

Rank Xerox

Companies Jointly Owned by Xerox Corporation and The Rank Organisation Limited

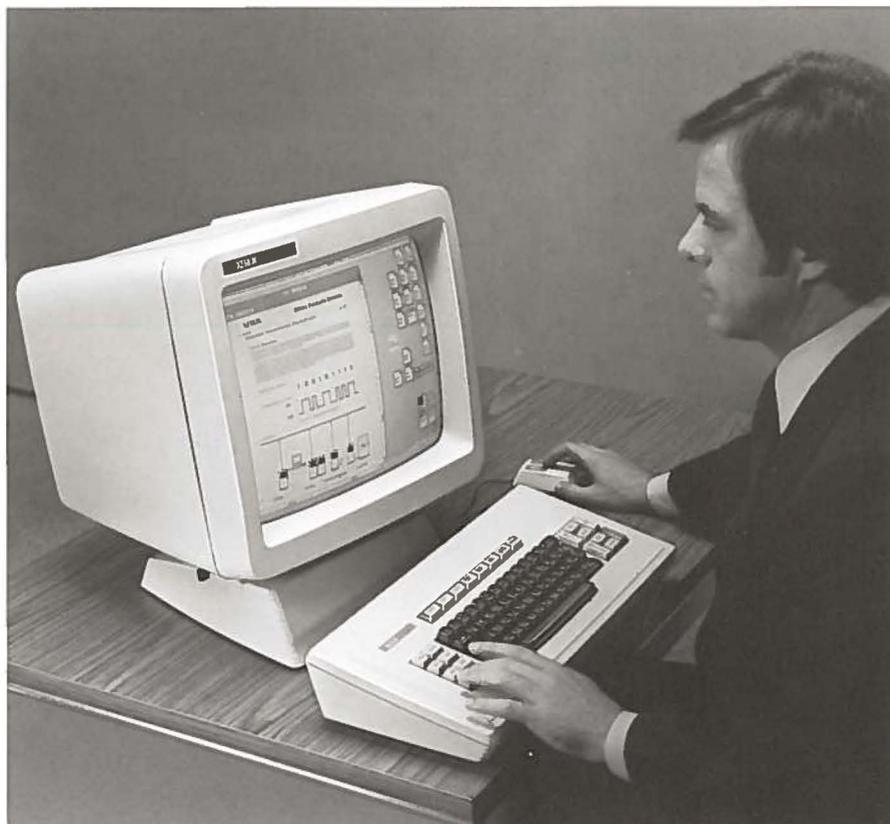
This report is issued by Rank Xerox Limited, 338 Euston Road, London NW1 3BH, on behalf of the companies owned jointly by Xerox Corporation of the USA and The Rank Organisation Limited of the UK.

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 principal subsidiaries of each holding company are shown in note 16 on pages 18 and 19. The financial statements 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 office information systems, computer related 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.



The Xerox 8010 Professional Work Station has a wide screen which can display two A4 pages of text side by side. Text, graphics and records can be easily created, modified and stored, using a hand-held control device—the 'mouse'—and the keyboard.

Symbols on the screen offer the user a selection of resources, such as electronic mail, and documents can be distributed to local and remote users on Ethernet local area networks at the touch of a button. No special skills are needed to use the system, which has been designed particularly for professionals and middle managers as an aid to increasing their productivity.

Rank Xerox
Contents

Review of the Year	2-4
Directors of the Holding Companies	5
Combined Financial Statements	6-19
Combined Profit and Loss Account	6
Combined Balance Sheet	7
Combined Statement of Source and Application of Funds	8-9
Notes to Combined Financial Statements	10-19
Combined Current Cost Accounts	20-22
Combined Current Cost Profit and Loss Account	20
Combined Current Cost Balance Sheet	21
Notes to Combined Current Cost Accounts	22
Report of the Auditors	23
Eight Year Financial Summary	24-25

Review of the Year

1981 has been a particularly difficult year for industry. Most countries in Europe experienced a fall in gross national product. At the same time, inflation and interest rates have been at high, and sometimes unprecedented levels. In recognising these adverse conditions we have continued to improve cost effectiveness and to be more competitive.

During the year we installed the highest number of copier/duplicator machines in any one year in our history; at the same time we achieved substantial productivity improvements. In 1981, significant new products were added to our office information systems range which aims at establishing Rank Xerox as a leader in what is undoubtedly the growth market of the future.

The year 1981 also marked the 25th anniversary of Rank Xerox Limited. Since its formation in 1956 the Company has become one of the most successful and enduring joint ventures in business history.

Results

Revenues for the year to 31 October 1981 rose by 2 per cent to £1,268 million. Profit before tax and before Xerox Corporation charges amounted to £261 million against £264 million for 1980. The fall in profits was due entirely to movements of sterling against other

currencies. Both these figures are based on Statement No. 52 of the US Financial Accounting Standards Board concerning foreign currency translation issued in December 1981. This revised accounting standard requires that gains or losses made as a result of currency fluctuations in translating subsidiary companies' balance sheets be reflected as part of shareholders' funds, rather than included in the profit and loss account.

Under the previous convention, FASB Statement No. 8, our profits before tax and before Xerox Corporation charges would have been £216 million for 1981 and £269 million for 1980.

A better indication of operating performance is seen by excluding exchange rate effects. On this basis profits grew by 4 per cent. We regard this as a creditable performance in a period of economic recession coupled with intensified competition.

Fuji Xerox Co., Ltd. played a significant role in 1981 in its contribution to Group profits. After a good performance in the second half, Fuji Xerox' underlying profits growth for the year, before exchange rate effects, was 16 per cent. However, after the favourable effects of currency fluctuations, our share of its profits before tax was £27 million against £19 million in the previous year.

In 1981 Rank Xerox contributed £60 million, compared with £42 million in 1980, to the research and development costs and corporate overheads of Xerox Corporation. To a large extent this increase was the result of the weakness of the pound against the dollar.

Since the distribution of profits from the jointly owned companies is calculated before the allocation of these costs, profits attributable to Xerox Corporation and The Rank Organisation Limited are not affected. After these charges, profits before tax amounted to £201 million.

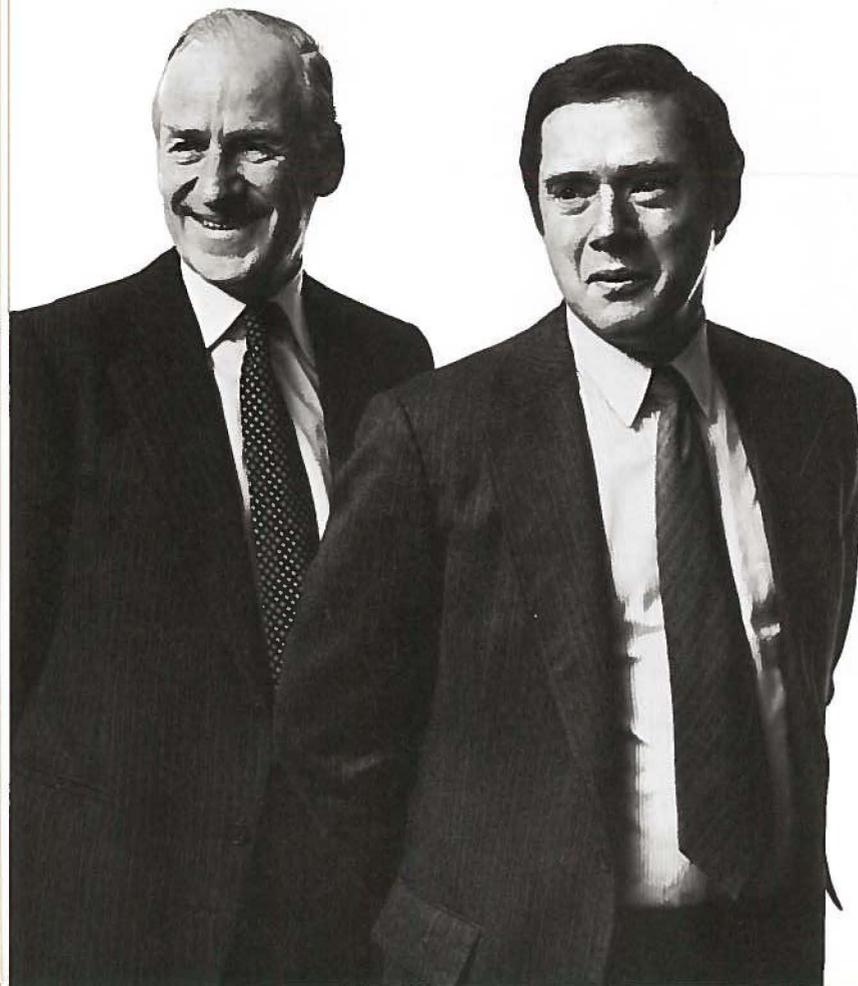
As a result of changes in legislation relating to UK stock relief, the effective tax rate for 1981 was lower than that for 1980. This is reflected in profits after tax amounting to £124 million against £105 million in the previous year. Under FASB Statement No. 8, the profits after tax would have been £82 million for 1981 and £113 million for 1980.

Cost effectiveness

"We are convinced that the Group's future success is dependent on maintaining productivity improvements."

In our review last year, we said that at a time of economic recession, high inflation and increasing competitive pressures in our industry, the most critical task we faced was to achieve a constantly higher level of cost effectiveness. Achievements so far have been encouraging.

Mr Hamish Orr-Ewing (left), Chairman, and
Mr Paul Allaire, Managing Director, of Rank Xerox Limited



Cost effectiveness became a primary Rank Xerox target in the late 1970s. As a result of a number of specific projects, productivity has been improved substantially throughout the business. Over the last three years the improvement has been over twice the rate of earlier years, more than matching our target for the end of 1981. Productivity improvements continue to be a vital goal, and vigorous plans have been made to provide similar improvements in 1982 and beyond.

We are convinced that the Group's future success is dependent on maintaining productivity improvements. The competitive environment will be as strong as ever in reprographics, and we face formidable competitors in systems products. The challenge is well recognised throughout every area of operations, and because of that we are confident of meeting our demanding targets.

Overall, employment levels declined slightly during the year; there were some reductions at the main manufacturing sites – Mitcheldean, Welwyn and Venray. Keeping the right balance of people with appropriate skills in a changing business environment is not easy and will present us with a continuing challenge.

The reprographic market

“Installations of copiers and duplicators in 1981 were the highest we have ever achieved in a single year.”

Although the recession has had an impact on the reprographic market, growth continues at a good, if reduced pace. The strong demand in this sector has continued to stimulate new competitive activity. We have seen the emergence of significant new competitors both at the top end from US manufacturers and in the middle and lower volume ranges from Japanese manufacturers. In the past three years, five major companies have entered the market and 85 new competitive products.

During these years, Rank Xerox has introduced new products across the whole range of the market. Products introduced in 1981 include the Xerox 2350 which brings copy size reduction facilities to the low volume sector and the Xerox 3300, which is also for low volume users and provides a document feeder and 5-bin sorter.

The products announced in 1980 which were progressively launched in our major markets during 1981 have been well received. These include the Xerox 5600 – with automatic two-sided copying, re-circulating document handler and automatic stapling – and the Xerox 8200 and 9500 which produce copies at high speed with offset litho quality.

Installations of copiers and duplicators in 1981 were the highest we have ever achieved in a single year. Particular efforts were made during the year to balance

profitability and market share by adjusting prices. The changes made have varied country by country depending on market conditions, but nowhere have we been able to fully recover rising costs by increasing prices; in some cases price reductions have been necessary. With our new products, new marketing initiatives and competitive pricing we expect the trend of increased installations to continue.

In response to changing market conditions we revised our direct sales organisation to put more emphasis on major customers. At the same time, we recognise that it is important to be a key supplier to small customers who also demand competitive office equipment of high quality.

We are witnessing a growing mass market and the challenge is to be able to serve these customers in a cost effective way. To meet these needs, we are building a sales organisation to sell to small businesses. Since it is becoming more difficult to cover this large market economically through our traditional direct sales organisation, we are exploring a number of alternative distribution and selling methods.

Our experiments in telephone prospecting, mail order and coupon advertising have been successful. We are extending these activities and we are also appointing dealers and distributors. At the same time, our chain of retail stores, at present only in the UK and France, is being selectively expanded. The combination of these selling methods with our direct sales organisation will differ country by country to suit the market.

Information systems

“The advanced technology and the extensive practical network systems experience gained by Xerox and Rank Xerox over many years gives us a very firm base from which to pursue the opportunities in this exciting new market”

1981 was a year of progress for our developing information systems business. A number of new products has been introduced which will bring Rank Xerox into a lead position in the fast growing market for office information products and systems. The principal products introduced have been electronic typewriters, a personal computer and a professional workstation.

These important new products join those already established in the market.

The Xerox 600 series of electronic typewriters has four models ranging from a low cost model with a half page memory, to a communicating version with a 10-page memory and a visual display. These electronic typewriters are an important step in our plans and demonstrate a further commitment to our strategy of becoming total suppliers of office information products.

The electronic typewriter is the natural successor to the electric typewriter but with the advantage that it can help organisations to evolve towards complete office communications systems. The communicating display models can be connected to the Xerox Ethernet local area network. Ethernet links different items of equipment within an office or between offices for high speed exchange of information.

We believe the Xerox 600 series of electronic typewriters are the right products at the right time while the market is in the early stages of transformation from electric to electronic typing. The electronic segment is already growing fast. It is anticipated that by 1986 over half of all typewriters in use in Europe will be electronic and Rank Xerox is entering this next generation market with a product based on excellent technology and high volume, low cost manufacturing capability. Initial supplies of typewriters are being made in the US but production will take place in Europe in 1982.

The Xerox 820 is a personal desk-top computer and display word processor and can be used for electronic mail. The professional workstation, the Xerox 8010 Information System, allows managers to create, modify, store and retrieve text, graphics and records. It has a wide screen which can display two A4 pages simultaneously. Users can also distribute documents via electronic mail to local and remote users on the Ethernet network.

In addition to these new products our range of word processors (including the Xerox 860), Telecopier facsimile machines and the Xerox 9700 laser-based electronic printer did well.

The advanced technology and the extensive practical network systems experience gained by Xerox and Rank Xerox over many years gives us a very firm base from which to pursue the opportunities in this exciting new market. Beyond doubt, the rate of growth of this sector of the business will now be substantial. Having said that, it must be appreciated that while the long term rewards are expected to be very good, considerable investment will be required to achieve these rewards.

Directors

Rank Xerox Limited

We welcome to the Board Roland Magnin, Director, Marketing Planning and Operations Support, who was previously Regional Manager of Rank Xerox in France and Belgium. In his new position, he retains his role as Chairman of Rank Xerox SA, France.

Rank Xerox Investments Limited

We welcome to the Board J Maldwyn Thomas who retired as Chairman of Rank Xerox Limited in 1979.

Rank Xerox Business Equipment Inc.

W F Souders has been succeeded as Chairman by J V Titsworth and J R Milligan has been appointed a Director.

The future

"Rank Xerox is determined to remain a leader in an industry that, over the next decade, will experience outstanding growth both in reprographics and in the emerging office automation market."

Our fundamental strategy is that in all elements of our operations we will offer the best quality and service in our industry. We are firmly in the business of selling productivity in the office environment and delivering maximum efficiency and cost effectiveness.

The year ahead will be one of investment in the marketing of new products, in improving distribution methods, and in ensuring that our own operations continue to be more cost effective. Our profits will continue to be affected by these heavy investments.

Rank Xerox is determined to remain a leader in an industry that, over the next decade, will experience outstanding growth both in reprographics and in the emerging office automation market. We operate in a rapidly changing business environment and the ability of Rank Xerox people to change their working environment and methods is of cardinal importance to our success. While change is not always comfortable or welcome it is, nonetheless, imperative. The complacency derived from past successes has irreparably damaged some once-great businesses. Rank Xerox does not intend to fall victim to such problems.

We are completely confident of our company's ability to adapt both to changing world conditions and new trends in the industry in which we operate.



H Orr-Ewing



P A Allaire

Rank Xerox Directors of the Holding Companies

Rank Xerox Limited

Joint Presidents
C Peter McColough
Sir John Davis

Chairman
H Orr-Ewing

Managing Director
P A Allaire

M H Antonini
H C Debuissier
Russell W Evans MC
W F Glavin
L Gonzalez-Camino
W R Hicks
R A Holmes
D P Hornby
D T Kearns
R E G Magnin
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 Holding BV

Supervisory Board

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

Rank Xerox Investments Limited

President
W F Souders

M H Antonini
J D Campbell
J A Ellison
Russell W Evans MC
J Maldwyn Thomas

Rank Xerox Business Equipment Inc

Chairman
J V Titsworth

President
Russell W Evans MC

P H Courtney
D T Kearns
J R Milligan

Combined Profit and Loss Account

For the year ended 31 October 1981

	1981 £m	1980 £m
Turnover (note 2)	<u>1,268.2</u>	<u>1,237.3</u>
Trading Profit before charging Depreciation and Xerox Corporation charges	371.3	380.4
Depreciation – Rental Equipment	91.9	95.0
– Other	29.4	28.7
	<u>121.3</u>	<u>123.7</u>
	250.0	256.7
Interest Receivable	12.4	14.6
	<u>262.4</u>	<u>271.3</u>
Interest Payable	27.6	26.7
Profit before Taxation and Xerox Corporation charges of Group Companies	234.8	244.6
Share of Profit before Taxation of Associated Company (note 6)	26.5	19.4
Profit before Taxation and Xerox Corporation charges	261.3	264.0
Xerox Corporation charges (note 3)	60.4	42.2
Profit before Taxation	200.9	221.8
Taxation based thereon:		
Group Companies (as reduced by £26.5m in respect of prior years' UK stock relief) (note 12)	62.5	106.7
Associated Company (note 6)	14.8	10.1
	<u>77.3</u>	<u>116.8</u>
Profit after Taxation	123.6	105.0
Outside Shareholders' Interests in Subsidiaries' Profits	1.8	0.4
Profit after Taxation attributable to the Shareholders of the Group	121.8	104.6
Dividends (note 9)	23.7	44.6
	<u>98.1</u>	<u>60.0</u>
Retained Earnings for the Year (note 9)	98.1	60.0
STATEMENT OF RETAINED EARNINGS		
Retained Earnings at the start of the Year (as previously reported)	583.9	515.5
Prior Year Adjustment (note 10)	(13.6)	(5.2)
As Restated	<u>570.3</u>	<u>510.3</u>
Retained Earnings for the Year (as above)	98.1	60.0
	<u>668.4</u>	<u>570.3</u>
Retained Earnings at the end of the Year	668.4	570.3

The notes on pages 10 to 19 form part of the combined financial statements

Rank Xerox
Combined Balance Sheet

At 31 October 1981

	1981 £m	1980 £m
ASSETS EMPLOYED		
Rental Equipment (note 4)	334.2	293.6
Land, Buildings, Equipment and Vehicles (note 4)	<u>214.5</u>	<u>201.2</u>
Total Fixed Assets	548.7	494.8
Current Assets	589.0	504.7
less Current Liabilities	<u>454.7</u>	<u>408.1</u>
Net Current Assets (note 5)	134.3	96.6
Associated Company (note 6)	74.9	56.9
Other Assets (note 7)	<u>87.5</u>	<u>39.0</u>
	<u>845.4</u>	<u>687.3</u>
FINANCED BY		
Share Capital and Premiums (note 8)	45.1	45.2
Reserves (note 9)	<u>648.6</u>	<u>489.7</u>
Total Shareholders' Equity	693.7	534.9
Outside Shareholders' Interests in Subsidiaries	10.2	9.2
Deferred Taxation (note 12)	<u>(11.0)</u>	<u>10.4</u>
Long Term Loans (note 11)	114.3	101.5
Other Non-current Liabilities (note 13)	<u>38.2</u>	<u>31.3</u>
	<u>845.4</u>	<u>687.3</u>

H Orr-Ewing

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

P A Allaire

Managing Director, Rank Xerox Limited

25 January 1982

Combined Statement of Source and Application of Funds

For the year ended 31 October 1981

	1981 £m	1980 £m
SOURCE OF FUNDS		
Funds from Operations		
Profit after Taxation of the Group	121.8	104.6
less Profit Retained in Associated Company	<u>9.3</u>	<u>7.3</u>
	112.5	97.3
<i>add</i> Charges which do not require funds:		
Depreciation	121.3	123.7
Deferred Taxation	3.0	14.9
Other	<u>4.8</u>	<u>17.1</u>
Total Funds from Operations	241.6	253.0
Other Sources		
Disposal of Fixed Assets	59.9	54.2
Additional Long Term Loans	47.1	26.3
Additional Non-current Liabilities	6.9	—
Currency Translation (see opposite)	<u>(4.2)</u>	<u>(15.6)</u>
	351.3	317.9
 APPLICATION OF FUNDS		
Additions to Fixed Assets:		
Rental Equipment	168.3	168.4
Land, Buildings, Equipment and Vehicles	<u>30.1</u>	<u>41.3</u>
	198.4	209.7
Net Investment in Sales-type Leases	49.8	8.5
Reduction of Long Term Loans	39.2	45.9
Dividends Paid	38.0	41.5
Other	<u>2.5</u>	<u>19.4</u>
	327.9	325.0
 Increase (Decrease) in Working Capital	 <u>23.4</u>	 <u>(7.1)</u>

The notes on pages 10 to 19 form part of the combined financial statements

	1981 £m	1980 £m
ANALYSIS OF CHANGE IN WORKING CAPITAL		
Increase in Stocks and Stores	15.7	20.1
Increase (Decrease) in Debtors and Prepayments	72.2	(18.9)
(Increase) Decrease in amounts due to Xerox Corporation and fellow subsidiaries	(26.9)	5.5
(Increase) Decrease in Creditors, Provisions and Accrued Expenses	(46.8)	8.8
Increase in Long Term Loans repayable within one year	(2.5)	(6.7)
Decrease in Taxation	16.7	15.7
	<u>28.4</u>	<u>24.5</u>
Increase (Decrease) in Net Liquid Funds:		
Marketable Securities	0.3	(2.0)
Short Term Deposits, Bank Balances and Cash	(7.7)	3.4
Bank Overdrafts and Acceptances	2.4	(33.0)
	<u>(5.0)</u>	<u>(31.6)</u>
Increase (Decrease) in Working Capital	<u>23.4</u>	<u>(7.1)</u>
Currency Translation comprises:		
Movement on Currency Translation Account	60.8	(110.2)
<i>less</i> Relating to Associated Company	(8.7)	1.8
	<u>52.1</u>	<u>(108.4)</u>
Arising on Translation of Fixed Assets	(36.8)	108.0
Arising on Translation of Long Term Loans	4.9	(13.4)
Arising on Translation of Deferred Taxation	(24.4)	(1.8)
	<u>(4.2)</u>	<u>(15.6)</u>

The balances of £(4.2)m and £(15.6)m for 1981 and 1980 respectively represent the aggregate effect on working capital and profit after taxation of changes in exchange rates during the year.

Figures in £ millions (except where otherwise indicated)

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 foreign currencies

The Group has adopted Statement of Financial Accounting Standards No 52 issued by the United States Financial Accounting Standards Board relating to the translation of foreign currencies in place of the temporal method prescribed by Statement of Financial Accounting Standards No 8. The effects of this change are shown in note 10 and the policy adopted to comply with the new standard is set out below. Comparative figures for 1980 have been restated in accordance with the new policy.

i Assets and liabilities of the reporting entities that are denominated in non-local currencies have been translated into the currency of the reporting entity at rates approximating to the mid-market rates ruling at 31 October 1981. The gains and losses arising together with exchange gains and losses on trading transactions are dealt with in the respective profit and loss accounts.

ii Balance sheets of reporting entities that are denominated in foreign currencies are translated into sterling at rates approximating to mid-market rates ruling at 31 October 1981 for consolidation. Profit and loss items are translated at average rates applying during the year and unrealised profits on intra-group transfers are eliminated at the rates ruling when such profits arose. Translation differences, which principally represent the gain or loss arising on overseas net assets as a result of changes in exchange rates during the year, are dealt with in the currency translation account.

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 certain provisions on stocks and debtors over the corresponding cumulative amounts charged in the combined financial statements, together with tax on the profits recognised on sales-type leases in advance of receipt of rental income. Offset against this is the taxation on unrealised inter and intra-group profits referred to in notes 1h and 12b below.

Under Statement of Standard Accounting Practice No 15 issued by the United Kingdom Accounting Standards Committee, deferred taxation should 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.

As a result of the Finance Act 1981 stock relief will not generally be clawed back and thus will not give rise to a timing difference. Accordingly, the deferred tax provision on UK stock relief as at 1 November 1980 has been written back in the profit and loss account and no provision for deferred tax has been made on the stock relief claimed for 1981.

Deferred tax provisions on other items are not significant and will be retained. 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 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	4-5 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 and spare parts. 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 has been 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 has been written off as incurred.

1 Principles of Combination and Accounting Policies (continued)

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 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

to provide an approximately 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

£16.9m (1980 – £12.8m). Also included are sales to the associated company in respect of which appropriate unrealised profit adjustments (see note 1h) have been made.

3 Xerox Corporation Charges

With effect from 1 November 1976, the Group has been 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 1981 were £60.4m (1980 – £42.2m) and have been deducted wholly from the profits allocated to Xerox Corporation and subsidiary (note 9).

4 Fixed Assets

a The principal categories comprise:

At 31 October 1981

	Rental equipment	Land, buildings, equipment and vehicles
Cost	767.4	332.0
Depreciation provision	433.2	117.5
Net book value	<u>334.2</u>	<u>214.5</u>

At 31 October 1980

Cost	680.3	299.5
Depreciation provision	386.7	98.3
Net book value	<u>293.6</u>	<u>201.2</u>

b Rental equipment includes £35.6m (1980 – £35.8m) in respect of equipment in course of manufacture.

Notes to Combined Financial Statements

Figures in £ millions (except where otherwise indicated)

5 Current Assets and Liabilities	1981	1980
<i>a</i> These comprise:		
Current assets		
Stocks and stores (note 5 <i>b</i>)	158.6	142.9
Due from fellow subsidiaries	8.4	4.6
Debtors and prepayments	356.3	284.1
Marketable securities	0.3	—
Short term deposits, bank balances and cash	65.4	73.1
	<u>589.0</u>	<u>504.7</u>
<i>less</i> Current liabilities		
Due to Xerox Corporation	60.0	29.3
Creditors, provisions and accrued expenses	210.9	164.1
Long term loans repayable within one year (note 5 <i>c</i>)	33.3	30.8
Bank overdrafts and acceptances	60.2	62.6
Taxation	75.4	92.1
Dividends	14.9	29.2
	<u>454.7</u>	<u>408.1</u>
 Net current assets	 <u>134.3</u>	 <u>96.6</u>
 <i>b</i> Stocks and stores comprise:		
Finished machines	33.8	13.9
Consumables, spares and paper	93.4	96.1
Raw materials and work in progress	31.4	32.9
	<u>158.6</u>	<u>142.9</u>

c Long term loans repayable within one year include the current portion of advances from Xerox Corporation amounting to Nil (1980 – £6.1m).

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 1981 translated at rates of exchange consistent with the principles stated in note 1*c*.

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 1981 was £2.4m (1980 – £1.9m).

7 Other Assets	1981	1980	
<i>a</i> These comprise:			
Tools, jigs and machine fixtures (note 7b)	10.7	5.4	<i>b</i> Tools, jigs and machine fixtures are stated locally at cost less amounts charged to date against the manufacture of equipment. Expenditure on such assets during the year amounted to £5.0m (1980 – £6.5m).
Deferred pre-production expenditure	2.8	5.1	<i>c</i> Loans for the purchase of 'E' shares
Loans for the purchase of 'E' shares (note 7c)	3.0	1.7	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 31 October 1981 was £10.1m (1980 – £7.9m) against which provision has been made amounting to £7.1m (1980 – £6.2m).
Net investment in sales-type leases	58.7	8.9	
Other long term receivables	8.6	13.8	
Goodwill (note 1m)	3.7	4.1	
	<u>87.5</u>	<u>39.0</u>	

8 Share Capital and Premiums	Xerox	Rank Organisation	'E' Shares	1981 Total	1980 Total
<i>a</i> These comprise:					
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	0.6	—	1.8	1.9
Share premium	0.1	—	—	0.1	0.1
Rank Xerox Investments Limited:					
Share capital	1.3	0.7	—	2.0	2.0
Share premium	0.1	0.1	—	0.2	0.2
Rank Xerox Business Equipment Inc:					
Share capital (note 8b)	—	—	—	—	—
Share premium	5.4	2.7	—	8.1	8.1
	<u>23.0</u>	<u>19.0</u>	<u>3.1</u>	<u>45.1</u>	<u>45.2</u>

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.

Notes to Combined Financial Statements

Figures in £ millions (except where otherwise indicated)

9 Reserves	Unappropriated earnings	Non-distributable reserves Group Companies	Associated Company	Total
<i>a Movements in reserves</i>				
Retained earnings				
At 1 November 1980 (as restated)	461.8	54.0	54.5	570.3
Profit retained	98.1	—	—	98.1
Transfer to non-distributable reserves	(9.9)	0.6	9.3	—
At 31 October 1981	<u>550.0</u>	<u>54.6</u>	<u>63.8</u>	<u>668.4</u>
Currency translation account				
At 1 November 1980 (note 10)				(80.6)
Movement in year				60.8
At 31 October 1981				<u>(19.8)</u>
				<u>648.6</u>
 <i>b</i> The profits of the Group for the year ended 31 October 1981 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:				
			1981	1980
Profit before taxation			200.9	221.8
deduct outside shareholders' share of subsidiaries' profits before taxation			(2.9)	(1.4)
profit participation adjustments (note 9e)			(6.5)	(3.7)
add Xerox Corporation charges			60.4	42.2
Profit participation			<u>251.9</u>	<u>258.9</u>
		Xerox Corporation and subsidiary	The Rank Organisation Limited and subsidiaries	Total
Profit participation		166.7	85.2	251.9
deduct				
Taxation:				
On profit per financial statements		51.1	26.2	77.3
less taxation attributable to outside shareholders' share of profits		(0.7)	(0.4)	(1.1)
On Xerox Corporation charges and profit participation adjustments		18.2	9.3	27.5
Xerox Corporation charges and profit participation adjustments after taxation		26.4	—	26.4
Profit after taxation of the Group		71.7	50.1	121.8
deduct dividends		6.7	17.0	23.7
Retained earnings for the year		65.0	33.1	98.1
Unappropriated earnings at 1 November 1980 (as restated)		306.4	155.4	461.8
deduct		371.4	188.5	559.9
Transfers to non-distributable reserves:				
Group companies		0.4	0.2	0.6
Associated Company		6.2	3.1	9.3
Unappropriated earnings at 31 October 1981		<u>364.8</u>	<u>185.2</u>	<u>550.0</u>

9 Reserves (continued)

	Xerox Corporation and subsidiary	The Rank Organisation Limited and subsidiaries	Total
Non-distributable reserves: Group companies			
At 1 November 1980 (as restated)	35.8	18.2	54.0
Transfers as above	<u>0.4</u>	<u>0.2</u>	<u>0.6</u>
At 31 October 1981	<u>36.2</u>	<u>18.4</u>	<u>54.6</u>
Non-distributable reserves: Associated Company			
At 1 November 1980 (as restated)	36.1	18.4	54.5
Transfers as above	<u>6.2</u>	<u>3.1</u>	<u>9.3</u>
At 31 October 1981	<u>42.3</u>	<u>21.5</u>	<u>63.8</u>

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 1981 is accordingly £4.6m less than, and retained earnings at that date £47.0m greater than 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 £78.5m and £6.6m 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.

10 Prior Year Adjustment

The effect of the change in accounting policy, referred to in note 1c, has been to increase retained earnings for the year by £41.2m (1980 – decrease – £8.4m). The financial statements for the year ended 31 October 1980 have been restated in accordance with this policy and the effect on retained earnings at 31 October 1979, a reduction of £5.2m, is shown as an adjustment to retained earnings at 1 November 1979.

The opening balance at 1 November 1980 on currency translation account of £80.6m represents the balance arising on the restatement of the assets and liabilities of the Group at that date in accordance with the policy referred to in note 1c.

12 Taxation	1981	1980
<i>a Provision for the year</i>		
The amount shown in the combined profit and loss account comprises:		
United Kingdom:		
Corporation Tax at 52% (1980 – 52%):		
Current (£55.3m before double taxation relief: 1980 – £81.5m)	26.2	45.6
Deferred	3.1	(6.5)
Release of deferred taxation relating to prior years' UK stock relief	(26.5)	—
	<u>2.8</u>	<u>39.1</u>
Overseas – Current	33.0	65.2
– Deferred	27.6	7.6
Prior year adjustments (including rate changes)	(0.9)	(5.2)
	<u>62.5</u>	<u>106.7</u>

The tax charge for 1981 has been reduced by £5.5m in respect of stock relief for which no provision for deferred taxation is required.

b Deferred taxation

The amount shown in the combined balance sheet comprises:

Deferred taxation	118.5	136.8
less Advance Corporation Tax	(7.0)	(4.7)
less taxation on unrealised inter and intra-group profits (note 1h)	(122.5)	(121.7)
	<u>(11.0)</u>	<u>10.4</u>

The deferred taxation balance at 31 October comprises:

Timing differences – fixed assets	111.4	117.4
– sales-type leases	19.4	3.5
– other	(12.3)	(8.8)
UK stock relief	—	24.7
	<u>118.5</u>	<u>136.8</u>

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.

13 Other Non-current Liabilities

Other non-current liabilities of £38.2m (1980 – £31.3m) include £28.4m in respect of long term pension liabilities (1980 – £20.7m).

14 Contingent Liabilities

There are contingent liabilities, arising in the normal course of business, in respect of bills discounted, guarantees and others amounting to approximately £14.0m (1980 – £13.4m).

Notes to Combined Financial Statements

Figures in £ millions (except where otherwise indicated)

15 Capital Expenditure	1981	1980
No provision has been made in the combined financial statements for the following capital expenditure, which excludes rental equipment:		
Expenditure contracted for	6.1	7.1
Expenditure authorised but not committed	24.9	13.6
	<u>31.0</u>	<u>20.7</u>

16 Subsidiaries

	Country of incorporation	Percentage of ordinary share capital owned		Total
		Direct	Indirect	

Details of the principal subsidiaries are as follows:

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	—	95	95
Rank Xerox SA	France	100	—	100
Rank Xerox GmbH	Germany	—	100	100
Rank Xerox Greece SA	Greece	69	31	100
Rank Xerox (Nederland) BV	Holland	—	100	100
Rank Xerox SpA	Italy	—	100	100
Rank Xerox Kenya Limited	Kenya	100	—	100
Rank Xerox New Zealand 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.

Throughout the year under review, Rank Xerox Limited did not have control over its subsidiaries in Iran and accordingly the results and net assets of those subsidiaries have not been consolidated. No audited accounts have been received in respect of those subsidiaries for 1981.

16 Subsidiaries (continued)

	Country of incorporation	Percentage of ordinary share capital owned		Total
		Direct	Indirect	

Subsidiaries of Rank Xerox Holding BV:

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.

Subsidiaries of Rank Xerox Investments Limited:

Xerox Egypt SAE	Egypt	75	—	75
Bessemer Insurance Limited	Bermuda	100	—	100
Rank Xerox Côte d'Ivoire SA	Ivory Coast	100	—	100
Investissements Xerographiques Marocains SA	Morocco	50	—	50
Xerox Maroc SA	Morocco	50	25	75

Subsidiaries of Rank Xerox Business Equipment Inc:

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

17 Holding Company

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

Combined Current Cost Profit and Loss Account

For year ended 31 October 1981

	1981 £m	1980 £m
Turnover	<u>1,268.2</u>	<u>1,237.3</u>
Historical Cost Profit Before Interest on Net Borrowing (note 2)	195.5	214.5
<i>less</i> Current Cost Operating Adjustments:		
Depreciation – Rental Equipment (note 3)	41.4	36.7
– Other (note 3)	9.0	8.6
Cost of Rentals and Sales (note 4)	28.9	32.3
Monetary Working Capital (note 5)	12.6	10.2
Sales-type Leases (note 5)	2.6	—
Disposals of Fixed Assets (note 6)	1.7	3.4
	<u>96.2</u>	<u>91.2</u>
Current Cost Operating Profit	99.3	123.3
<i>less</i> Interest on Net Borrowing	<u>21.2</u>	<u>12.1</u>
	78.1	111.2
Associated Company:		
Historical Profit before Tax	26.5	19.4
<i>less</i> Current Cost Adjustments (note 7)	3.9	3.1
	<u>22.6</u>	<u>16.3</u>
Current Cost Profit before Taxation	100.7	127.5
Taxation	<u>77.3</u>	<u>116.8</u>
Current Cost Profit after Interest and Taxation	23.4	10.7
<i>add</i> Gearing Adjustment (note 8)	<u>24.0</u>	<u>22.1</u>
Current Cost Profit Attributable to Shareholders	47.4	32.8
Outside Shareholders' Interest in Subsidiaries' Profits	<u>1.8</u>	<u>0.4</u>
Current Cost Profit Attributable to Shareholders of the Group	45.6	32.4
Dividends	<u>23.7</u>	<u>44.6</u>
Current Cost Retained Earnings for Year	<u>21.9</u>	<u>(12.2)</u>

Combined Current Cost Balance Sheet

At 31 October 1981

	1981 £m	1980 £m
ASSETS EMPLOYED		
Fixed Assets (note 3)	749.3	694.8
Stocks and Stores (note 9)	160.6	151.9
Monetary Working Capital (note 5)	145.7	120.0
Associated Company (note 7)	106.7	88.9
Other Operating Assets (note 10)	75.9	26.1
Net Operating Assets	<u>1,238.2</u>	<u>1,081.7</u>
FINANCED BY		
Share Capital and Premiums	45.1	45.2
Current Cost Reserve (note 11a)	564.9	497.9
Retained Earnings (note 11b)	337.8	315.9
Currency Translation Account	(19.8)	(80.6)
Proposed Dividends	14.9	29.2
Outside Shareholders' Interest in Subsidiaries	10.2	9.2
Total Shareholders' Funds	<u>953.1</u>	<u>816.8</u>
Long Term Loans	114.3	101.5
Bank Overdrafts and Acceptances	60.2	62.6
Deferred Tax	(11.0)	10.4
Non-current Liabilities (note 12)	26.6	15.9
Long Term Loans Repayable within one year	33.4	30.8
Other Current Liabilities	61.6	43.7
Net Borrowing	<u>285.1</u>	<u>264.9</u>
	<u>1,238.2</u>	<u>1,081.7</u>

Notes to Combined Current Cost Accounts

Figures in £ millions

1 Current cost accounts for the combined Group have been prepared in accordance with the requirements of SSAP 16 and except as noted below, the accounting policies used are the same as those used for the historical cost accounts.

2 Historical Cost Profit before Interest	1981	1980
Historical cost trading profit after charging depreciation	250.0	256.7
Interest receivable on sales-type leases (1981 only)	5.9	—
Xerox Corporation charges	(60.4)	(42.2)
Historical cost profit before interest on net borrowing	<u>195.5</u>	<u>214.5</u>

3 Fixed Assets

Fixed assets manufactured within the Group have been restated using estimated current manufacturing costs for each product. Freehold land and buildings have been restated by the directors using open market valuations based on the advice of suitably qualified executives of the Company. Other fixed assets have been restated on a country-by-country basis using appropriate external indices.

Depreciation lives are the same as those used in the historical cost accounts. The depreciation charge is calculated on the average current cost during the year.

The principal categories comprise:	Rental Equipment	Land, Buildings, Equipment and Vehicles	Total
31 October 1981			
Gross current cost	1,033.2	505.9	1,539.1
Depreciation	<u>613.1</u>	<u>176.7</u>	<u>789.8</u>
Net current cost	<u>420.1</u>	<u>329.2</u>	<u>749.3</u>
31 October 1980			
Gross current cost	1,012.6	468.6	1,481.2
Depreciation	<u>631.7</u>	<u>154.7</u>	<u>786.4</u>
Net current cost	<u>380.9</u>	<u>313.9</u>	<u>694.8</u>

4 Cost of Rentals and Sales

The adjustment of cost of rentals and sales represents the difference between the historical cost and the current cost of machines and supplies sold and parts used in the servicing of rental equipment, and has been calculated using the averaging method except where other methods are more appropriate.

5 Monetary Working Capital/Sales-type Leases

The adjustment for monetary working capital (comprising debtors, prepayments, creditors, provisions and accrued expenses) has been calculated using the averaging method and appropriate external indices for the relevant countries.

An adjustment similar to the monetary working capital adjustment has been made to the long-term element of the net investment in sales-type leases included in other operating assets. The adjustment for the short-term element included in debtors is contained in the monetary working capital adjustment.

6 Disposals of Fixed Assets

The disposals adjustment reflects the difference between the historical net book value and the current cost net book value of fixed assets other than rental equipment. The adjustment for rental equipment is included in the cost of rentals and sales adjustment.

7 Associated Company

The current cost adjustments in respect of the Associated Company have been estimated by the directors using appropriate external indices, since full current cost accounts are not available for the Associated Company.

8 Gearing Adjustment

The gearing adjustment represents the proportion of the current cost operating adjustments which net borrowings bear to net operating assets.

The gearing adjustment has been calculated on a Group basis using the average of opening and closing figures.

9 Stocks and Stores

Stocks and stores manufactured by the Group have been restated using estimated current manufacturing costs. Other stocks and stores have been restated on a country-by-country basis using appropriate external indices.

10 Other Operating Assets

These comprise tools, jigs and machine fixtures, deferred pre-production expenditure, goodwill, and the long-term element of the net investment in sales-type leases.

11 Movement in Reserves*a* Current cost reserve

Balance at 1 November 1980	497.9
Surplus/(Deficit) on revaluation reflecting price changes	
Fixed assets	62.6
Other assets	(2.5)
Stock	12.0
Associated Company	3.7
Monetary working capital adjustment	12.6
Gearing adjustment	(24.0)
Sales-type leases adjustment	2.6
Balance at 31 October 1981	<u>564.9</u>

b Retained earnings

Balance at 1 November 1980	315.9
Current cost retained earnings for the year	21.9
Balance at 31 October 1981	<u>337.8</u>

12 Non-current Liabilities

Non-current liabilities are stated after deducting certain assets which do not form part of net operating assets.

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 6 to 22 in accordance with approved Auditing Standards.

The combined financial statements set out on pages 6 to 19 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 thereto 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 1981 and of the profit and of the source and application of funds for the year to that date.

In our opinion the abridged supplementary current cost accounts set out on pages 20-22 have been properly prepared in accordance with the accounting policies and methods set out therein, to give the information required by Statement of Standard Accounting Practice No 16.

Peat, Marwick, Mitchell & Co.
Chartered Accountants
London

25 January 1982

Rank Xerox Eight Year Financial Summary

Combined Profit and Loss Account	1981 £m	1980 £m	1979 £m	1978 £m
Turnover	<u>1,268.2</u>	<u>1,237.3</u>	<u>1,165.0</u>	<u>1,086.9</u>
Trading profit before charging depreciation and Xerox Corporation charges	371.3	380.4	399.9	398.1
Depreciation	<u>121.3</u>	<u>123.7</u>	<u>114.4</u>	<u>108.0</u>
	250.0	256.7	285.5	290.1
Interest receivable	<u>12.4</u>	<u>14.6</u>	<u>11.3</u>	<u>7.4</u>
	262.4	271.3	296.8	297.5
Interest payable	<u>27.6</u>	<u>26.7</u>	<u>25.9</u>	<u>27.0</u>
Group profit before Xerox Corporation charges	234.8	244.6	270.9	270.5
Share of profit before taxation of associated company	<u>26.5</u>	<u>19.4</u>	<u>32.3</u>	<u>22.3</u>
	261.3	264.0	303.2	292.8
Xerox Corporation charges	<u>60.4</u>	<u>42.2</u>	<u>48.1</u>	<u>40.5</u>
Profit before taxation	200.9	221.8	255.1	252.3
Taxation	<u>77.3</u>	<u>116.8</u>	<u>123.0</u>	<u>122.2</u>
Profit after taxation before extraordinary items	123.6	105.0	132.1	130.1
Extraordinary items	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit after extraordinary items	123.6	105.0	132.1	130.1
Outside shareholders' interests in subsidiaries' profits	<u>1.8</u>	<u>0.4</u>	<u>0.2</u>	<u>1.7</u>
Profit attributable to Group shareholders	121.8	104.6	131.9	128.4
Dividends	<u>23.7</u>	<u>44.6</u>	<u>45.2</u>	<u>49.3</u>
	98.1	60.0	86.7	79.1
Amounts capitalised	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Prior year adjustments: capital leases	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
currency translation	<u>—</u>	<u>(5.2)</u>	<u>—</u>	<u>—</u>
Retained earnings for the year	<u>98.1</u>	<u>54.8</u>	<u>86.7</u>	<u>79.1</u>
Combined Balance Sheet				
<i>Assets employed</i>				
Fixed assets	548.7	494.8	541.9	479.6
Net current assets/(liabilities)	134.3	96.6	104.6	93.9
Associated company	74.9	56.9	53.4	34.6
Other assets	<u>87.5</u>	<u>39.0</u>	<u>28.2</u>	<u>27.8</u>
	<u>845.4</u>	<u>687.3</u>	<u>728.1</u>	<u>635.9</u>
<i>Financed by:</i>				
Share capital and premiums	45.1	45.2	45.2	34.9
Reserves	<u>648.6</u>	<u>489.7</u>	<u>515.5</u>	<u>428.8</u>
Total shareholders' equity	693.7	534.9	560.7	463.7
Outside shareholders' interests in subsidiaries	10.2	9.2	9.3	9.3
Deferred taxation	(11.0)	10.4	(7.9)	(16.9)
Long term loans	114.3	101.5	134.6	157.3
Other non-current liabilities	<u>38.2</u>	<u>31.3</u>	<u>31.4</u>	<u>22.5</u>
	<u>845.4</u>	<u>687.3</u>	<u>728.1</u>	<u>635.9</u>

1977 £m	1976 £m	1975 £m	1974 £m
960.6	753.6	612.4	477.5
407.7	284.7	241.3	231.7
90.2	83.5	72.9	59.8
317.5	201.2	168.4	171.9
9.2	5.2	2.5	1.5
326.7	206.4	170.9	173.4
30.3	31.9	30.8	22.3
296.4	174.5	140.1	151.1
19.6	1.3	4.9	10.1
316.0	175.8	145.0	161.2
39.3	—	—	—
276.7	175.8	145.0	161.2
106.3	86.2	71.5	74.9
170.4	89.6	73.5	86.3
—	—	5.0	—
170.4	89.6	68.5	86.3
1.6	1.1	0.7	0.9
168.8	88.5	67.8	85.4
69.1	46.6	44.6	14.0
99.7	41.9	23.2	71.4
(3.7)	—	—	—
(2.9)	—	—	—
—	—	—	—
93.1	41.9	23.2	71.4
455.7	406.4	398.4	351.5
56.4	63.0	37.1	(16.9)
25.6	17.6	25.1	25.7
27.1	27.9	26.7	22.6
564.8	514.9	487.3	382.9
34.9	30.3	30.2	29.4
349.7	256.5	214.6	191.4
384.6	286.8	244.8	220.8
8.0	6.0	4.6	3.8
(16.4)	0.1	16.8	31.1
177.9	213.4	216.9	125.0
10.7	8.6	4.2	2.2
564.8	514.9	487.3	382.9

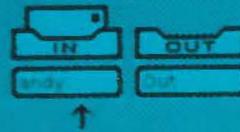
Notes

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 period 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.

3 The figures for 1980 have been restated for the effects of currency translation in accordance with the provisions of the US accounting standard FAS-52.

XEROX



Rank Xerox and Xerox are registered trademarks of Rank Xerox Limited

Designed by A-I-D - Allied International Designers Limited, London
Printed in England by Cripplegate Printing Company Limited