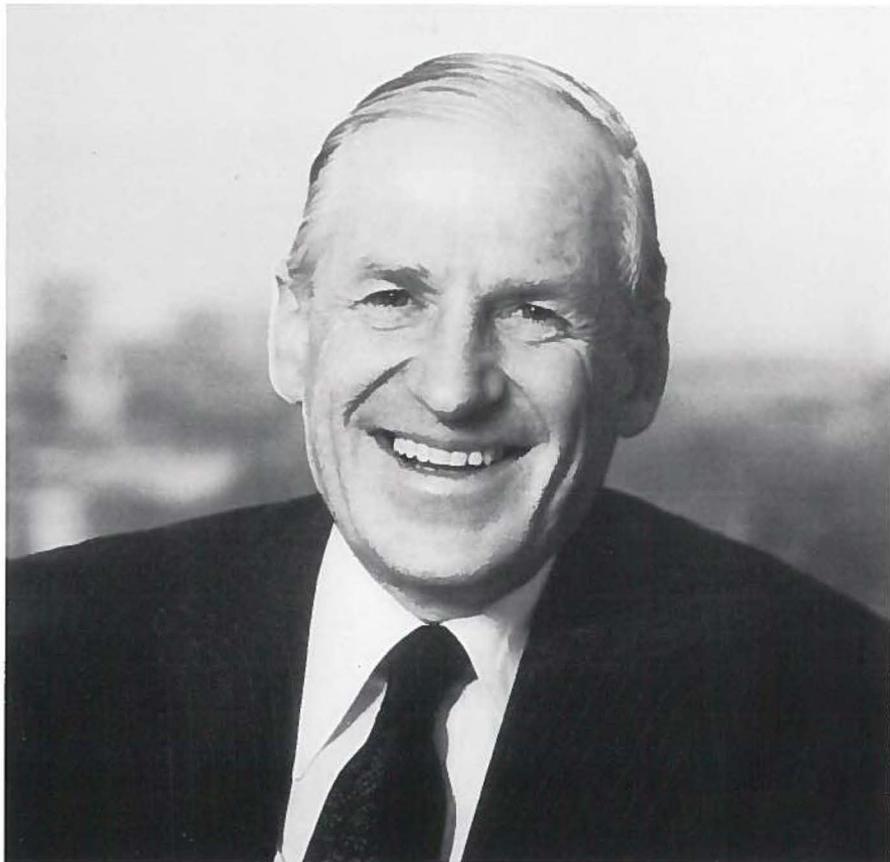
Deputy Managing Director
P A Allaire

L G Camino
H C Debuissier
Russell W Evans, MC
W R Hicks
R A Holmes
D T Kearns
J R Milligan
B H Nicholson
James P O'Neill
G H Peregrine
Harry Smith
W F Souders
D L Stephenson
J S Thomas
E H van der Beugel, KCMG

RANK XEROX



D T Kearns
Chairman of Supervisory Board of Rank Xerox Holding BV



H Orr-Ewing
Chairman of Rank Xerox Limited

Review of the year

Mr J Maldwyn Thomas, Chairman of Rank Xerox Limited for seven years and Deputy Chairman of Rank Xerox Holding BV retired on 31st December 1979. The Boards pay tribute to his great contribution to the success of Rank Xerox during his years of office, not least during the year under review.

1979 was an eventful year for the group.

The number of machines placed in the market was more than twice the 1978 level.

We introduced a number of important new products. Furthermore, we made strides not only in our traditional copier and duplicator business, but also in the evolving market for word processing and office information systems, and placed a record number of these machines.

The year also had its setbacks. The national strike by engineering unions in the United Kingdom affected Rank Xerox just as it affected other companies with major manufacturing facilities. It depressed our financial results and created problems of supply during the financial year.

The second adverse factor was the impact of exchange rates. The movement of sterling against other currencies in the second half of the year resulted in currency losses which substantially offset the significant gains at the half year. We ended the year with currency gains of £2 million, against £18 million for 1978 – these figures reflect the effects of Statement No 8 of the US Financial Accounting Standards Board as well as the changes in average exchange rates between 1978 and 1979.

Against this background, the year's results were satisfactory. Revenue increased by 7 per cent to £1,165 million and profits before tax and before Xerox

corporate charges, by 4 per cent to £303 million. This figure was exceeded only in 1977 when exceptional currency benefits raised profits before tax to £316 million.

A better indication of operating performance in 1979 is seen by excluding exchange rate effects. On this basis, revenue and profits both grew by 10 per cent. This performance, in an industry marked by intensifying competition, in a period of high inflation and slow economic growth, is a notable achievement for the group.

Our Japanese associated company, Fuji Xerox Co., Ltd made a contribution of £32 million, against £22 million in 1978. The underlying performance profit growth before exchange rate effects was 15 per cent.

The group contributed £48 million, against £41 million in 1978, to the research and development costs and corporate overheads of Xerox Corporation. Since sharing of profits from the jointly-owned companies is calculated before the allocation of these costs, profits attributable to our parent companies, Xerox Corporation and The Rank Organisation Limited are not affected. After these charges, profits before tax were £255 million, a rise of 1 per cent.

As a result of a study we have carried out of the impact on the group of the UK accounting standard on deferred tax (SSAP 15), we have retained our past practice of providing comprehensive deferred taxation. We believe that the combination of rental and sales characteristic of our business, coupled with the effect of taxation on inter-company profits, makes it inappropriate to change our policy. We therefore intend to continue on this basis in the future. Our auditors, Peat, Marwick, Mitchell & Co, concur with our conclusions.

Review of the year

The market

Plain paper copying continues to be the fastest growing sector of the reprographic market.

The sector is highly competitive. There are now more than 30 companies based in the USA, Europe and in particular Japan who make or market more than 100 different plain paper copiers. They include some of the world's largest corporations.

Nevertheless, for the second year running, we more than doubled our net placements of machines compared with the previous year.

Many factors have contributed to this achievement. One of the most important is the wide range of our products; Rank Xerox supplies copiers and duplicators for every market sector.

At the low volume end of the market, we have had great success with the Xerox 2202, introduced in 1978.

It was the forerunner of other products for the low volume user introduced in 1979; the desk top Xerox 2300 and the Xerox 2600.

In the middle of the market, there has been strong demand for the Xerox 3400, launched in 1978 and for the Xerox 3450, with reduction features, introduced in 1979.

At the top end of our range, the success of the Xerox 9400 has helped to increase substantially our copy volume. It is an even more powerful competitor to offset printing machines than the already established Xerox 9200.

To maintain our impetus, we have updated the structure of our national marketing companies, further strengthening our ability to find new business opportunities whilst caring for the interests of established customers more effectively and economically.

Rank Xerox not only offers an impressively wide range of technically advanced products, but has one of the largest directly employed customer support forces in the Eastern Hemisphere. We provide these services not only to rental customers, but also to users who purchase machines. This service to machines which have been sold has generated a fast-growing stream of additional revenue.



The Xerox 2600



The Xerox 3450

Review of the year

Cost effectiveness

The current economic and competitive environment necessitates our giving constant attention to cost effectiveness and cost control. An important contributor to sustained growth is our unceasing pursuit of cost improvement projects and other management effectiveness programmes.

One such example is the restructuring of the operating company organisation into standard Business Units of roughly the same size. This, amongst other benefits, allows Rank Xerox to improve its support to all the business areas – marketing, service, distribution, finance and customer administration – by developing shared

systems for all Companies. It also enables Rank Xerox to improve the service provided to the customer as well as improving its overall efficiency.

Despite the very substantial growth in machine population we have not materially increased our workforce since 1977. This has been brought about by productivity improvements.

These actions together with a management team alert to the importance of cost in the day to day conduct of the business have enabled us to counter margin erosion to a substantial degree.



The Xerox 9400

Review of the year

Research and new business

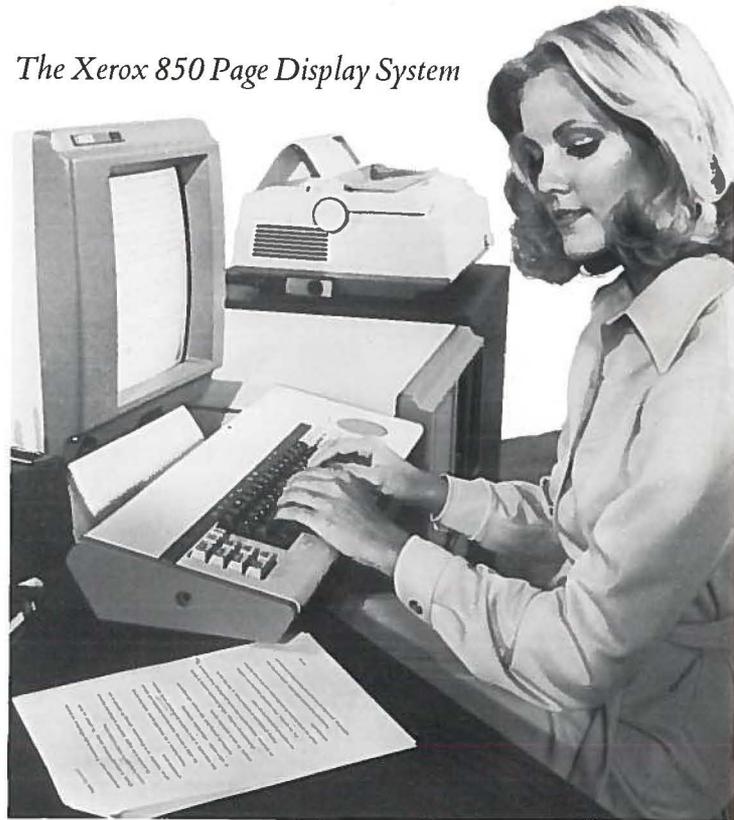
As mentioned, Rank Xerox contributes to, and benefits from the research and development of Xerox Corporation. Most of that research is in the technology of copier and duplicator products; but a good share of the Xerox \$376 million research budget in 1979 has gone towards the new technologies of the automated office. These efforts and the new businesses which Xerox has acquired in recent years have provided new opportunities from which Rank Xerox directly benefits.

We are now one of the leaders in the word processing business and have a separate sales force marketing our products including the Xerox 850 Page Display System.

We are already one of the largest suppliers of facsimile terminals in Europe and in September announced a new product, the Xerox Telecopier 485 facsimile terminal which can transmit or receive a page of text in under a minute.

These products are the building blocks of the increasingly automated office. The biggest sector of the labour force in most developed countries works in the office; yet the technology supporting this sector is, in many cases, obsolete. We believe that the pressures for investing in better office productivity are overwhelming and look forward to participating in this rapidly growing office system market.

The Xerox 850 Page Display System



Social policies

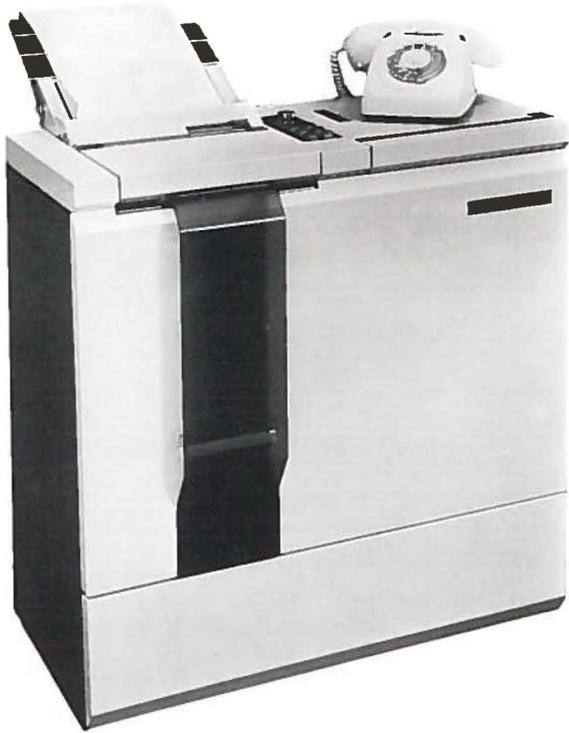
We are cognizant of national and social aspirations and strive positively to be good citizens wherever we operate. We set very strict standards of business ethics and self-regulation and support the principles of international codes of conduct.

We believe that businesses have a duty to look beyond the immediate financial consequences of their actions. They should demonstrate responsibility towards their customers, their employees and all sections of the community.

In South Africa, for example, we have worked for many years to build up a company where people can work in an atmosphere of racial harmony. Not only do we meet the requirements of the Code of Conduct for EEC companies operating there, but we also support the Sullivan Principles (to which our American parent company is a signatory) – a set of principles which seek to make continuing improvements in the status of non-white workers in South Africa. We are now placing special emphasis on internal training schemes designed to qualify more non-whites for better paid technical and managerial positions.

Review of the year

The Xerox Telecopier 485



Directors Rank Xerox Limited

E H van der Beugel, KCMG, Professor of International Relations at Leiden University and a Director of Xerox Corporation has joined the Board. His experience and advice in the field of international affairs are highly valued and respected.

Also appointed to the Board as executive directors are L G Camino, W R Hicks and J S Thomas. Mr Camino and Mr Hicks were previously General Managers of Rank Xerox subsidiaries and Mr Thomas returns to Rank Xerox from his previous position of President of Xerox of Canada Limited. P A Allaire has been appointed Deputy Managing Director. Mr Allaire has been an executive director for the past four years. D F Ryan and D A Thompson have resigned from the Board to take up senior roles with Xerox Corporation.

Rank Xerox Holding BV

Sir John Davis retired as a Director of the Supervisory Board. Sir John's contribution to Rank Xerox is not lost, however, as he remains a Joint President of Rank Xerox Limited.

J B Smith, a Director of The Rank Organisation Limited succeeded Sir John as a Supervisory Director.

The future

Against a general background of business uncertainty in the world we see much that augurs well for Rank Xerox.

First and most important, our employees. We have a workforce whose skills and enthusiasm have maintained our position as leaders in our industry. Let us put formally on record here the Boards' appreciation and thanks for all they have accomplished in 1979, particularly in the field of customer service.

Second, our products. Over the past five years, the Group has introduced machines to span the reprographic range of customer requirements. We have extended our product range with new models and replaced those which were obsolescent.

We have streamlined the management of Rank Xerox and have significantly improved our cost effectiveness and have plans to continue this improvement in the future.

In 1979 we added substantially to our numbers of machines in the field and to our revenue-earning capacity and believe that this trend should continue in 1980.

In summary, we have a strong company ready to meet the challenges of the 80's. We are confident we will maintain our growth and leadership in the years ahead.

D T Kearns

H Orr-Ewing

RANK XEROX

Combined Profit and Loss Account for the year ended 31 October 1979

| | Note | Figures in £ m | |
|--|------|----------------|----------------|
| | | 1979 | 1978 |
| Turnover | 2 | 1,165.0 | 1,086.9 |
| Trading Profit before charging depreciation | | 399.9 | 398.1 |
| Depreciation—Rental Equipment | | 92.7 | 87.4 |
| —Other | | 21.7 | 20.6 |
| | | 114.4 | 108.0 |
| | | 285.5 | 290.1 |
| Interest Receivable | | 11.3 | 7.4 |
| | | 296.8 | 297.5 |
| Interest Payable | | 25.9 | 27.0 |
| Profit before Taxation and Xerox Corporation charges of Group Companies | | 270.9 | 270.5 |
| Share of Profit before Taxation of Associated Company | 6 | 32.3 | 22.3 |
| Profit before Xerox Corporation charges | | 303.2 | 292.8 |
| Xerox Corporation charges | 3 | 48.1 | 40.5 |
| Profit before Taxation | | 255.1 | 252.3 |
| Taxation based thereon: | | | |
| Group Companies | 11 | 111.6 | 111.6 |
| Associated Company | 6 | 11.4 | 10.6 |
| | | 123.0 | 122.2 |
| Profit after Taxation | | 132.1 | 130.1 |
| Outside Shareholders' Interests in Subsidiaries' Profits | | 0.2 | 1.7 |
| Profit after Taxation attributable to the Shareholders of the Group | | 131.9 | 128.4 |
| Dividends | 9 | 45.2 | 49.3 |
| Retained Earnings for the Year | 9 | 86.7 | 79.1 |

The notes on pages 14 to 21 form part of the combined financial statements

RANK XEROX

Combined Balance Sheet at 31 October 1979

| | Note | Figures in £ m | |
|---|------|----------------|--------------|
| | | 1979 | 1978 |
| ASSETS EMPLOYED | | | |
| Rental Equipment | 4 | 346.2 | 306.8 |
| Land, Buildings, Equipment and Vehicles | | 195.7 | 172.8 |
| Total Fixed Assets | | 541.9 | 479.6 |
| Current Assets | | 499.6 | 464.2 |
| <i>less</i> Current Liabilities | | 395.0 | 370.3 |
| Net Current Assets | 5 | 104.6 | 93.9 |
| Associated Company | 6 | 53.4 | 34.6 |
| Other Assets | 7 | 28.2 | 27.8 |
| | | 728.1 | 635.9 |
| FINANCED BY | | | |
| Share Capital and Premiums | 8 | 45.2 | 34.9 |
| Reserves | 9 | 515.5 | 428.8 |
| Total Shareholders' Equity | | 560.7 | 463.7 |
| Outside Shareholders' Interests in Subsidiaries | | 9.3 | 9.3 |
| Deferred Taxation | 11 | (7.9) | (16.9) |
| Long Term Loans | 10 | 134.6 | 157.3 |
| Other Non-current Liabilities | 12 | 31.4 | 22.5 |
| | | 728.1 | 635.9 |

H Orr-Ewing
Director of Rank Xerox Limited

D T Kearns
Member of Supervisory Board of Rank Xerox Holding BV,
Director of Rank Xerox Investments Limited
and of Rank Xerox Business Equipment Inc.

The notes on pages 14 to 21 form part of the combined financial statements

RANK XEROX

Combined Statement of Source and Application of Funds for the year ended 31 October 1979

| | Figures in £ m | |
|--|----------------|--------------|
| | 1979 | 1978 |
| SOURCE OF FUNDS | | |
| Funds from Operations (see opposite) | 255.5 | 255.2 |
| Disposals of Fixed Assets | 41.4 | 11.1 |
| Additional Long Term Loans | 14.4 | 23.7 |
| Proceeds of Share Issues | 10.3 | — |
| Additional Non-current Liabilities | 8.9 | 11.8 |
| Other | 0.7 | 0.7 |
| | 331.2 | 302.5 |
| APPLICATION OF FUNDS | | |
| Additions to Fixed Assets: | | |
| Rental Equipment | 172.2 | 114.4 |
| Land, Buildings, Equipment and Vehicles | 45.9 | 28.7 |
| | 218.1 | 143.1 |
| Dividends Paid | 56.9 | 67.2 |
| Reduction of Long Term Loans | 32.4 | 46.8 |
| Tools, Jigs and Machine Fixtures | 6.7 | 6.5 |
| Deferred Pre-Production Expenditure | 5.0 | 9.7 |
| Goodwill | 4.4 | — |
| Long Term Receivables | 4.0 | 0.8 |
| Deferred Taxation on Unrealised Intra-Group Profits | 3.1 | 7.7 |
| Other | 1.6 | 1.2 |
| | 332.2 | 283.0 |
| Increase (Decrease) in Working Capital excluding proposed dividends | (1.0) | 19.5 |

This statement should be read in conjunction with the combined financial statements and the notes thereon which appear on pages 10 to 21

RANK XEROX

Combined Statement of Source and Application of Funds for the year ended 31 October 1979

| | Figures in £ m | |
|--|----------------|--------------|
| | 1979 | 1978 |
| FUNDS FROM OPERATIONS | | |
| A reconciliation between the funds from operations and the profit after taxation of the Group is as follows: | | |
| Funds from Operations | 255.5 | 255.2 |
| <i>less charges in profit and loss account which do not require funds</i> | | |
| Depreciation | 114.4 | 108.0 |
| Exchange (Gains) Losses on Long Term Loans | (4.7) | 2.5 |
| Tooling Expenditure written off | 10.9 | 3.8 |
| Deferred Pre-Production Expenditure written off | 7.9 | 11.1 |
| Deferred Taxation | 12.1 | 7.2 |
| Provision against loss on loans for the purchase of 'E' shares | 1.4 | 1.5 |
| Profit allocated to Outside Shareholders in Subsidiaries | 0.2 | 1.7 |
| Retained by Associated Company | (18.8) | (9.0) |
| Amortisation of Goodwill | 0.2 | - |
| | 123.6 | 126.8 |
| Profit after Taxation of the Group | 131.9 | 128.4 |
| ANALYSIS OF CHANGE IN WORKING CAPITAL | | |
| Increase in Stocks and Stores | 12.5 | 3.9 |
| Increase in Debtors and Prepayments | 23.9 | 40.9 |
| Increase in amounts due from Fellow Subsidiaries | 3.5 | 11.7 |
| Increase in Creditors, Provisions and Accrued Expenses | (22.1) | (31.2) |
| Increase in Long Term Loans repayable within one year | (1.3) | (4.8) |
| Increase in Taxation | (11.8) | (21.0) |
| Increase (Decrease) in Net Liquid Funds: | | |
| Marketable Securities | (4.5) | 4.3 |
| Short Term Deposits, Bank Balances and Cash | - | (6.8) |
| Bank Overdrafts and Acceptances | (1.2) | 22.5 |
| | (5.7) | 20.0 |
| Increase (Decrease) in Working Capital | (1.0) | 19.5 |

Notes to Combined Financial Statements

Figures in £ millions

1 Principles of Combination and Accounting Policies 'Rank Xerox'

Combined financial statements have been prepared in respect of Rank Xerox Limited and subsidiaries, Rank Xerox Holding BV and subsidiaries, Rank Xerox Investments Limited and subsidiary and Rank Xerox Business Equipment Inc. and subsidiaries, referred to as 'the Group'.

A summary of the major accounting policies followed by the Group in preparation of these accounts is set forth below.

a Basis of Combination

The combined financial statements incorporate the accounts of the Group companies after elimination of all material inter-group and intra-group transactions and the profits thereon.

b Translation of Overseas Accounts

The accounts of overseas entities are translated into sterling at exchange rates applied as follows:

- i Current assets (other than stocks and stores) and current liabilities at rates approximating to the mid-market rates ruling at 31 October 1979.
- ii Stocks and stores and non-monetary assets (including fixed assets and related depreciation) at rates ruling at the time the assets were acquired; deferred taxation is likewise translated at historic rates.
- iii Long term loans and other non-current monetary assets and liabilities at rates approximating to the mid-market rates ruling at 31 October 1979.
- iv Profit and loss items at rates applicable to the periods to which they relate.

Exchange differences resulting from the foregoing procedures are charged or credited to Profit and Loss Account.

The above translation policies are in compliance with Statement of Financial Accounting Standards No8 issued by the United States Financial Accounting Standards Board.

c Deferred Taxation

This principally represents tax, provided on the liability basis, on the net excess of cumulative deductions which have been claimed for fiscal purposes for depreciation of rental equipment and other fixed assets, for deferred pre-production expenditure and for provisions on stocks and debtors, over the corresponding cumulative amounts charged in the accounts. Offset against this is the taxation on unrealised intra-group profits referred to in notes 1i and 11b below.

In October 1978 the United Kingdom Accounting Standards Committee issued their Statement of Standard Accounting Practice No 15 (SSAP 15). This standard will not be obligatory for Rank Xerox until the 1980 accounts but the situation has been considered for 1979.

One of the effects of SSAP 15 is that deferred taxation need not be provided when the tax effects of timing differences can be demonstrated with reasonable probability to continue in the future. It is considered that in the environment of a changing machine rental/outright sales mix in which the group operates, it would be neither realistic nor prudent to use forecasts of future rental/sales activity for accounting purposes.

The group also has a large deferred tax asset in relation to tax on unrealised intra group profits which also relates to rental assets and which it is considered should be retained.

Other deferred tax liabilities are not significant and will be retained except where the potential liability is eliminated by legislation as in the case of UK stock relief under the Finance (No 2) Act 1979.

Accordingly, deferred tax continues to be provided in full on all timing differences between profits as computed for taxation purposes and profits as stated in the accounts.

d Fixed Assets

These are carried in the accounts at cost adjusted for depreciation (on a straight line basis) at rates intended to write off the cost over the estimated useful lives of the respective assets, which for this purpose are in the main taken as follows:

| | |
|-----------------------------------|---------------|
| Freehold Buildings | 40-50 years |
| Leasehold Land and Buildings | Term of lease |
| Plant and Machinery | 12-13 years |
| Fixtures and Fittings | 10-20 years |
| Vehicles | 3-5 years |
| Rental Equipment: | |
| New Build | 4-5 years |
| Remodelled | 4 years |
| Freehold Land is not depreciated. | |

The cost of rental equipment in course of manufacture consists of direct materials and labour, together with an appropriate proportion of overheads.

e Development Expenditure

Expenditure on product development is written off to profit and loss account as incurred.

f Deferred Pre-Production Expenditure

The policy followed in accounting for pre-production expenditure was modified with effect from 1 November 1974. Such expenditure was previously deferred and recovered generally as part of the manufacturing cost of a predetermined number of related machines. Pre-production expenditure deferred at 31 October 1974 relating to programmes in production at that date continues to be amortised in line with this policy. An increasing percentage of 1975 and subsequent years' expenditure is charged directly against profit and the deferred amount is amortised over a five year period on a straight line basis.

g Tools, Jigs and Machine Fixtures

Expenditure is deferred and recovered generally as part of the manufacturing cost of a predetermined number of related machines. Machines are manufactured both for sale and for capitalisation as rental equipment within the Group.

h Pension Costs

These are provided for generally by charging against profits contributions made for the year to the various schemes operated by the Group. Normal contributions are determined on the basis of actuarial advice taking into account projected retirement salaries.

Notes to Combined Financial Statements

i Unrealised Intra-Group Profits

These arise on sales of equipment and supplies by certain companies to other Group companies. Such profits, and taxation attributable thereto, are dealt with in the profit and loss account as regards supplies when realised and as regards equipment evenly over the estimated useful life of such equipment. Accordingly, the unrealised element of profit has been deducted in arriving at the value at which such equipment and supplies are carried in the combined balance sheet and taxation paid or payable on such profit has been carried forward.

j Stocks and Stores

These are stated at the lower of cost and net realisable value on bases consistent with the previous year. Cost includes, where appropriate, a proportion of overheads.

k Capital Leases

The Group has adopted capital lease accounting procedures in compliance with the Statement of Financial Accounting Standards No 13 issued by the United States Financial Accounting Standards Board.

Under these procedures assets held under capital leases are capitalised in the accounts at the lower of (a) the present value of the rental payments at the beginning of the lease term and (b) market value at that date, adjusted for depreciation (on a straight line basis) at rates intended to write off the capitalised amount over the term of the lease. The corresponding liabilities are included in long term loans or current liabilities as appropriate.

l Goodwill

This represents the excess of the cost of acquiring subsidiary companies over their net asset value at the date of joining the Group. This excess is being amortised over a twenty year period.

2 Turnover

Turnover consists of equipment rentals, sales of machines, supplies and services, and includes royalties amounting to £13.5m (1978-£13.4m). Also included are sales to the associated company in respect of which appropriate unrealised profit adjustments (see note 1 i) have been made.

3 Xerox Corporation charges

With effect from 1 November 1976, the Group is charged with a proportion of Xerox Corporation's research and development and corporate overhead costs in order to reflect the benefits that the Group receives from these activities. These charges for the year to 31 October 1979 were £48.1m (1978-£40.5m) and have been deducted wholly from the profits allocated to Xerox Corporation and subsidiary (see note 9).

4 Rental equipment

Rental equipment of £346.2m (1978-£306.8m) includes £52.0m (1978-£59.2m) in respect of equipment in course of manufacture.

5 Current Assets and Liabilities

| a | 1979 | 1978 |
|---|--------------|--------------|
| Current Assets: | | |
| Stocks and stores | 120.6 | 108.1 |
| Due from fellow subsidiaries | 4.3 | 0.8 |
| Debtors and prepayments | 303.0 | 279.1 |
| Marketable securities—market value £2.0m (1978-£6.5m) | 2.0 | 6.5 |
| Short term deposits, bank balances and cash | 69.7 | 69.7 |
| | <u>499.6</u> | <u>464.2</u> |
| less Current Liabilities: | | |
| Due to Xerox Corporation | 34.5 | 34.5 |
| Creditors, provisions and accrued expenses | 172.9 | 150.8 |
| Long term loans repayable within one year — see 5b | 24.1 | 22.8 |
| Bank overdrafts and acceptances | 29.6 | 28.4 |
| Taxation | 107.8 | 96.0 |
| Dividends | 26.1 | 37.8 |
| | <u>395.0</u> | <u>370.3</u> |
| Net current assets | <u>104.6</u> | <u>93.9</u> |

b Long term loans repayable within one year include the current portion of advances from Xerox Corporation amounting to £14.3m (1978-£9.9m).

6 Associated Company

The associated company is Fuji Xerox Co., Ltd., incorporated in Japan, in which Rank Xerox Limited owns 50 per cent of the issued ordinary share capital. The combined balance sheet reflects the investment at an amount equivalent to Rank Xerox Limited's share of the net assets disclosed by the consolidated balance sheet of the associated company at October 1979 translated at rates of exchange consistent with the principles stated in note 1b.

The non-distributable earnings relating to the associated company comprise Rank Xerox Limited's share of the profits retained by the associated company including amounts capitalised £0.2m; no provision has been made for any additional taxation which would arise on the distribution of the retained profits or on the disposal of the investment at the amount at which it is included in the combined balance sheet. The dividend receivable from the associated company for the year to October 1979 was £2.1m (1978-£2.7m).

The low effective tax rate applying to the profits of the associated company in 1979 arose as a result of those exchange gains on translation which are not taxable.

RANK XEROX

Notes to Combined Financial Statements

7 Other Assets

| a These comprise: | 1979 | 1978 |
|---|-------------|-------------|
| Tools, jigs and machine fixtures – see 7b | 2.4 | 6.6 |
| Deferred pre-production expenditure | 7.6 | 10.5 |
| Loans for the purchase of 'E' shares – see 7c | 1.5 | 2.2 |
| Long term receivables | 12.5 | 8.5 |
| Goodwill – see 1l | 4.2 | – |
| | 28.2 | 27.8 |

b Tools, jigs and machine fixtures are stated at cost less amounts charged to date against the manufacture of equipment. Expenditure on such assets during the year amounted to £6.7m (1978–£6.5m).

c Loans for the purchase of 'E' shares:
Rank Xerox Limited and certain of its subsidiaries have made loans to the Trustees of the Rank Xerox Share Purchase Scheme and to the National Westminster Jersey Trust Company Limited as Trustee of a discretionary settlement, to enable them to acquire 'E' shares. These loans do not currently bear interest. The gross amount of the loans outstanding at 31st October 1979 was £6.2m (1978–£5.5m) against which provision has been made amounting to £4.7m (1978–£3.3m).

8 Share Capital and Premiums

| a These comprise: | Xerox | Rank Organisation | 'E' Shares | 1979 Total | 1978 Total |
|---|-------------|-------------------|------------|-------------|-------------|
| Rank Xerox Limited: | | | | | |
| Share capital | 14.9 | 14.9 | 0.1 | 29.9 | 29.9 |
| Share premium | – | – | 3.0 | 3.0 | 3.0 |
| Rank Xerox Holding BV and Subsidiaries: | | | | | |
| Share capital | 1.2 | 0.7 | – | 1.9 | 1.9 |
| Share premium | 0.1 | – | – | 0.1 | 0.1 |
| Rank Xerox Investments Limited: | | | | | |
| Share capital – see 8b | 1.3 | 0.7 | – | 2.0 | – |
| Share premium | 0.1 | 0.1 | – | 0.2 | – |
| Rank Xerox Business Equipment Inc: | | | | | |
| Share capital – see 8c | – | – | – | – | – |
| Share premium | 5.4 | 2.7 | – | 8.1 | – |
| | 23.0 | 19.1 | 3.1 | 45.2 | 34.9 |

b The issued share capital of Rank Xerox Investments Limited at 31 October 1978 was less than £0.1m.

c The issued share capital of Rank Xerox Business Equipment

Inc. comprises 1,000 shares of US\$1 each, of which Xerox Corporation and The Rank Organisation Group hold 667 shares and 333 shares respectively.

9 Reserves

| a Movements in Reserves | Non-distributable Reserves | | | Total |
|--|----------------------------|-----------------|--------------------|--------------|
| | Unappropriated Earnings | Group Companies | Associated Company | |
| At 1 November 1978 | 355.6 | 44.8 | 28.4 | 428.8 |
| Profit retained | 86.7 | – | – | 86.7 |
| Transfer to non-distributable reserves | (27.3) | 8.5 | 18.8 | – |
| At 31 October 1979 | 415.0 | 53.3 | 47.2 | 515.5 |

b The profits of the Group for the year ended 31 October 1979 have been allocated among the shareholders in accordance with

the Articles of Association of the Group Companies and a Master Agreement dated 21 October 1977 as follows:

| | |
|---|--------------|
| Profit before taxation | 255.1 |
| Deduct: Outside Shareholders' share of subsidiary profits before taxation | (0.2) |
| Profit participation adjustments – see 9e | (1.0) |
| Add: Xerox Corporation charges | 48.1 |
| Profit participation | 302.0 |

RANK XEROX

Notes to Combined Financial Statements

| | Xerox Corporation and Subsidiary | The Rank Organisation Limited and Subsidiaries | Total |
|---|----------------------------------|--|-------|
| Profit participation as opposite | 200.1 | 101.9 | 302.0 |
| Deduct: | | | |
| Taxation: | | | |
| On profit per accounts | 81.5 | 41.5 | 123.0 |
| On Xerox Corporation charges and profit participation adjustments | 16.2 | 8.2 | 24.4 |
| Xerox Corporation charges and profit participation adjustments after taxation | 22.7 | — | 22.7 |
| Profit after taxation of the Group | 79.7 | 52.2 | 131.9 |
| Deduct: Dividends | 22.3 | 22.9 | 45.2 |
| Retained earnings for the year | 57.4 | 29.3 | 86.7 |
| Unappropriated earnings at 1 November 1978 | 236.1 | 119.5 | 355.6 |
| | 293.5 | 148.8 | 442.3 |
| Deduct: | | | |
| Transfers to non-distributable reserves: | | | |
| Group Companies | 5.6 | 2.9 | 8.5 |
| Associated Company | 12.5 | 6.3 | 18.8 |
| Unappropriated earnings at 31 October 1979 | 275.4 | 139.6 | 415.0 |
| Non-distributable Reserves | | | |
| At 1 November 1978 | 29.8 | 15.0 | 44.8 |
| Transfers as above | 5.6 | 2.9 | 8.5 |
| At 31 October 1979 | 35.4 | 17.9 | 53.3 |
| Non-distributable Reserves relating to Associated Company | | | |
| At 1 November 1978 | 18.7 | 9.7 | 28.4 |
| Transfers as above | 12.5 | 6.3 | 18.8 |
| At 31 October 1979 | 31.2 | 16.0 | 47.2 |

c In order to obtain accelerated overseas taxation relief, additional sums have been provided in the accounts of certain overseas subsidiaries in respect of depreciation of rental equipment and other fixed assets, and in respect of stock and debtor provisions.

The additional sums provided for this special purpose have been eliminated from the combined financial statements. The profit after taxation for the year ended 31 October 1979 and retained earnings at that date are accordingly £1.1m and £69.1m respectively in excess of the aggregate of the relative amounts shown in the accounts of the subsidiaries concerned, calculated at current rates of exchange.

d No provision has been made for withholding and other taxes that would become payable in the event of distribution of retained profits as reflected in the Rank Xerox Limited group accounts by certain overseas subsidiaries and the associated company. Such taxes calculated at current rates amount to approximately £57.7m and £4.3m respectively. These retained profits have been re-invested locally in trading assets and it is not the intention of Rank Xerox Limited to initiate any action which would precipitate the payment of these additional taxes.

e Profit participation adjustments are profits/losses and income received by Xerox Corporation during the year but which are attributable jointly to the shareholders of the Group companies.

RANK XEROX

Notes to Combined Financial Statements

10 Long Term Loans

| | 1979 | 1978 |
|--|--------------|--------------|
| a These comprise: | | |
| Not fully repayable within 5 years: | | |
| Secured | 7.4 | 7.6 |
| Unsecured—other than from banks | 37.3 | 39.7 |
| Xerox Corporation and subsidiary | 23.5 | 23.5 |
| Subsidiary of The Rank Organisation Limited | 1.2 | 1.2 |
| | 69.4 | 72.0 |
| Fully repayable within 5 years: | | |
| Secured | 0.5 | 0.5 |
| Unsecured—banks | 18.3 | 27.5 |
| Unsecured—other | 27.3 | 27.5 |
| Xerox Corporation | 39.4 | 47.8 |
| Subsidiary of The Rank Organisation Limited | 0.5 | — |
| | 86.0 | 103.3 |
| Liabilities under Capital Leases | 10.8 | 12.3 |
| | 166.2 | 187.6 |
| <i>less</i> Repayable within 1 year | 24.1 | 22.8 |
| Parallel Loan—see 10b | 7.5 | 7.5 |
| | 31.6 | 30.3 |
| | 134.6 | 157.3 |
| b The Group has borrowed £7.5m from a third party the consideration for which was a dollar loan of an equivalent amount (the Parallel Loan) the funds for which were provided by a loan from Xerox Corporation. | | |
| c Repayment periods from the balance sheet date (excluding capital leases and parallel loan) are as follows: | | |
| 1 year | 22.2 | 20.4 |
| 2 years | 29.8 | 25.5 |
| 3 years | 20.7 | 32.3 |
| 4 years | 11.6 | 16.8 |
| 5 years | 6.6 | 11.0 |
| 6 to 10 years | 50.1 | 51.8 |
| thereafter | 6.9 | 10.0 |
| | 147.9 | 167.8 |

RANK XEROX

Notes to Combined Financial Statements

| | Average Interest Rate (1979) | 1979 | 1978 |
|---|------------------------------------|--------------|--------------|
| d Loans are denominated in the following currencies: | | | |
| Not fully repayable within 5 years: | | | |
| Sterling | 8.9% | 38.1 | 39.2 |
| Dutch guilders | 10.0% | 24.1 | 25.5 |
| Other currencies | 11.4% | 7.2 | 7.3 |
| | | 69.4 | 72.0 |
| Fully repayable within 5 years, and capital leases: | | | |
| Sterling | 10.3% | 18.6 | 19.0 |
| U.S. dollars | 12.5% | 34.3 | 46.1 |
| Dutch guilders | 8.9% | 17.5 | 21.8 |
| French francs | 9.7% | 11.7 | 10.6 |
| Other currencies | 9.7% | 14.7 | 18.1 |
| | | 166.2 | 187.6 |

11 Taxation

a Provision for the Year

The amount shown in the combined profit and loss account comprises:

United Kingdom:

Corporation Tax at 52% (1978-52%):

Current (£77.4m before double taxation relief: 1978-£76.0m)

Deferred

41.6 25.4
(12.6) (0.9)

29.0 24.5

Overseas:

Current

Deferred

Prior Year Adjustments (including rate changes)

81.6 93.7
(4.0) (9.5)

5.0 2.9

111.6 111.6

The provision for the year reflects the release of £11.8m of deferred taxation on UK stock relief no longer subject to clawback, offset by additional provisions against tax contingencies mainly arising overseas.

b Deferred Taxation

The amount shown in the combined balance sheet comprises:

Deferred taxation

less Advance corporation tax

Taxation on unrealised intra-group profits—see note 1 i

116.1 115.6
(8.9) (20.5)
(115.1) (112.0)

(7.9) (16.9)

Advance corporation tax is recoverable in the future against deferred taxation liabilities which have been provided for either by Rank Xerox Limited or its UK subsidiaries.

RANK XEROX

Notes to Combined Financial Statements

12 Other Non-Current Liabilities

| | 1979 | 1978 |
|--|-------------|-------------|
| These comprise: | | |
| Provision for trade-in allowances on machines sold | 10.6 | 5.8 |
| Long-term pension liabilities | 20.8 | 16.7 |
| | 31.4 | 22.5 |

13 Contingent Liabilities

There are contingent liabilities, arising in the normal course of business, in respect of bills discounted, guarantees and others amounting to approximately £26.8m (1978-£17.4m).

14 Capital Expenditure

No provision has been made in the accounts for the following capital expenditure, which excludes rental equipment:

| | 1979 | 1978 |
|--|-------------|-------------|
| Expenditure contracted for | 8.4 | 7.7 |
| Expenditure authorised but not committed | 17.0 | 11.8 |
| | 25.4 | 19.5 |

15 Subsidiaries

Details of the principal subsidiaries are as follows:

| | Country of Incorporation | Percentage of Ordinary Share Capital Owned | | |
|--|--------------------------|--|----------|-------|
| | | Direct | Indirect | Total |
| Subsidiaries of Rank Xerox Limited: | | | | |
| Rank Xerox (Copy Bureaux) Limited | England | - | 100 | 100 |
| Rank Xerox de España Limited | England | 100 | - | 100 |
| Rank Xerox (Ireland) Limited | England | 100 | - | 100 |
| Rank Xerox (Management) Limited | England | 100 | - | 100 |
| Rank Xerox (Overseas) Limited | England | 100 | - | 100 |
| Rank Xerox (R & S) Limited | England | - | 100 | 100 |
| Rank Xerox (UK) Limited | England | 100 | - | 100 |
| Rank Xerox (Australia) Pty Limited | Australia | - | 75 | 75 |
| Rank Xerox Austria GmbH | Austria | - | 100 | 100 |
| NV Rank Xerox SA | Belgium | - | 100 | 100 |
| Rank Xerox A/S | Denmark | - | 100 | 100 |
| Rank Xerox Oy | Finland | - | 100 | 100 |
| Office de Transformation Papetière SA | France | - | 67 | 67 |
| Rank Xerox SA | France | 100 | - | 100 |
| Rank Xerox GmbH | Germany | - | 100 | 100 |
| Rank Xerox Greece SA | Greece | - | 100 | 100 |
| Rank Xerox (Nederland) BV | Holland | - | 100 | 100 |

RANK XEROX

Notes to Combined Financial Statements

| | Country of Incorporation | Percentage of Ordinary Share Capital Owned | | |
|---|--------------------------|--|----------|-------|
| | | Direct | Indirect | Total |
| Subsidiaries of Rank Xerox Limited | | | | |
| Rank Xerox Iran Private Co. Limited | Iran | - | 100 | 100 |
| Rank Xerox SpA | Italy | - | 100 | 100 |
| Rank Xerox Kenya Limited | Kenya | 100 | - | 100 |
| Rank Xerox (NZ) Limited | New Zealand | 75 | - | 75 |
| Rank Xerox (Nigeria) Limited | Nigeria | 60 | - | 60 |
| Rank Xerox A/S | Norway | - | 100 | 100 |
| Rank Xerox (Proprietary) Limited | South Africa | - | 100 | 100 |
| Rank Xerox Española SA | Spain | 25 | 75 | 100 |
| Rank Xerox AB | Sweden | - | 100 | 100 |
| Rank Xerox AG | Switzerland | - | 100 | 100 |
| Rank Xerox Uganda Limited | Uganda | - | 100 | 100 |

There are also branches in Angola, Eire, Hong Kong, Lesotho, Malaysia, Mozambique, Namibia, Portugal and Singapore.

Subsidiaries of Rank Xerox Holding BV:

| | | | | |
|---|---------|-----|---|-----|
| Rank Xerox Manufacturing (Nederland) BV | Holland | 100 | - | 100 |
| Société Industrielle Rank Xerox SA | France | 51 | - | 51 |
| Rank Xerox Fabrikations GmbH | Germany | 40 | - | 40 |

Rank Xerox Holding BV has voting control of Rank Xerox Fabrikations GmbH.

The remaining share capital of Société Industrielle Rank Xerox SA and Rank Xerox Fabrikations GmbH is held by Xerox Corporation and The Rank Organisation Group and accordingly forms part of 'Share Capital and Premiums' referred to in note 8.

Subsidiary of Rank Xerox Investments Limited:

| | | | | |
|-----------------|-------|----|---|----|
| Xerox Egypt SAE | Egypt | 75 | - | 75 |
|-----------------|-------|----|---|----|

Subsidiaries of Rank Xerox Business Equipment Inc:

| | | | | |
|--|---------|-----|---|-----|
| Bowker Publishing Company Limited | England | 100 | - | 100 |
| Cheshire Business Equipment Limited | England | 100 | - | 100 |
| Diablo Systems Limited | England | 100 | - | 100 |
| Versatec Electronics Limited | England | 100 | - | 100 |
| Xerox Learning Systems International Limited | England | 100 | - | 100 |
| Xerox Publishing Group Limited | England | 100 | - | 100 |
| Diablo Systems SA | Belgium | 100 | - | 100 |
| Diablo Systems SA | France | 100 | - | 100 |
| Cheshire Buromaschinen GmbH | Germany | 100 | - | 100 |
| Diablo Systems GmbH | Germany | 100 | - | 100 |

16 Holding Company

The ultimate holding company is Xerox Corporation, which is incorporated in the United States of America.

Report of the Auditors to the Directors of Xerox Corporation and The Rank Organisation Limited

We have examined the combined financial statements of Rank Xerox (as defined in Note 1 to the combined financial statements) set out on pages 10 to 21, which have been prepared under the historical cost convention, pursuant to Clause 5 of the Master Agreement dated 21 October 1977 to which Xerox Corporation and subsidiaries of The Rank Organisation Limited are parties.

In our opinion the combined balance sheet, combined profit and loss account and combined statement of source and application of funds together with the notes thereon have been properly prepared in accordance with the said Master Agreement and, under the historical cost convention, give a true and fair view of the state of affairs of the Group at 31 October 1979 and of the profit and of the source and application of funds for the year to that date.

PEAT, MARWICK, MITCHELL & CO
Chartered Accountants
London

22 January 1980

RANK XEROX

Six year Financial Summary

Figures in £ millions

Combined Profit and Loss Account

| | 1979 | 1978 | 1977 | 1976 | 1975 | 1974 |
|--|----------------|----------------|--------------|--------------|--------------|--------------|
| Turnover | 1,165.0 | 1,086.9 | 960.6 | 753.6 | 612.4 | 477.5 |
| Trading profit before charging depreciation | 399.9 | 398.1 | 407.7 | 284.7 | 241.3 | 231.7 |
| Depreciation | 114.4 | 108.0 | 90.2 | 83.5 | 72.9 | 59.8 |
| | 285.5 | 290.1 | 317.5 | 201.2 | 168.4 | 171.9 |
| Interest receivable | 11.3 | 7.4 | 9.2 | 5.2 | 2.5 | 1.5 |
| | 296.8 | 297.5 | 326.7 | 206.4 | 170.9 | 173.4 |
| Interest payable | 25.9 | 27.0 | 30.3 | 31.9 | 30.8 | 22.3 |
| Group profit before Xerox Corporation charges | 270.9 | 270.5 | 296.4 | 174.5 | 140.1 | 151.1 |
| Share of profit before taxation of associated company | 32.3 | 22.3 | 19.6 | 1.3 | 4.9 | 10.1 |
| | 303.2 | 292.8 | 316.0 | 175.8 | 145.0 | 161.2 |
| Xerox Corporation charges | 48.1 | 40.5 | 39.3 | - | - | - |
| Profit before taxation | 255.1 | 252.3 | 276.7 | 175.8 | 145.0 | 161.2 |
| Taxation | 123.0 | 122.2 | 106.3 | 86.2 | 71.5 | 74.9 |
| Profit after taxation before extraordinary items. | 132.1 | 130.1 | 170.4 | 89.6 | 73.5 | 86.3 |
| Extraordinary items | - | - | - | - | 5.0 | - |
| Profit after extraordinary items | 132.1 | 130.1 | 170.4 | 89.6 | 68.5 | 86.3 |
| Outside shareholders' interests in subsidiaries' profits | 0.2 | 1.7 | 1.6 | 1.1 | 0.7 | 0.9 |
| Profit attributable to Group shareholders | 131.9 | 128.4 | 168.8 | 88.5 | 67.8 | 85.4 |
| Dividends | 45.2 | 49.3 | 69.1 | 46.6 | 44.6 | 14.0 |
| | 86.7 | 79.1 | 99.7 | 41.9 | 23.2 | 71.4 |
| Amounts capitalised | - | - | 3.7 | - | - | - |
| Prior year adjustment: capital leases | - | - | 2.9 | - | - | - |
| Retained earnings for the year | 86.7 | 79.1 | 93.1 | 41.9 | 23.2 | 71.4 |

Combined Balance Sheet

| | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>Assets employed</i> | | | | | | |
| Fixed Assets | 541.9 | 479.6 | 455.7 | 406.4 | 398.4 | 351.5 |
| Net current assets/(liabilities) | 104.6 | 93.9 | 56.4 | 63.0 | 37.1 | (16.9) |
| Associated company | 53.4 | 34.6 | 25.6 | 17.6 | 25.1 | 25.7 |
| Other assets | 28.2 | 27.8 | 27.1 | 27.9 | 26.7 | 22.6 |
| | 728.1 | 635.9 | 564.8 | 514.9 | 487.3 | 382.9 |
| <i>Financed by</i> | | | | | | |
| Share capital and premiums | 45.2 | 34.9 | 34.9 | 30.3 | 30.2 | 29.4 |
| Reserves | 515.5 | 428.8 | 349.7 | 256.5 | 214.6 | 191.4 |
| Total shareholders' equity | 560.7 | 463.7 | 384.6 | 286.8 | 244.8 | 220.8 |
| Outside shareholders' interests in subsidiaries | 9.3 | 9.3 | 8.0 | 6.0 | 4.6 | 3.8 |
| Deferred taxation | (7.9) | (16.9) | (16.4) | 0.1 | 16.8 | 31.1 |
| Long term loans | 134.6 | 157.3 | 177.9 | 213.4 | 216.9 | 125.0 |
| Other non-current liabilities | 31.4 | 22.5 | 10.7 | 8.6 | 4.2 | 2.2 |
| | 728.1 | 635.9 | 564.8 | 514.9 | 487.3 | 382.9 |

Notes

1 The figures for 1977 have been restated for capital leases in accordance with the provisions of the US accounting standard FAS-13.

2 The figures for the periods from 1974-1977 have been restated to reflect a change in the definition of net current assets which now excludes items receivable or payable beyond one year from the balance sheet date.

Rank Xerox Investments Limited Directors

President

D T Kearns

J Campbell

J Ellison

Russell W Evans MC

W F Souders

Rank Xerox Business Equipment Inc. Directors

Chairman

W F Souders

President

Russell W Evans, MC

P H Courtney

D T Kearns

J V Titsworth



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