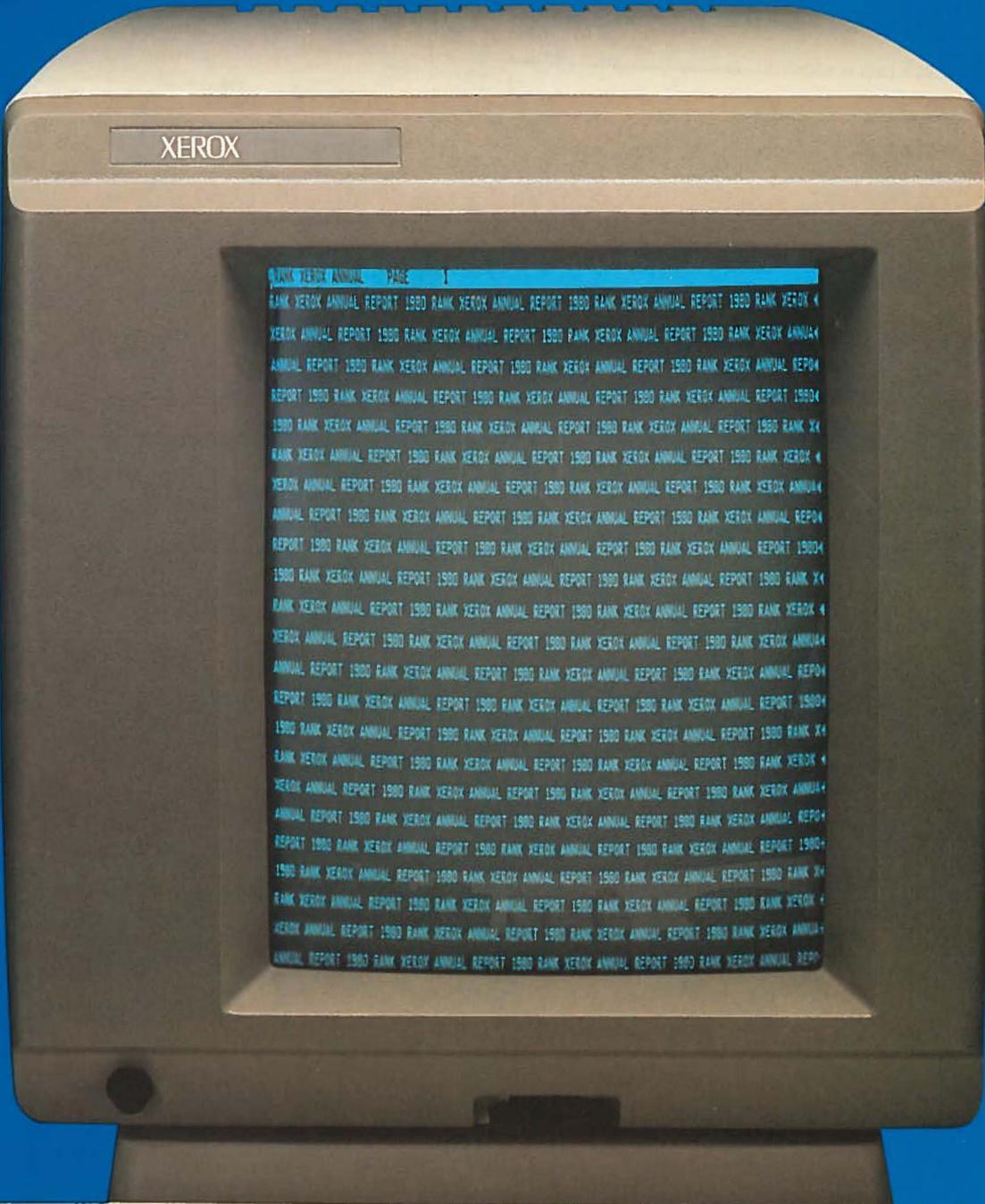


# RANK XEROX

## Annual Report 1980



# RANK XEROX

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.

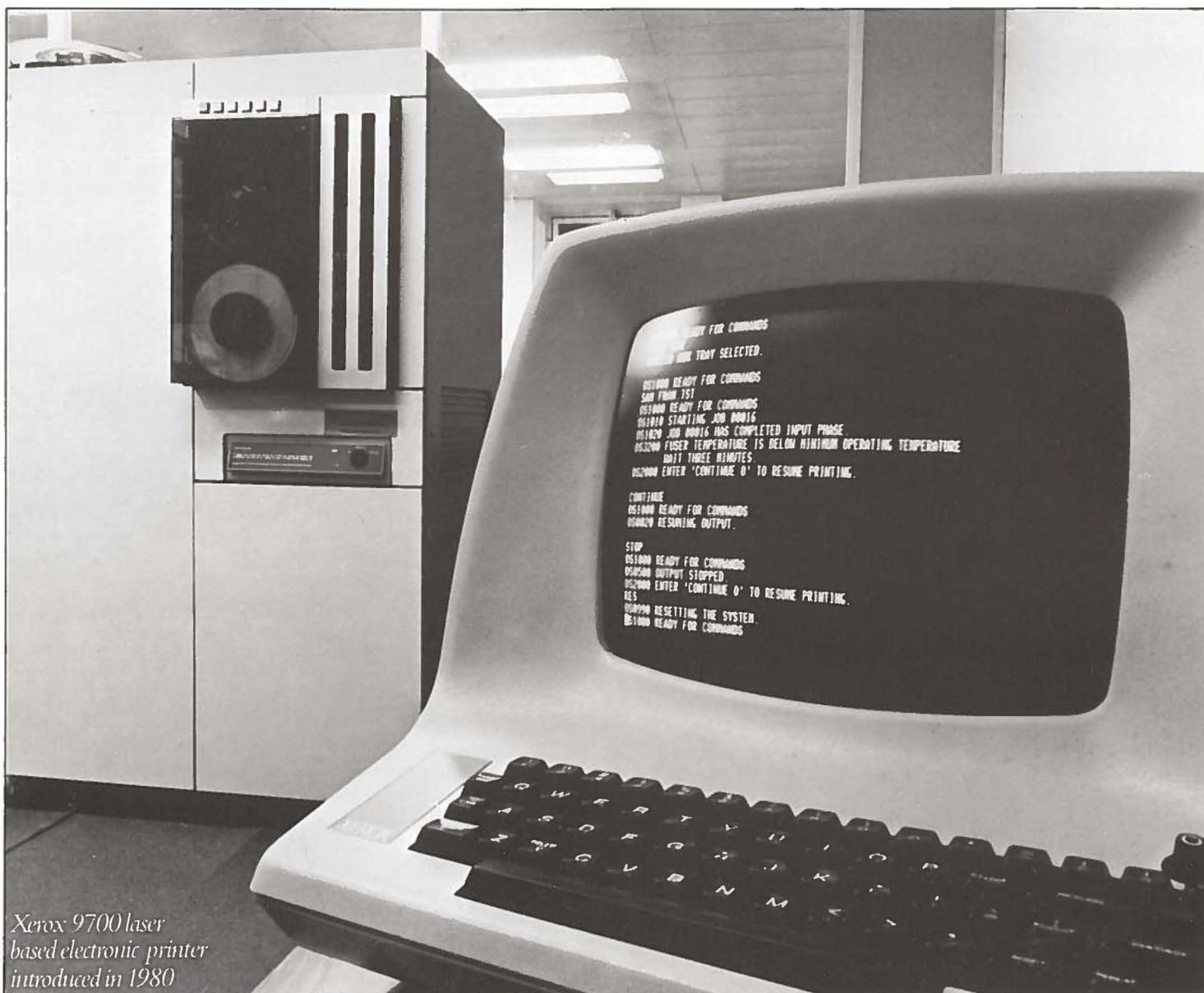
The four jointly owned holding companies are Rank Xerox Limited, Rank Xerox Holding BV, Rank Xerox Investments Limited and Rank Xerox Business Equipment Inc. The subsidiaries of each holding company are shown in Note 15 on pages 20 and 21. The accounts reflect the combined results of these holding companies.

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 ancillary 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 & Co.

*Our cover shows the screen and keyboard of the Xerox 860, a programmable word processor*



*Xerox 9700 laser based electronic printer introduced in 1980*

# RANK XEROX

## Companies jointly owned by Xerox Corporation and The Rank Organisation Limited

### Contents

Page 3  
Directors, Rank Xerox Limited

Pages 4 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  
Seven year Financial Review

Page 24  
Directors of  
Rank Xerox Investments Limited and Rank Xerox Business Equipment Inc.  
Supervisory Board Directors of Rank Xerox Holding BV



*Xerox 2300 desk-top copier,  
assembled at the Rank Xerox  
factory at Mitcheldean,  
West of England*

# RANK XEROX

---



*Xerox 8200, a high speed duplicator with a copy quality comparable with metal plate offset litho, made at Mitcheldean and introduced in 1980*

# RANK XEROX

## Rank Xerox Limited Directors

### Joint Presidents

C Peter McColough

Sir John Davis

### Chairman

H Orr-Ewing

### Managing Director

P A Allaire

MH Antonini

HC Debuissier

Russell W Evans MC

WF Glavin

L Gonzalez-Camino

WR Hicks

RA Holmes

DP Hornby

DT Kearns

JR Milligan

BH Nicholson

James P O'Neill

GH Peregrine

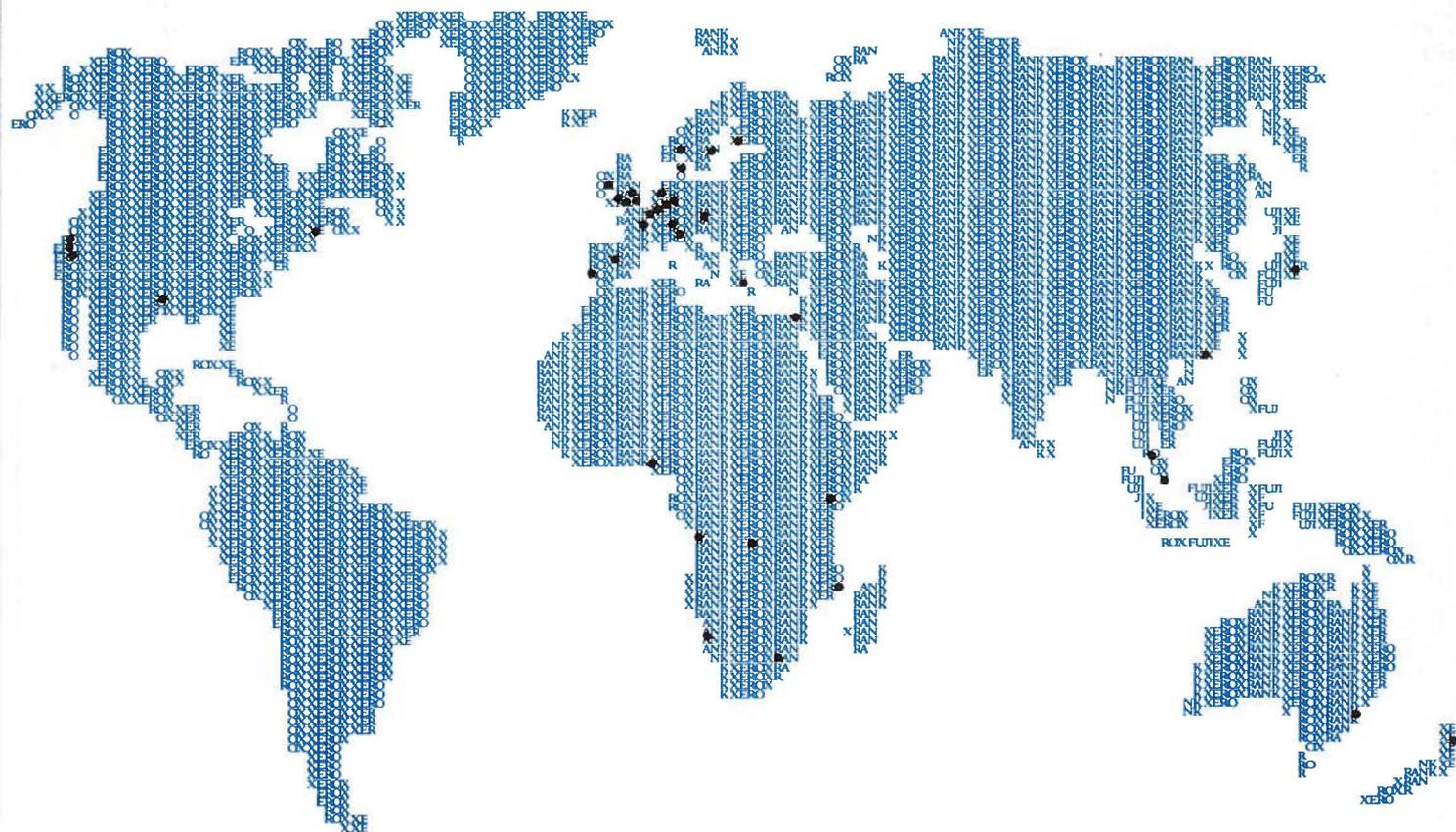
Harry Smith

WF Souders

DL Stephenson

JS Thomas

EH van der Beugel KCMG



## Review of the year

In a worldwide economic environment, which for most of the industrialised nations has been the most hostile for fifty years, Rank Xerox results were commendable.

After an improved performance in the second half, our profits before taking account of currency fluctuations, showed an increase over the previous year. The continued rise in the value of sterling, resulting in adverse currency effects on our international business, considerably reduced our reported profits for the year.

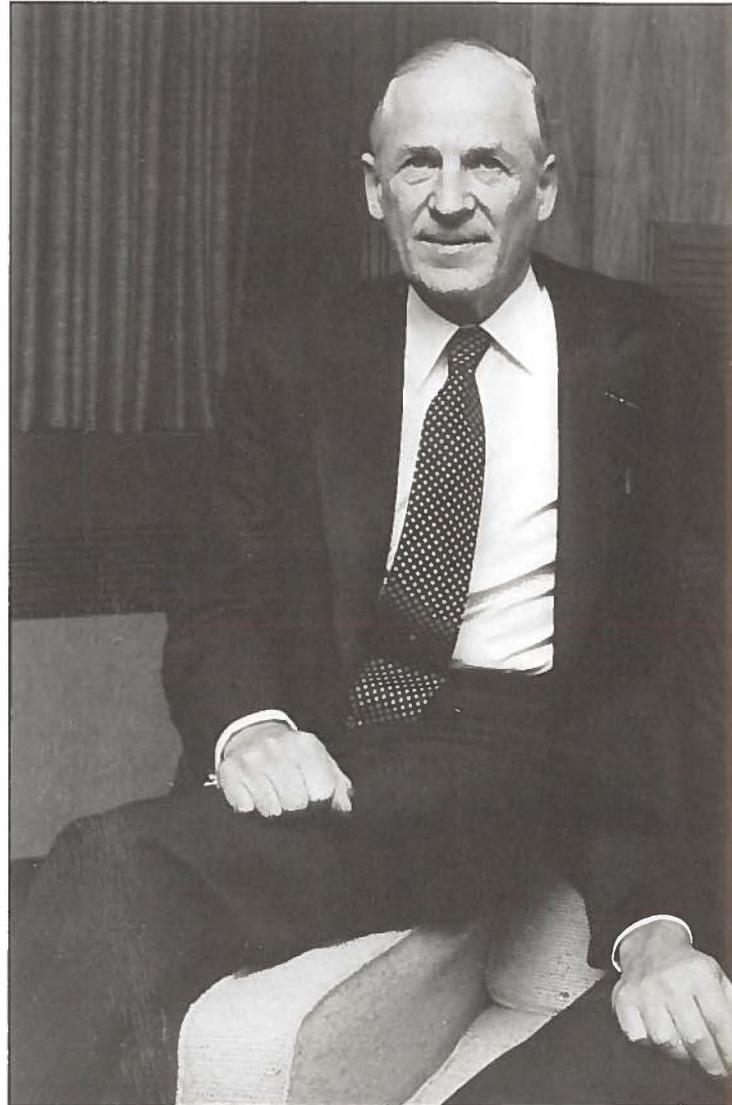
Despite intensified competition, the number of net placements of machines was at the same high level as 1979, and there was strong growth in the number of copies made on our machines. We launched three new duplicators, strengthened our position in office information systems, and considerably improved the cost effectiveness of all facets of our business.

Rank Xerox Limited was honoured with the Queen's Award for Export Achievement, 1980. This was our fifth award. Exports from the United Kingdom to our operating companies over the past six years have exceeded £1 billion. Our associate company, Fuji Xerox Co Ltd, was presented with the Deming prize for quality control and productivity. This is the most coveted business award in Japan and we congratulate Fuji Xerox on this achievement.

### Results

Revenues for the year to 31 October 1980 rose by 6 per cent to a record £1,237 million. Profits before tax and before Xerox corporate charges amounted to £269 million, against £303 million for 1979. The fall in profits was due entirely to the impact of exchange rates. The movement of sterling against other currencies resulted in currency losses of £28 million, compared with currency profits of £11 million in 1979. These figures reflect the changes in average exchange rates between 1979 and 1980 and other effects of applying Statement No 8 of the US Financial Accounting Standards Board.

A better indication of operating performance in 1980 is seen by excluding exchange rate effects. On this basis, revenues grew by 12 per cent and profits by 2 per cent. The decline in our profit margins was due to the combination of a number of factors, including the impact of inflation, costs of the launch of new products, and the greater proportion of lower margin products sold.



*Mr Hamish Orr-Ewing (left), Chairman, and Mr Paul...*

Fuji Xerox had another good year. Its underlying profit growth before exchange rate effects was 10 per cent. However, after the adverse effects of currency fluctuations, our share of its profits before tax was £17 million against £32 million in the previous year.

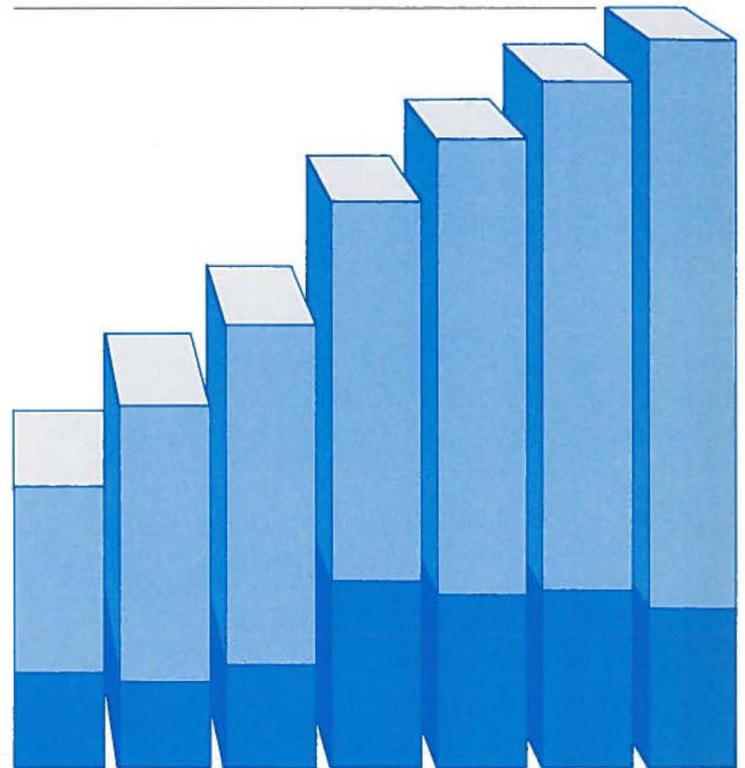
In 1980 Rank Xerox contributed £42 million, against £48 million in 1979, to the research and development costs and corporate overheads of Xerox Corporation. Since the distribution of profits from the jointly owned companies is calculated before the allocation of these costs, profits attributable to our parent companies, Xerox Corporation and The Rank Organisation Limited, are not affected. After these charges, profits before tax were £227 million.

# RANK XEROX

## Review of the year



*A Allaire, Managing Director, of Rank Xerox Limited*



1974	1975	1976	1977	1978	1979	1980
<i>£million</i>						
<b>Revenues</b>						
477.5	612.4	753.6	960.6	1,086.9	1,165.0	1,237.3
<b>Profits*</b>						
161.2	145.0	175.8	316.0	292.8	303.2	269.5

\* Before tax and Xerox Corporation charges

This growth opportunity has attracted a large and increasing number of competitors. In 1980 no fewer than 28 new competitive copiers were brought to market. There are now over 130 plain paper copiers available, manufactured by over 30 companies based in Europe, the USA, and Japan.

In spite of increasing competition, Rank Xerox was able to maintain the high rate of net machine placements achieved in 1979. Rental and sale revenues were ahead of 1979.

Demand for the desk top copiers introduced in 1979, the Xerox 2300 and Xerox 2600, was strong and a significant number of placements were made of these and our other low volume machines.

During the year we introduced three new duplicators. The Xerox 5600 has a recirculating document handler and

### **The Market**

The number of copies produced by all reprographic processes is growing at a rate faster than gross national product in most countries.

The fastest growing sector of the reprographic industry is plain paper copying. This is benefiting from a new awareness and acceptance of the convenience, improved presentation and efficiency that plain paper copiers and duplicators offer in competition with more traditional processes using stencils, coated papers or offset printing techniques. As a result, the number of prints in this sector is growing at more than 15 per cent a year.

## Review of the year

produces 45 prints a minute. It has the advantage of being able to make two-sided copies from two-sided originals automatically, and deliver them in stapled sets. A microprocessor control system monitors every function, helping operators to diagnose and rectify faults as they occur.

The Xerox 8200 includes many of these features but has in addition a new imaging technology that produces a copy quality comparable with metal plate offset litho and a capability to staple ten thousand sets of copies. It has a speed of 70 copies a minute and can handle A3 originals and reduce them in three fixed sizes.

The Xerox 9500 includes a speed of two prints a second and automatic sorting, as well as the copy quality of the Xerox 8200 as an advance on the performance of the Xerox 9400. These products, made in our factory at Mitcheldean in the west of England, have been well received by customers.

New product introductions over the past three years have upgraded our range of machines across the spectrum of the market. These will be followed by other new products, including some designed by our Engineering Group at Welwyn Garden City for worldwide distribution.

Rank Xerox not only has the widest product range in the industry, but also the largest directly-controlled sales and service organisations.

In a continuing effort to improve the cost effectiveness of distribution of machines at the low end of the market, a number of new ventures were started in 1980 to complement our sales organisation. In late 1980 the first two Xerox Stores were opened in London to sell a full range of office equipment, including small copiers as well as computers, typewriters and office supplies. Further stores in London and Paris will be opened this year. In addition our new business salesmen are being supported by experiments in telephone prospecting, mail order, and coupon advertising. The total product advertising spend increased significantly in 1980.

Significant strides were made in the Office Supplies Division, now a fully-fledged division with its own salesforce. Rank Xerox is the largest supplier of cut sheet paper in the Eastern Hemisphere. Sales of paper and other supplies, including transparencies, labels and overhead projectors rose by 30 per cent and account for over 10 per cent of group revenues.



# RANK XEROX

## Review of the year



### Cost Effectiveness

It is our conviction that, in the present harsh economic conditions, rewards will only come to those companies able continually to achieve increases in productivity. At a time of economic recession, high inflation and increasing competitive pressures in our industry, the most critical task we face is achieving a constantly higher level of cost-effectiveness. Our success so far has been good. In 1980 major productivity improvements were made, and these efforts are continuing.

In manufacturing, substantial savings were made by concentrating production of photoreceptors at Welwyn Garden City and production of toner at Venray in the Netherlands. With the expansion and further automation of assembly of printed circuit boards for our copiers and duplicators, Welwyn has become a leading European electronics plant.

Major savings are being made by continuing investment in computer systems to increase automation to deal with customer contracts, control of inventories, administration, and fieldwork support to the service organisation.

New marketing methods, already referred to, are improving sales productivity.

Important design and technology improvements will bring substantial cost benefits to our customers and to us in a new range of reprographic equipment in the foreseeable future.

### The Office of the Future

It is not only in reprographics that our customers will benefit. The 1980s should bring a significant leap forward in the automation of all office procedures. The availability of technology to collect, store, process, transmit and display information will vastly improve office productivity.

We hope that the growing demand for electronic office machines – many of which will be linked with communication networks – will be matched by government actions to support the information technology industry. We welcome the initiative for a telematics strategy launched by the Commission of the European Economic Community at the end of 1979. There is a real challenge for Europe if the pace of development in the USA and Japan is to be matched. The European industry needs above all else a climate of confidence to enable it to make a commitment to investment and expansion. Users need efficient telecommunication

*The Xerox Store at 84 Piccadilly, London, opened in November 1980 to sell a range of office equipment, including small copiers and computers*

## Review of the year

services with consistent tariffs, standards, and fewer restrictions. Rank Xerox is well placed to benefit from the evolution of the office of the future and our leadership in technology was shown in 1980 with the announcement by Xerox Corporation of the Ethernet communications network. Through a cable, office machines – from electronic typewriters, printers and files to copiers and computers – can be linked together into one interactive network running throughout a building or several closely grouped buildings.

Systems Business Division has completed an outstanding year in which revenues and net placements of machines grew substantially.

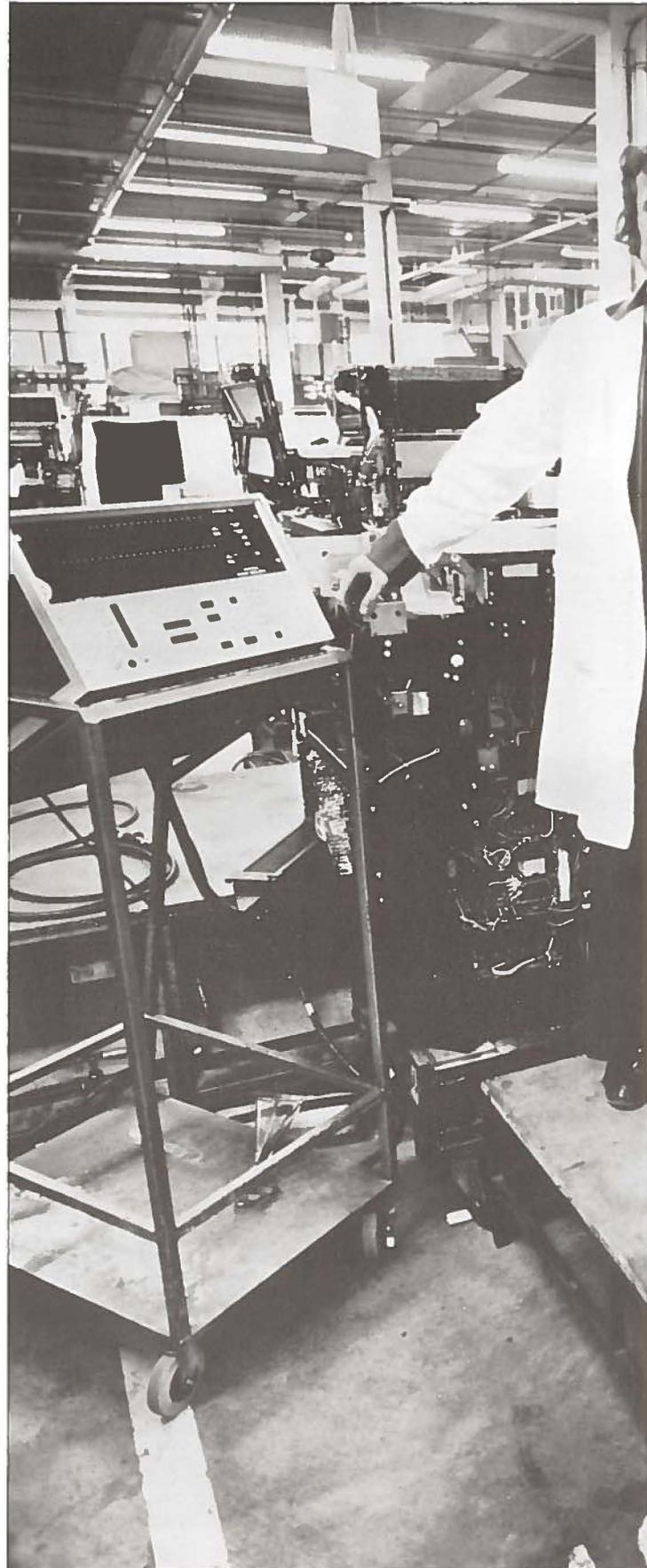
### External Responsibilities

The prime task of a business is to provide society with the goods and services it requires. Its ability to earn profit is a measure of its success in carrying out that task. In addition, business should act responsibly towards employees, suppliers, and many other sectors of the community.

As a leading multinational group we work closely with governments and international organisations concerned with codes of business practice, health and safety standards, and regulatory bodies affecting other aspects of our business.

In 1980, in recognition of this responsibility we declared our support of the OECD guidelines for international investment and multinational enterprises. This is a voluntary code of conduct, endorsed by the member nations of the Organisation for Economic Co-operation and Development.

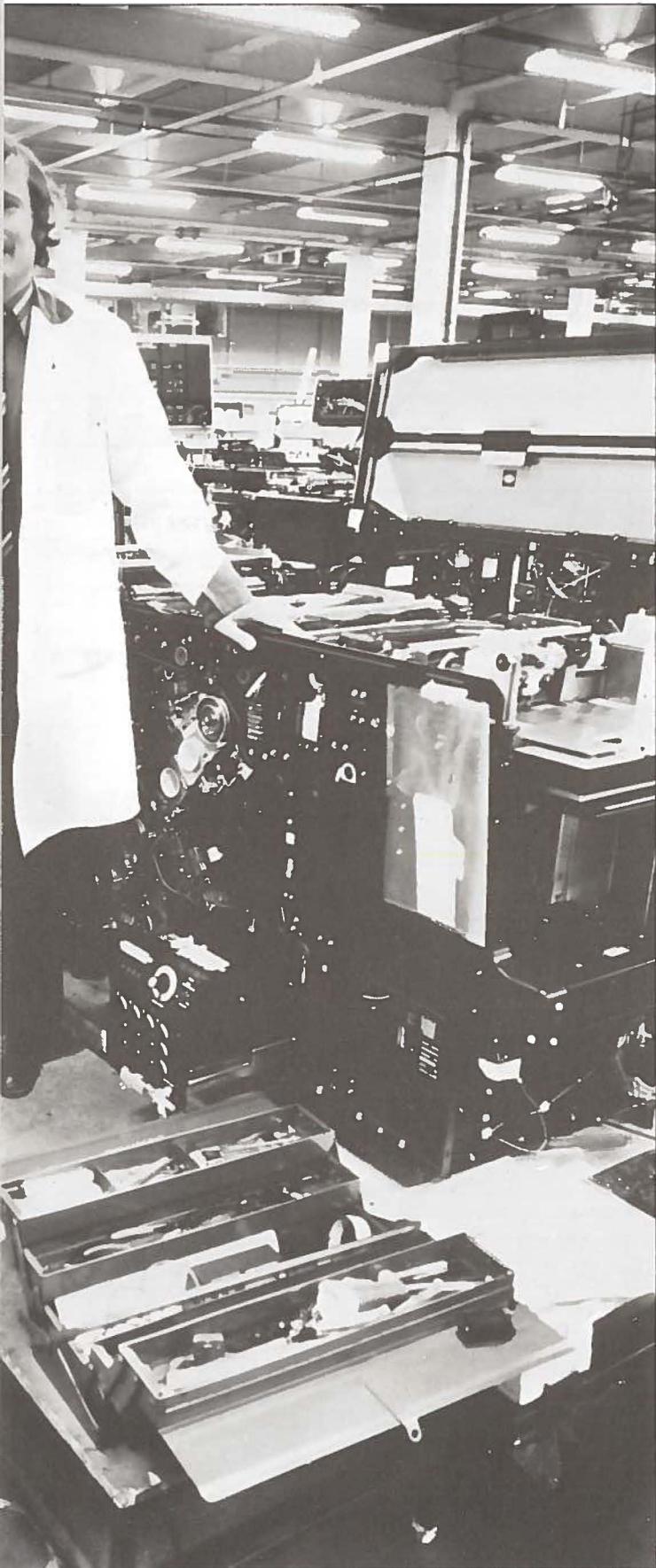
In addition, we meet the requirements of the EEC Code of Conduct for companies operating in South Africa, and support the Sullivan Principles – a set of principles which seek to make continuing improvements in the status of non-white workers in South Africa.



*Intensive machine testing is a normal part of machine manufacture at Mitcheldean. Seen here is Barry Thomas at the end of the line test area with a Xerox 9400 duplicator*

# RANK XEROX

## Review of the year



### Directors

#### Rank Xerox Limited

William F Glavin returned to the USA on his appointment as an Executive Vice President of Xerox Corporation after serving as Managing Director of Rank Xerox Limited for six years. We would like to thank him for his leadership and pay tribute to his contribution to the success of Rank Xerox during his years of office.

We also welcome to the Board, Marion H Antonini, a Group Vice President of Xerox Corporation and President, International Operations, and Derek P Hornby, Director, Staff Support, who was previously Director of International Operations at Xerox.

#### Rank Xerox Holding BV

William F Glavin retired as a Director of the Supervisory Board on his return to the USA and Rodney C O'Donoghue, Group Controller at International Headquarters in London, was appointed to the Board in his place.

### The Future

The uncertain economic climate is likely to continue for some time. The most important task facing governments, we believe, is to bring inflation under control. This is a painful, lengthy – but essential – precondition for a return to stable conditions, in which companies like Rank Xerox can continue to increase prosperity in the communities in which we operate.

In aiming for this goal, governments should implement balanced programmes, so that the burden of adjustment is placed equally on the public and private sectors of their economies. There is a high price to pay if a disproportionate burden is placed on the private sector, which is the wealth creator in most economies.

Rank Xerox will continue to seek improvements in cost-effectiveness and productivity. If we are successful, then our future will be as good as our past. Not only in reprographics, but in the many variants of the office of the future.

We are fortunate in having, throughout the group and at every level, people whose skill and enthusiasm have maintained our position as leaders in our industry. We would like to thank them for their outstanding contributions to the commendable performance of Rank Xerox in a difficult economic climate.

**H Orr-Ewing**

**P A Allaire**

# RANK XEROX

## Combined Profit and Loss Account for the year ended 31 October 1980

	Note	Figures in £ m	
		1980	1979
<b>Turnover</b>	2	<b>1,237.3</b>	<b>1,165.0</b>
<b>Trading Profit</b> before charging depreciation and Xerox Corporation charges		<b>395.7</b>	<b>399.9</b>
Depreciation – Rental Equipment		104.2	92.7
– Other		27.2	21.7
		<b>131.4</b>	<b>114.4</b>
		<b>264.3</b>	<b>285.5</b>
Interest Receivable		14.7	11.3
		<b>279.0</b>	<b>296.8</b>
Interest Payable		26.7	25.9
<b>Profit before Taxation and Xerox Corporation charges of Group Companies</b>		<b>252.3</b>	<b>270.9</b>
<b>Share of Profit before Taxation of Associated Company</b>	6	<b>17.2</b>	<b>32.3</b>
<b>Profit before Xerox Corporation charges</b>		<b>269.5</b>	<b>303.2</b>
Xerox Corporation charges	3	42.2	48.1
<b>Profit before Taxation</b>		<b>227.3</b>	<b>255.1</b>
Taxation based thereon:			
Group Companies	11	103.8	111.6
Associated Company	6	10.1	11.4
		<b>113.9</b>	<b>123.0</b>
<b>Profit after Taxation</b>		<b>113.4</b>	<b>132.1</b>
Outside Shareholders' Interests in Subsidiaries' Profits		0.4	0.2
Profit after Taxation attributable to the Shareholders of the Group		<b>113.0</b>	<b>131.9</b>
<b>Dividends</b>	9	<b>44.6</b>	<b>45.2</b>
<b>Retained Earnings for the Year</b>	9	<b>68.4</b>	<b>86.7</b>

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

# RANK XEROX

## Combined Balance Sheet at 31 October 1980

		Figures in £m	
	Note	1980	1979
<b>ASSETS EMPLOYED</b>			
Rental Equipment	4	354.9	346.2
Land, Buildings, Equipment and Vehicles		210.9	195.7
Total Fixed Assets		<b>565.8</b>	<b>541.9</b>
Current Assets		512.8	499.6
<i>less</i> Current Liabilities		408.1	395.0
Net Current Assets	5	104.7	104.6
Associated Company	6	58.6	53.4
Other Assets	7	39.9	28.2
		<b>769.0</b>	<b>728.1</b>
<b>FINANCED BY</b>			
Share Capital and Premiums	8	45.2	45.2
Reserves	9	583.9	515.5
Total Shareholders' Equity		<b>629.1</b>	<b>560.7</b>
Outside Shareholders' Interests in Subsidiaries		9.2	9.3
Deferred Taxation	11	(2.1)	(7.9)
Long Term Loans	10	101.5	134.6
Other Non-current Liabilities	12	31.3	31.4
		<b>769.0</b>	<b>728.1</b>

**H Orr-Ewing**

Chairman, Rank Xerox Limited  
Deputy Chairman, Rank Xerox Holding BV

**P A Allaire**

Managing Director, Rank Xerox Limited

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 1980

	Figures in £m	
	1980	1979
<b>SOURCE OF FUNDS</b>		
Funds from Operations	247.6	252.4
Disposals of Fixed Assets	54.4	41.4
Additional Long Term Loans	26.3	14.4
Proceeds of Share Issues	—	10.3
Additional Non-current Liabilities	(0.1)	8.9
Other	—	0.7
	<b>328.2</b>	<b>328.1</b>
<b>APPLICATION OF FUNDS</b>		
Additions to Fixed Assets:		
Rental Equipment	168.4	172.2
Land, Buildings, Equipment and Vehicles	41.3	45.9
	209.7	218.1
Dividends Paid	41.5	56.9
Reduction of Long Term Loans	45.9	32.4
Tools, Jigs and Machine Fixtures	6.5	6.7
Deferred Pre-Production Expenditure	8.6	5.0
Goodwill	0.4	4.4
Net Investment in Sales Type Leases	8.5	0.4
Other Long Term Receivables	1.7	3.6
Other	2.2	1.6
	<b>325.0</b>	<b>329.1</b>
<b>Increase (Decrease) in Working Capital excluding proposed dividends</b>	<b>3.2</b>	<b>(1.0)</b>

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 1980

	Figures in £m	
	1980	1979
<b>FUNDS FROM OPERATIONS</b>		
A reconciliation between the funds from operations and the profit after taxation of the Group is as follows:		
<b>Funds from Operations</b>	<b>247.6</b>	<b>252.4</b>
<i>less</i> charges in combined profit and loss account which do not require funds		
Depreciation	131.4	114.4
Exchange Gains on Long Term Loans	(13.5)	(4.7)
Tooling Expenditure written off	2.8	10.9
Deferred Pre-Production Expenditure written off	10.9	7.9
Deferred Taxation	5.8	9.0
Provision against loss on loans for the purchase of 'E' shares	1.5	1.4
Profit allocated to Outside Shareholders in Subsidiaries	0.4	0.2
Retained by Associated Company	(5.2)	(18.8)
Amortisation of Goodwill	0.5	0.2
	<b>134.6</b>	<b>120.5</b>
<b>Profit after Taxation of the Group</b>	<b>113.0</b>	<b>131.9</b>
<b>ANALYSIS OF CHANGE IN WORKING CAPITAL</b>		
Increase in Stocks and Stores	30.4	12.5
Increase (Decrease) in Debtors and Prepayments	(18.9)	23.9
Decrease in amounts due to Xerox Corporation	5.5	3.5
(Increase) Decrease in Creditors, Provisions and Accrued Expenses	8.8	(22.1)
Increase in Long Term Loans repayable within one year	(6.7)	(1.3)
(Increase) Decrease in Taxation	15.7	(11.8)
Movement in Net Liquid Funds:		
Decrease in Marketable Securities	(2.0)	(4.5)
Increase in Short Term Deposits, Bank Balances and Cash	3.4	—
Increase in Bank Overdrafts and Acceptances	(33.0)	(1.2)
	<b>(31.6)</b>	<b>(5.7)</b>
<b>Increase (Decrease) in Working Capital</b>	<b>3.2</b>	<b>(1.0)</b>

## Notes to Combined Financial Statements

Figures in £ millions

### 1 Principles of Combination and Accounting Policies of '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 subsidiaries 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 financial statements is set forth below.

#### a Accounting Convention

The combined financial statements are prepared under the historical cost convention.

#### b Basis of Combination

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

#### c Translation of Overseas Financial Statements

The financial statements 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 1980.
- ii Stocks and stores and other 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 1980.
- 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 No 8 issued by the United States Financial Accounting Standards Board.

#### d 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 combined financial statements. Offset against this is the taxation on unrealised inter and intra-group profits referred to in notes 1h and 11b below.

In October 1978 the United Kingdom Accounting Standards Committee issued their Statement of Standard Accounting Practice No 15 (SSAP 15). 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 comprising tax on unrealised inter and 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 combined financial statements.

#### e Fixed Assets

These are carried in the financial statements 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.

#### f 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.

#### g 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.

#### h Unrealised Inter and 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 and outright sale equipment when realised and as regards rental 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.

#### i Development Expenditure

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

#### j 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. 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. From 1 November 1980 all such expenditure will be written off as incurred.

## Notes to Combined Financial Statements

### k 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.

### l Leasing Arrangements

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.

As Lessor: Assets leased to customers under agreements classified as Sales-Type Leases are recorded as sales using the present value of the minimum lease payments computed at the interest rates implicit in the leases. The cost or carrying values of the leased assets are charged against income at the time of sales recognition, and interest is recognised subsequently under the actuarial method before tax to provide a constant rate of return on the net investment in the leases. The net investment in Sales-Type Leases is included in Other Assets or Current Assets as appropriate.

As Lessee: Assets held under capital leases are capitalised in the accounts at the lower of (a) the present value of 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.

### m 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 ten year period.

### 2 Turnover

Turnover consists of equipment rentals, sales of machines, supplies and services, and includes royalties amounting to £12.8m (1979-£13.5m). Also included are sales to the associated company in respect of which appropriate unrealised profit adjustments (see note 1 h) 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 1980 were £42.2m (1979-£48.1m) and have been deducted wholly from the profits allocated to Xerox Corporation and subsidiary (see note 9).

### 4 Fixed Assets

a The principal categories comprise:		Land, Buildings, Equipment and Vehicles
At 31 October 1980	Rental Equipment	
Cost	797.1	317.2
Depreciation provision	442.2	106.3
Net book value	<b>354.9</b>	<b>210.9</b>
At 31 October 1979		
Cost	799.1	285.9
Depreciation provision	452.9	90.2
Net book value	<b>346.2</b>	<b>195.7</b>

b Rental equipment includes £36.4m (1979-£52.0m) in respect of equipment in course of manufacture.

### 5 Current Assets and Liabilities

a	1980	1979
Current Assets:		
Stocks and stores - see 5b	151.0	120.6
Due from fellow subsidiaries	4.6	4.3
Debtors and prepayments	284.1	303.0
Marketable securities	—	2.0
Short term deposits, bank balances and cash	73.1	69.7
	<b>512.8</b>	<b>499.6</b>
less Current Liabilities:		
Due to Xerox Corporation	29.3	34.5
Creditors, provisions and accrued expenses	164.1	172.9
Long term loans repayable within one year - see 5c	30.8	24.1
Bank overdrafts and acceptances	62.6	29.6
Taxation	92.1	107.8
Dividends	29.2	26.1
	<b>408.1</b>	<b>395.0</b>

Net current assets **104.7** **104.6**

b Stocks and stores comprise:	1980	1979
Finished machines	14.7	10.6
Consumables, spares and paper	101.6	83.8
Raw material and work in progress	34.7	26.2
	<b>151.0</b>	<b>120.6</b>

c Long term loans repayable within one year include the current portion of advances from Xerox Corporation amounting to £6.1m (1979-£14.3m).

### 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 1980 translated at rates of exchange consistent with the principles stated in note 1c.

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 1980 was £1.9m (1979-£2.1m).

Fluctuations in the provision for taxation attributable to the profits of the associated company result from those exchange gains and losses on translation which are not subject to taxation.

# RANK XEROX

## Notes to Combined Financial Statements

### 7 Other Assets

a These comprise:	1980	1979
Tools, jigs and machine fixtures – see 7b	6.1	2.4
Deferred pre-production expenditure	5.3	7.6
Loans for the purchase of 'E' shares – see 7c	1.7	1.5
Net investment in Sales-Type Leases	8.9	0.4
Other long term receivables	13.8	12.1
Goodwill – see 1m	4.1	4.2
	<b>39.9</b>	<b>28.2</b>

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 £6.5m (1979–£6.7m).

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 1980 was £7.9m (1979–£6.2m) against which provision has been made amounting to £6.2m (1979–£4.7m).

### 8 Share Capital and Premiums

a These comprise:	Xerox	Rank Organisation	'E' Shares	1980 Total	1979 Total
<b>Rank Xerox Limited:</b>					
Share capital	14.9	14.9	0.1	29.9	29.9
Share premium	–	–	3.0	3.0	3.0
<b>Rank Xerox Holding BV and Subsidiaries:</b>					
Share capital	1.2	0.7	–	1.9	1.9
Share premium	0.1	–	–	0.1	0.1
<b>Rank Xerox Investments Limited:</b>					
Share capital	1.3	0.7	–	2.0	2.0
Share premium	0.1	0.1	–	0.2	0.2
<b>Rank Xerox Business Equipment Inc:</b>					
Share capital – see 8b	–	–	–	–	–
Share premium	5.4	2.7	–	8.1	8.1
	<b>23.0</b>	<b>19.1</b>	<b>3.1</b>	<b>45.2</b>	<b>45.2</b>

b 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	Unappropriated Earnings	Non-distributable Reserves		Total
		Group Companies	Associated Company	
At 1 November 1979	415.0	53.3	47.2	515.5
Profit retained	68.4	–	–	68.4
Transfer to non-distributable reserves	(6.9)	1.7	5.2	–
At 31 October 1980	<b>476.5</b>	<b>55.0</b>	<b>52.4</b>	<b>583.9</b>

b The profits of the Group for the year ended 31 October 1980 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	227.3
Deduct: Outside Shareholders' share of subsidiary profits before taxation	(1.4)
Profit participation adjustments – see 9c	(3.7)
Add: Xerox Corporation charges	42.2
Profit participation	<b>264.4</b>

# RANK XEROX

## Notes to Combined Financial Statements

	Xerox Corporation and Subsidiary	The Rank Organisation Limited and Subsidiaries	Total
Profit participation	175.0	89.4	264.4
Deduct:			
Taxation:			
On profit per financial statements	75.4	38.5	113.9
Less taxation attributable to outside shareholders' share of profits	(0.7)	(0.3)	(1.0)
On Xerox Corporation charges and profit participation adjustments	13.1	6.7	19.8
Xerox Corporation charges and profit participation adjustments after taxation	18.7	–	18.7
Profit after taxation of the Group	68.5	44.5	113.0
Deduct: Dividends— see 9f	23.2	21.4	44.6
Retained earnings for the year	45.3	23.1	68.4
Unappropriated earnings at 1 November 1979	275.4	139.6	415.0
	320.7	162.7	483.4
Deduct:			
Transfers to non-distributable reserves:			
Group Companies	1.1	0.6	1.7
Associated Company	3.5	1.7	5.2
Unappropriated earnings at 31 October 1980	<b>316.1</b>	<b>160.4</b>	<b>476.5</b>
<b>Non-distributable Reserves</b>			
At 1 November 1979	35.4	17.9	53.3
Transfers as above	1.1	0.6	1.7
At 31 October 1980	<b>36.5</b>	<b>18.5</b>	<b>55.0</b>
<b>Non-distributable Reserves relating to Associated Company</b>			
At 1 November 1979	31.2	16.0	47.2
Transfers as above	3.5	1.7	5.2
At 31 October 1980	<b>34.7</b>	<b>17.7</b>	<b>52.4</b>

**c** In order to obtain accelerated overseas taxation relief, additional sums have been provided in the financial statements 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 1980 and retained earnings at that date are accordingly £2.3m and £55.2m respectively in excess of the aggregate of the relative amounts shown in the financial statements 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 consolidated financial statements by certain overseas subsidiaries and the associated company. Such taxes calculated at current rates amount to approximately £58.3m and

£4.8m 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.

**f** The dividends of £44.6m payable in respect of the year ended 31 October 1980, which have been calculated in accordance with the Master Agreement referred to in Note 9(b) include an amount of £18.3m payable to Xerox Corporation as regards which the paying company has not yet been determined; the determination may result in up to £7.8m of Advance Corporation Tax becoming currently payable.

# RANK XEROX

## Notes to Combined Financial Statements

### 10 Long Term Loans

	1980	1979
<b>a</b> These comprise:		
Not fully repayable within 5 years:		
Secured	6.0	7.4
Unsecured – banks	0.4	–
Unsecured – other	22.2	37.3
Xerox Corporation and subsidiary	23.5	23.5
Subsidiary of The Rank Organisation Limited	1.2	1.2
	<b>53.3</b>	<b>69.4</b>
Fully repayable within 5 years:		
Secured	0.5	0.5
Unsecured – banks	17.8	18.3
Unsecured – other	44.3	27.3
Xerox Corporation	7.0	39.4
Subsidiary of The Rank Organisation Limited	0.4	0.5
	<b>70.0</b>	<b>86.0</b>
Liabilities under Capital Leases	9.0	10.8
	<b>132.3</b>	<b>166.2</b>
<i>less</i> Repayable within 1 year	30.8	24.1
Parallel Loan	–	7.5
	<b>30.8</b>	<b>31.6</b>
	<b>101.5</b>	<b>134.6</b>
<b>b</b> Repayment periods from the balance sheet date (excluding capital leases and parallel loan) are as follows:		
1 year	29.5	22.2
2 years	17.1	29.8
3 years	9.3	20.7
4 years	5.9	11.6
5 years	21.1	6.6
6 to 10 years	35.7	50.1
thereafter	4.7	6.9
	<b>123.3</b>	<b>147.9</b>

# RANK XEROX

## Notes to Combined Financial Statements

	Average Interest Rate (1980)	1980	1979
<b>c</b> Loans are denominated in the following currencies:			
Not fully repayable within 5 years:			
Sterling	10.4%	26.5	38.1
Dutch guilders	10.0%	20.0	24.1
Other currencies	11.5%	6.8	7.2
		53.3	69.4
Fully repayable within 5 years, and capital leases:			
Sterling	7.3%	25.8	18.6
U.S. dollars	13.0%	10.3	34.3
Dutch guilders	9.2%	12.1	17.5
French francs	12.3%	17.3	11.7
Other currencies	11.7%	13.5	14.7
		132.3	166.2

### 11 Taxation

#### a Provision for the Year

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

United Kingdom:

  Corporation Tax at 52% (1979 – 52%):

    Current (£81.5m before double taxation relief: 1979 – £104.6m)

    Deferred

45.6    41.6  
(6.5)   (12.6)

39.1    29.0

Overseas:

  Current

  Deferred

65.2    81.6  
4.7    (4.0)

Prior Year Adjustments (including rate changes)

(5.2)    5.0

103.8    111.6

#### b Deferred Taxation

The amount shown in the combined balance sheet comprises:

Deferred taxation

less Advance Corporation Tax

  Taxation on unrealised inter and intra-group profits – see note 1h

133.1    116.1  
(4.7)    (8.9)

(130.5)   (115.1)

(2.1)    (7.9)

The deferred taxation balance at 31 October 1980 comprises:

Timing differences: fixed assets

                  other

UK stock relief

113.7  
(5.3)

24.7  
133.1

Pending the enactment of the proposals outlined in the Consultative Document issued on 14 November 1980 by the Board of Inland Revenue, no release of deferred taxation on UK Stock Relief has been made.

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

	1980	1979
These comprise:		
Provision for trade-in allowances on machines sold	10.6	10.6
Long-term pension liabilities	20.7	20.8
	<b>31.3</b>	<b>31.4</b>

### 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 £13.4m (1979 – £26.8m).

### 14 Capital Expenditure

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

	1980	1979
Expenditure contracted for	7.1	8.4
Expenditure authorised but not committed	13.6	17.0
	<b>20.7</b>	<b>25.4</b>

### 15 Subsidiaries

Details of the principal subsidiaries are as follows:

	Country of Incorporation	Percentage of Ordinary Share Capital Owned		
		Direct	Indirect	Total
<b>Subsidiaries of Rank Xerox Limited:</b>				
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	–	95	95
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 Iran Private Co Limited†	Iran	–	100	100
Rank Xerox SpA	Italy	–	100	100
Rank Xerox Kenya Limited	Kenya	100	–	100

# RANK XEROX

## Notes to Combined Financial Statements

	Country of Incorporation	Percentage of Ordinary Share Capital Owned		
		Direct	Indirect	Total
<b>Subsidiaries of Rank Xerox Limited:</b>				
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 operating outside the United Kingdom.				
*Operates in the Republic of Ireland. †By 1 July 1980 Rank Xerox Ltd. ceased to have control over its subsidiaries in Iran and accordingly the results and net assets of those subsidiaries have not been consolidated as from that date. No audited accounts have been received in respect of those subsidiaries for 1980.				
<b>Subsidiaries of Rank Xerox Holding BV:</b>				
Rank Xerox Manufacturing (Nederland) BV	Holland	100	–	100
Société Industrielle Rank Xerox SA	France	51	–	51
The remaining share capital of Société Industrielle Rank Xerox SA is held by Xerox Corporation and The Rank Organisation Group and accordingly forms part of 'Share Capital and Premiums' referred to in note 8.				
<b>Subsidiaries of Rank Xerox Investments Limited:</b>				
Xerox Egypt SAE	Egypt	75	–	75
Bessemer Insurance Limited	Bermuda	100	–	100
<b>Subsidiaries of Rank Xerox Business Equipment Inc:</b>				
Century Data Systems Limited	England	100	–	100
Cheshire Business Equipment Limited	England	100	–	100
Diablo Systems Limited	England	100	–	100
Versatec Electronics Limited	England	100	–	100
Xerox Computer Services 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 SARL	France	100	–	100
Century Data Systems GmbH	Germany	100	–	100
Cheshire Buromaschinen GmbH	Germany	100	–	100
Diablo Systems GmbH	Germany	100	–	100
Shugart Associates GmbH	Germany	100	–	100
Versatec GmbH	Germany	100	–	100
Xerox Computer Services BV	Holland	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 audited the combined financial statements of Rank Xerox (as defined in Note 1 to the combined financial statements) on pages 10 to 21 in accordance with approved Auditing Standards.

The combined financial statements have been prepared 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 give a true and fair view of the state of affairs of the Group at 31 October 1980 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

21 January 1981

# RANK XEROX

## Seven year Financial Summary

### Combined Profit and Loss Account

Figures in £millions

	1980	1979	1978	1977	1976	1975	1974
Turnover	<b>1,237.3</b>	<b>1,165.0</b>	<b>1,086.9</b>	<b>960.6</b>	<b>753.6</b>	<b>612.4</b>	<b>477.5</b>
Trading profit before charging depreciation and Xerox Corporation charges	395.7	399.9	398.1	407.7	284.7	241.3	231.7
Depreciation	131.4	114.4	108.0	90.2	83.5	72.9	59.8
	<b>264.3</b>	<b>285.5</b>	<b>290.1</b>	<b>317.5</b>	<b>201.2</b>	<b>168.4</b>	<b>171.9</b>
Interest receivable	14.7	11.3	7.4	9.2	5.2	2.5	1.5
	<b>279.0</b>	<b>296.8</b>	<b>297.5</b>	<b>326.7</b>	<b>206.4</b>	<b>170.9</b>	<b>173.4</b>
Interest payable	26.7	25.9	27.0	30.3	31.9	30.8	22.3
Group profit before Xerox Corporation charges	252.3	270.9	270.5	296.4	174.5	140.1	151.1
Share of profit before taxation of associated company	17.2	32.3	22.3	19.6	1.3	4.9	10.1
	<b>269.5</b>	<b>303.2</b>	<b>292.8</b>	<b>316.0</b>	<b>175.8</b>	<b>145.0</b>	<b>161.2</b>
Xerox Corporation charges	42.2	48.1	40.5	39.3	-	-	-
Profit before taxation	227.3	255.1	252.3	276.7	175.8	145.0	161.2
Taxation	113.9	123.0	122.2	106.3	86.2	71.5	74.9
Profit after taxation before extraordinary items	113.4	132.1	130.1	170.4	89.6	73.5	86.3
Extraordinary items	-	-	-	-	-	5.0	-
Profit after extraordinary items	113.4	132.1	130.1	170.4	89.6	68.5	86.3
Outside shareholders' interests in subsidiaries' profits	0.4	0.2	1.7	1.6	1.1	0.7	0.9
Profit attributable to Group shareholders	113.0	131.9	128.4	168.8	88.5	67.8	85.4
Dividends	44.6	45.2	49.3	69.1	46.6	44.6	14.0
	<b>68.4</b>	<b>86.7</b>	<b>79.1</b>	<b>99.7</b>	<b>41.9</b>	<b>23.2</b>	<b>71.4</b>
Amounts capitalised	-	-	-	3.7	-	-	-
Prior year adjustment: capital leases	-	-	-	2.9	-	-	-
Retained earnings for the year	<b>68.4</b>	<b>86.7</b>	<b>79.1</b>	<b>93.1</b>	<b>41.9</b>	<b>23.2</b>	<b>71.4</b>

### Combined Balance Sheet

#### Assets employed

Fixed Assets	565.8	541.9	479.6	455.7	406.4	398.4	351.5
Net current assets/(liabilities)	104.7	104.6	93.9	56.4	63.0	37.1	(16.9)
Associated company	58.6	53.4	34.6	25.6	17.6	25.1	25.7
Other Assets	39.9	28.2	27.8	27.1	27.9	26.7	22.6
	<b>769.0</b>	<b>728.1</b>	<b>635.9</b>	<b>564.8</b>	<b>514.9</b>	<b>487.3</b>	<b>382.9</b>

#### Financed by

Share capital and premiums	45.2	45.2	34.9	34.9	30.3	30.2	29.4
Reserves	583.9	515.5	428.8	349.7	256.5	214.6	191.4
Total shareholders' equity	629.1	560.7	463.7	384.6	286.8	244.8	220.8
Outside shareholders' interests in subsidiaries	9.2	9.3	9.3	8.0	6.0	4.6	3.8
Deferred taxation	(2.1)	(7.9)	(16.9)	(16.4)	0.1	16.8	31.1
Long term loans	101.5	134.6	157.3	177.9	213.4	216.9	125.0
Other non-current liabilities	31.3	31.4	22.5	10.7	8.6	4.2	2.2
	<b>769.0</b>	<b>728.1</b>	<b>635.9</b>	<b>564.8</b>	<b>514.9</b>	<b>487.3</b>	<b>382.9</b>

#### 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

## Rank Xerox Holding BV Supervisory Board Directors

### Chairman

D T Kearns

### Deputy Chairman

H Orr-Ewing

Russell W Evans MC

R C O'Donoghue

G H Peregrine

F J Pipp

Harry Smith

J B Smith

### Managing Director

L A Stierman

RECEIVED  
JUL 09 1981  
XEROX SOURCE LIBRARY

## Rank Xerox Investments Limited Directors

### President

W F Souders

M H Antonini

J Campbell

J Ellison

Russell W Evans MC

## Rank Xerox Business Equipment Inc. Directors

### Chairman

W F Souders

### President

Russell W Evans MC

P H Courtney

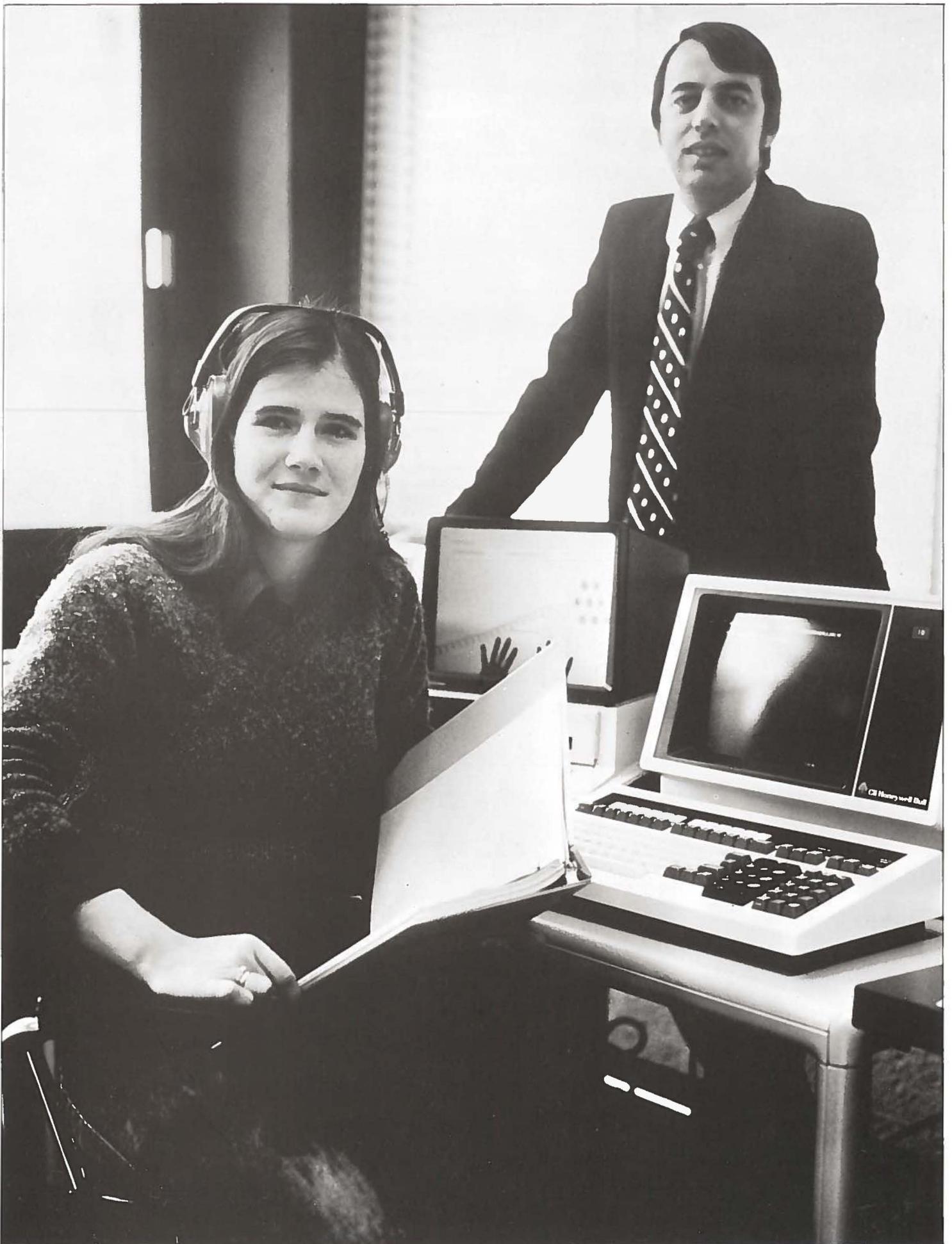
D T Kearns

J V Titsworth

Opposite page:

Rank Xerox is making considerable investments to automate control of customer calls and inventories using mini computers. One system is Field Work Support System seen here being operated in Amsterdam by Vivian Hardie with FWSS Manager Clements Pagano Mirani

# RANK XEROX



# RANK XEROX

Rank Xerox and Xerox are registered trademarks of  
Rank Xerox Limited

Designed by Guyatt/Jenkins Limited, London  
Printed by Beric Press Limited, Crawley

