

# The Rank Organisation

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## Results at a Glance

	1986	1985*
Turnover and Profit	£m	£m
Turnover	718.1	630.9
Trading profit	84.4	68.5
Share of results before tax of associated companies	82.7	71.1
Profit before tax	164.1	136.0
Profit before extraordinary items	94.6	68.7
Profit attributable to the shareholders	75.5	70.2

### Earnings, Dividend and Assets

Earnings per Ordinary share (before extraordinary items)	45.4p	33.7p
Total dividend per Ordinary share	18.0p	15.0p
Net tangible assets per Ordinary share	261p	217p

### Employees

Group employees at 31st October	16,635	16,442
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\* Comparative figures have been restated (see note 2 on page 22).

### Notes

- (i) Analyses of Group turnover and profits by Division and geographical area are given on page 38.
- (ii) All foreign currencies have been translated at the exchange rates ruling at 31st October of each year.

# The Rank Organisation

## *Directors*

Sir Patrick Meaney

Chairman

Michael B. Gifford\*

Managing Director and Chief Executive

David V. Atterton, C.B.E.

Leslie H. Bond\*

Sir Arthur Bryan

Robin F. H. Cowen, M.B.E.

Angus Crichton-Miller\*

James Daly\*

John C. Duckworth

Sir Leslie Fletcher, D.S.C.

Sir Denis Mountain, Bt.

The Hon. Angus Ogilvy

Anthony W. Stenham

Douglas M. Yates, F.C.A.\*

Finance Director

\*Executive

Secretary and Registered Office  
Brian C. Owers,  
6 Connaught Place,  
London W2 2EZ

Registrars and Transfer Office  
Hill Samuel Registrars Limited,  
6 Greencoat Place,  
London SW1P 1PL

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Regis  
1987

# The Rank Organisation

## Chairman's Statement



Mr Patrick Means taking progress on building of new redevelopment of its Business Regis centre, which will open in 1987 at South-east Works.

The Rank Organisation profit before tax for the year ended 31st October 1986 increased to £164.1 million compared with £136 million in 1985.

The trading profit of the managed businesses increased to £84.4 million compared with £68.5 million in the previous year and most operating divisions contributed to this record result.

Rank's share of the pre-tax profit of Rank Xerox increased to £81.1 million compared with £68.4 million in 1985. The contribution from the smaller associate interests decreased from £2.7 million to £1.6 million with Telecom Plus International Inc. and Cathay Films Distribution Company Limited ceasing to be associate companies.

Earnings per Ordinary share increased to 45.4p from 33.7p and the Board recommends a final dividend of 11.75 per Ordinary share. With the interim dividend of 6.25 already paid this

makes a total of 18p per Ordinary share for the year compared with 15p for 1985.

Net borrowings at the year end increased to £100 million as a result of the higher level of capital investment and acquisitions.

The Holidays and Recreation Division increased its trading profit by nearly 100%. This resulted from first time contributions from the Haven Leisure and the Ladbroke social and bingo clubs and amusement centres acquisitions plus a 40% increase in the trading profit of existing interests.

The business in our Film and Television Services Division continued to progress and there was an 8% increase in comparable cinema admissions, record results from film distribution, a substantial volume increase in video processing, and significant growth in its market share by Rank Advertising Films.

# The Rank Organisation

## Chairman's Statement *continued*

Hotels and Catering was the only trading division to fall short of the previous year's results, entirely due to the occupancy drop in London hotels caused by the cancellation of overseas bookings in the early part of the year.

The performance of the Precision Industries Division was again ahead of the previous year largely due to the performance of its major company, Rank Taylor Hobson, one of the world's leading suppliers of high precision surface and roundness measuring equipment.

In North America Strand Lighting produced a marked increase in global trading profit. There was also a first profit contribution from the Kingston Plantation project.

Our Australian and Asian operations matched their overall profit year upon year in poor regional trading conditions.

Property disposal profits were lower than last year, mainly because of planning delays on some of the larger projects.

During the last 12 months over £250 million of investment has been committed to continuing profitable growth and £200 million of this was spent in 1986 on corporate expansion and the improvement of existing businesses. Acquisitions included Haven Leisure, now amalgamated with our existing holiday parks all operating under the Haven name in the United Kingdom and Continental Europe. 36 bingo and social clubs and 42 amusement centres were purchased from Ladbroke, and Electro Controls in the USA and Ianiro in Italy were added to the Strand Lighting worldwide operations. The proposed offer for Granada was concluded by the disposal of our remaining shares in that company.

Capital expenditure and commitments include the major redevelopment of the Butlin Centres at Minehead, Bognor and Skegness, converting them into Holiday Worlds with new accommodation, catering and

entertainment facilities including indoor water "playgrounds". Cinemas and hotels redevelopment and refurbishment programmes continue together with modernisation and expansion of our Motorway Service Areas including major reconstruction planned at Farthing Corner on the M2 motorway. The success of the first phase development of Kingston Plantation in South Carolina supported advancement of phase two of the development through 1987, leaving substantial free land available for further development from 1988 onwards.

There was therefore significant expenditure on new operations, new products and the modernisation and ongoing redevelopment of older assets. In addition, more was spent on research and development and our businesses continued to strengthen and widen their markets and services to improve competitiveness and profitability. As planned, 1986 was a year of further achievement and progress. This was largely due to the abilities and application of our management and employees and on behalf of the Board I thank them.

We welcome two distinguished business leaders, Dr David V Atterton and Mr Anthony W. P. Stenham as non executive Directors. Sadly we have to bid farewell to Mr Robin Cowen and Mr John Duckworth who retire at the AGM, and I wish to record the Board's appreciation of their services to the Company.

Trading in the current year to date has continued to be good and improvement in the profitability of our associate interests is expected. We believe that Rank, with its vigorous pursuit of earnings growth, will prosper in 1987 and continue to justify the business strategy implemented in recent years.

*Patrick Meaney*

# The Rank Organisation

## Directors' Report

The Directors submit their Report and Statement of Accounts for the year ended 31st October 1986.

### Principal Activities and Business Review

The Rank Organisation owns leisure interests in film and television services, holidays and recreation, hotels and catering and also manufactures electro-optical and electronic defence, theatrical and studio equipment in the United Kingdom and overseas. Rank has a major investment in the Rank Xerox companies, owned jointly with Xerox Corporation.

An analysis of turnover and profit by business activity is in note 27 on page 38 and the Group's activities and businesses are reported on in the Chairman's Statement and the Review of Operations.

### Profit and Dividends

Profit before tax was £164.1 million for the year. Profit after tax and minority interests was £94.6 million. (1985 £68.7 million.)

The Directors recommend a final dividend of 11.75p per Ordinary share which, together with the interim dividend of 6.25p already paid, makes a total for the year of 18p per share (1985 15p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 7th April 1987 to those shareholders whose names are on the register on 6th March 1987.

The amount which it is proposed should be transferred to reserves is detailed in note 24 to the Accounts on pages 35 and 36.

### Goodwill

The Group was required to adopt the Statement of Standard Accounting Practice No. 22 in respect of its 1986 Accounts. This stipulates that goodwill shall either be written off directly to reserves or amortised annually against

profits. The Board decided that the more appropriate option was to write off goodwill against reserves and this has resulted in reserves being reduced by £101 million. It is not considered necessary at this time to seek an amendment to the Articles of Association to increase the Group's borrowing limit.

### Fixed Assets

Changes in tangible fixed assets during the year are shown in note 12 on page 26.

### Directors

The Directors listed on page 2 were Directors of the Company throughout the year with the exception of Dr. D. V. Atterton and Mr. A. W. P. Stenham who were appointed Directors on 13th February 1987; in accordance with the Articles of Association of the Company they retire and, being eligible, offer themselves for election.

Mr. J. Daly retires by rotation and, being eligible, offers himself for re-election. Mr. Daly has a service contract with the Company which is terminable by either party on not less than three years notice. Mr. J. C. Duckworth, who was 70 on 27th December 1986 retires in accordance with the provisions of the Companies Act 1985 and is not offering himself for re-election. Mr. R. F. H. Cowen will also retire from the Board at the conclusion of the Annual General Meeting.

The beneficial interests of the Directors in shares of the Company, are shown in note 26 on page 37.

### Share Capital

During the year 13,500,000 Ordinary shares of 25p each were issued to Ladbroke Group PLC as consideration for the acquisition from Ladbroke of its social and bingo club and amusement centre businesses.

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# The Rank Organisation

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## *Directors' Report* continued

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In addition, 808 Ordinary shares were issued on the early exercise of options under the Share Savings Scheme.

The Stock Exchange no longer requires shareholders' consent to each specific issue by the Company of equity capital for cash made otherwise than to existing shareholders on a proportional basis. However, the relaxation of this requirement is subject to the Directors obtaining the necessary authority from the shareholders in accordance with the Companies Act, 1985.

Accordingly a resolution will be proposed at the Annual General Meeting to renew for a further year the authority of the Directors to allot and grant rights over the unissued share capital and to authorise the Directors to allot and grant rights over Ordinary shares for cash up to a maximum of 5% of the authorised Ordinary share capital without first making a strict pro rata offer to all existing Ordinary shareholders.

### Share Option Schemes

During the year further options over 2,527,118 Ordinary shares were granted to 499 employees under the terms of the Share Option Schemes. Details of options outstanding at 31st October 1986 are detailed in note 24 on page 34.

### Significant Shareholdings

At the date of this Report, Guardian Royal Exchange plc and its subsidiaries held 16,874,249 (7.83%) of the Ordinary shares of the Company. The Company has not been notified of any other holding of 5% or more of its Ordinary share capital.

### Personnel

Employee communication, consultation and motivation are prime management policies in the Organisation. The development of new communication aids and systems has established a wide range of consultative procedures.

The Company continues to provide employment training opportunities particularly for young people. As part of its policy to encourage youth employment and local community projects, the Company supported the national 'Industry Year 1986' campaign. It provided 'work shadowing' opportunities for young students, sponsored and participated in 'Open Days', Careers Conventions and produced specialist videos outlining youth employment opportunities within the Organisation.

The Company encourages the employment of the disabled and ensures that disabled employees benefit from employee training and development programmes.

### Charitable and Political Contributions

Charitable donations made during the year ended 31st October 1986 amounted to £100,555. The Company has contributed £25,000 to the Conservative and Unionist Party.

### Close Companies—Income and Corporation Taxes Act 1970

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

### Auditors

Peat, Marwick, Mitchell & Co. have signified their willingness to continue in office as Auditors and from 1st April 1987 they will practice under the name of Peat Marwick McLintock. A resolution for their re-appointment will be proposed at the Annual General Meeting.

### By Order of the Board

Brian C. Owers  
Secretary

*B. C. Owers*  
13th February 1987

# The Rank Organisation

## Review of Operations

### FILM AND TELEVISION SERVICES

Director – James Daly

	1986	1985
Turnover (£million)	137.9	119.1
Trading Profit (£million)	13.0	11.0

#### Pinewood Studios

The year began satisfactorily but there was a marked decline in U.K. based film production in the second half.

Of the leading films serviced by the Studios, "Aliens" has been successfully launched and the latest James Bond "The Living Daylights" is currently in production. Pinewood celebrated its 50th anniversary during the year and its Managing Director, Cyril Howard, was awarded the C.B.E. for services to the film industry.

#### Rank Advertising Films

The company has taken advantage of the buoyancy of the advertising market and the continuing high level of cinema admissions. Long term contracts have been obtained for screen advertising in cinemas owned by the Cannon Group.

#### Rank Audio Visual

Further increases in sales and profit were achieved by both the Video Library and Rank Training.

The successful marketing of video cassettes of a number of films including "Desperately Seeking Susan" and "Woman in Red" won trade awards.

The Video Library's position has been strengthened by Cannon's product and the renewal of the Disney contract.

Rank Training won a number of awards in the U.K. for its films and a gold award at a premier festival in the U.S.A. for "Art of Interviewing".

#### Rank Film Distributors

Record profit was achieved in both the U.K. and overseas markets.

Successful titles included "Santa Claus — The Movie", "Hannah and Her Sisters" and "Chorus Line". Substantial sales for television screening were made

to the BBC and ITV. Rank continues to fund British productions and is also increasing investment in international films to acquire distribution rights for all territories outside the Americas.

#### Rank Film Laboratories

Market conditions were less favourable due to the weaker U.S. dollar and reduced U.K. film production. Despite these adverse conditions, the company increased volume and matched last year's record profit. A new facility was opened in Glasgow to complete a network of three laboratories servicing regional markets.

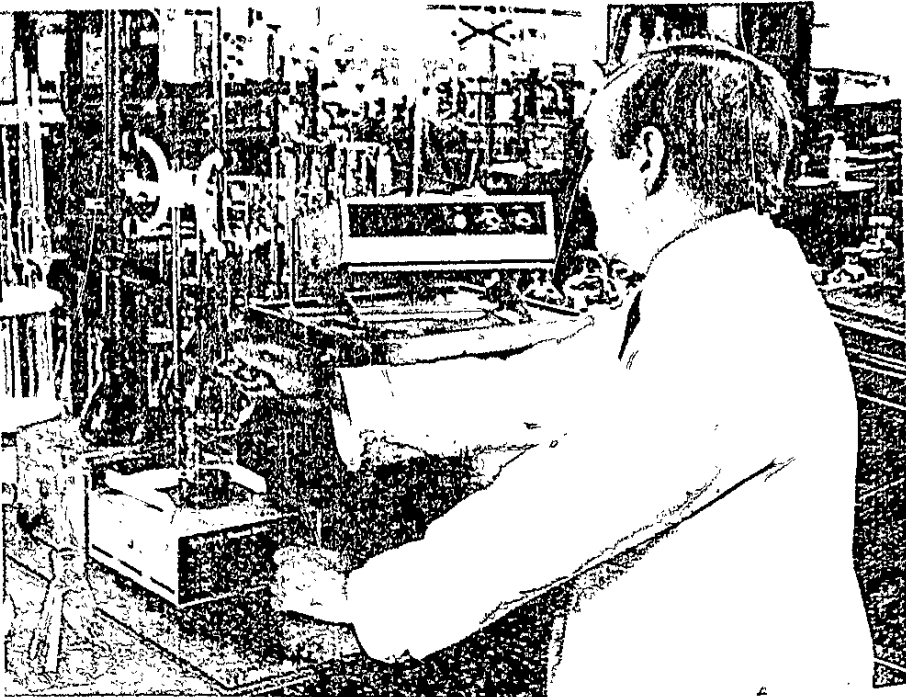
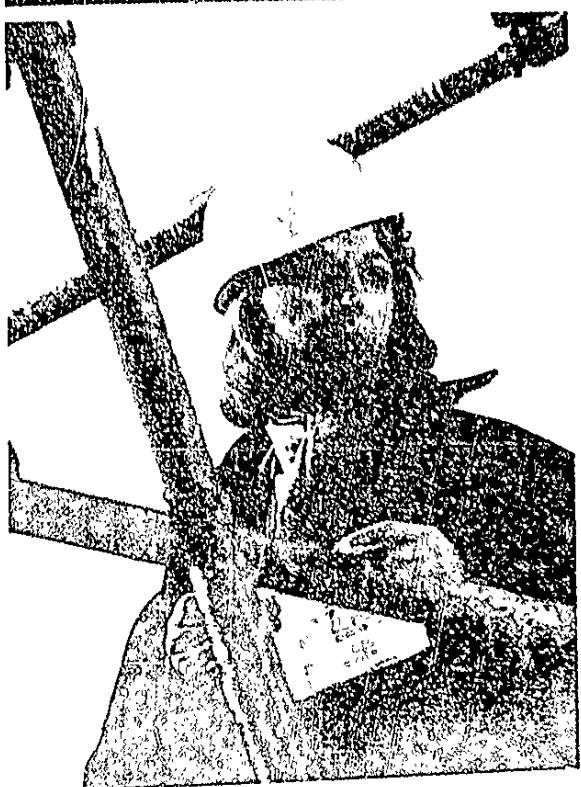
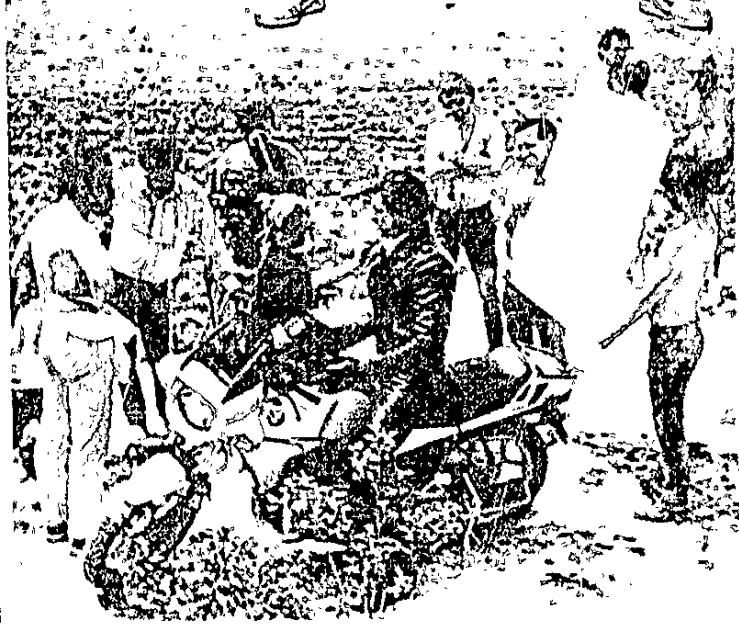
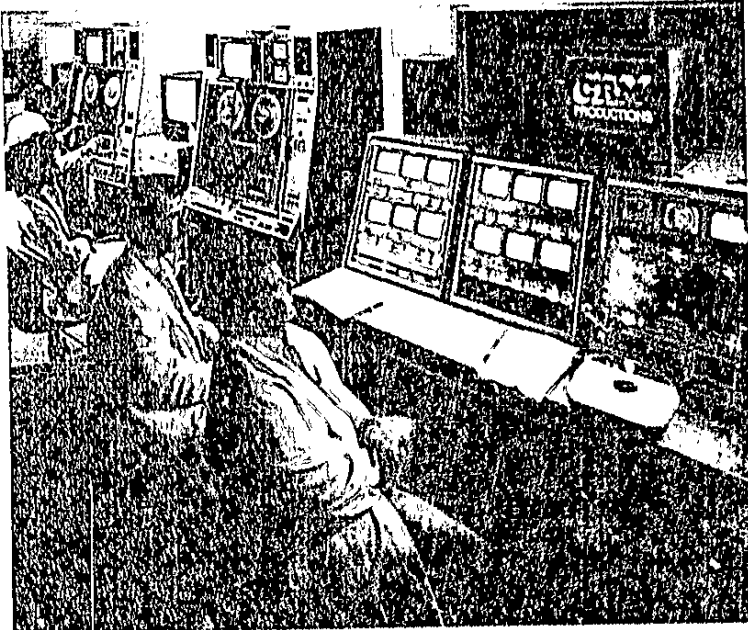
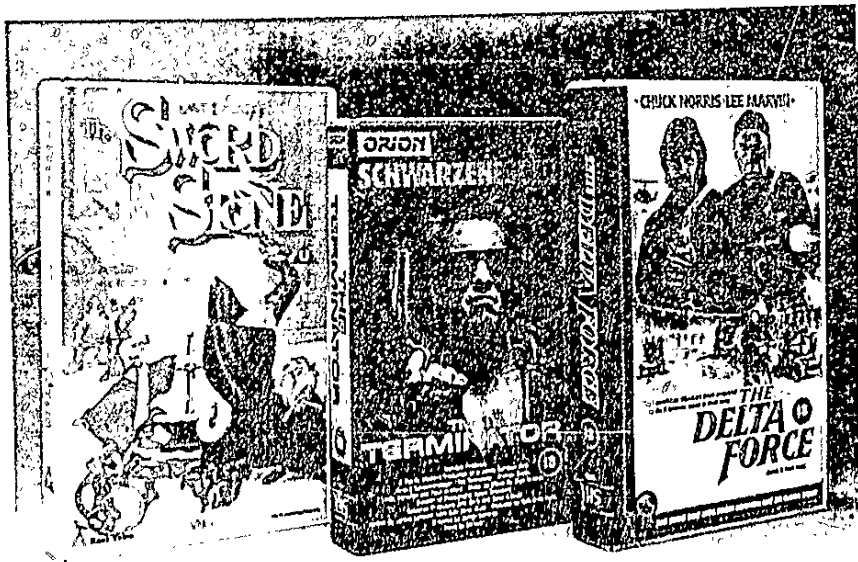
#### Rank Theatres

The upward trend in cinema attendance continued with a further 8% increase in comparable admissions. Attractive, well-marketed product, further refurbishment, more flexible pricing and favourable weather conditions all contributed to substantially increased turnover and profit. Among the most successful films were "Santa Claus — The Movie" "Hannah and Her Sisters", "Rocky IV", "Jewel of the Nile" and "Aliens".

The encouraging trend in film exhibition provides opportunities for further investment and growth. Plans being progressed include the development of multiplex leisure and cinema facilities.

#### Rank Video Services

The video cassette duplication industry suffered from excess capacity for much of the year which led to major price reductions. However, in the second half there was a strong demand for cassettes for the retail market. Whilst the retail business was at lower prices, the overall volume of cassettes increased by over 60%. This, combined with the efficiency of the new plant at Phoenix Park, Brentford, reduced unit production costs and increased trading profit.





# The Rank Organisation

## Review of Operations *continued*

### HOLIDAYS AND RECREATION

Director - Angus Crichton-Miller

	1986	1985
Turnover (£million)	306.8	245.2
Trading Profit (£million)	32.8	16.5

#### Rank Travel (Wings)

The company increased the number of holidaymakers carried by more than 25%, gaining a larger share of the tour operating market which more than compensated for the lower margins that prevailed generally and losses were further reduced.

An important factor in the sales success was the company's ability to offer special value U.K. holiday breaks from Butlin's and Rank Hotels to those booking overseas holidays.

Cal Air International, a charter airline owned jointly with British Caledonian, added a third DC10 to its fleet and achieved good results.

On 1st November 1986, the name of Rank Travel was changed to Wings and in 1987 all its overseas holidays will be sold under the umbrella name of Wings.

#### Butlin's Holidays

Butlin's produced an excellent trading year with main season bookings up by 10% in an overall U.K. holiday market that declined by around 5%. The increased bookings were mainly a result of the great success of newly designed Somerwest World at Minehead, where the numbers of guests rose by 36%.

The success of Somerwest World has endorsed the acceleration of Rank's investment programme and over £40 million is being spent this winter, mainly at Bognor and Skegness on the newly designed Southcoast World and Funcoast World. At each centre a range of new accommodation and facilities is being provided, including Europe's largest indoor Water Worlds.

The conversion of surplus land at three centres into caravan parks was

successful and over 200 caravans were sold. This activity will be extended in 1987 to a fourth centre as well as continuing expansion at the original sites.

Out of season business grew by 16% and this increase would have been much higher but for the teachers' dispute affecting School Venture groups.

The Barry Centre has been closed as it was not capable of producing a commercial return.

#### Haven Leisure

The business previously known as "Leisure Holidays" has merged with Haven Leisure purchased in February 1986 from English China Clays.

In 1987 all the caravan park businesses will operate under the names "Haven Holidays" and "Haven Abroad".

The acquisition of Haven is proving successful with profit higher than anticipated. In addition to giving the company a major share of the caravan park business in the U.K. and France, the acquisition included the Blue Line boating business in France. This operates over 300 cruisers on inland waterways from six different locations.

The original Leisure Holidays business performed strongly with record profit. The caravan park business in the U.K. and France did well, with caravan sales again performing satisfactorily.

Leisure hotels had a satisfactory year. The El Griego Hotel in Torremolinos has been sold.

Marinas enjoyed high occupancies but turnover and profit at Troon acquired in 1985 were disappointing.

#### Top Rank Clubs

With the acquisition of the Ladbroke Clubs in June 1986, Top Rank is now the leading operator of social and bingo clubs in the U.K. The integration of the Ladbroke circuit has proceeded smoothly and forecast profit was

Top left: Three of the popular cassette titles distributed by Rank Video in 1986.

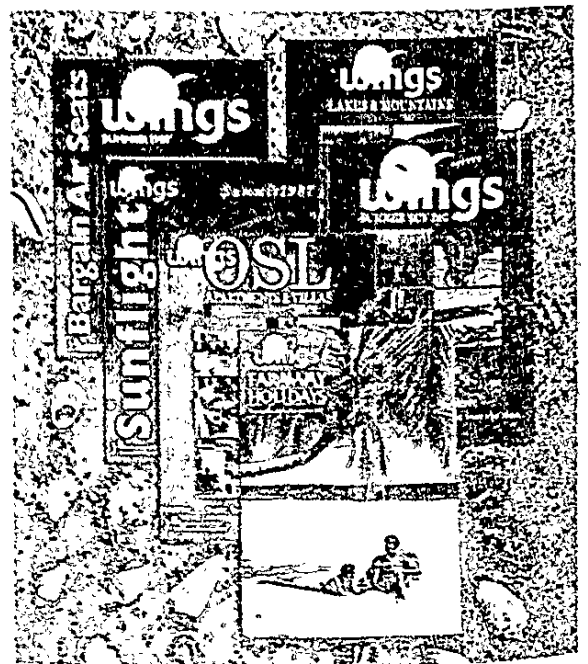
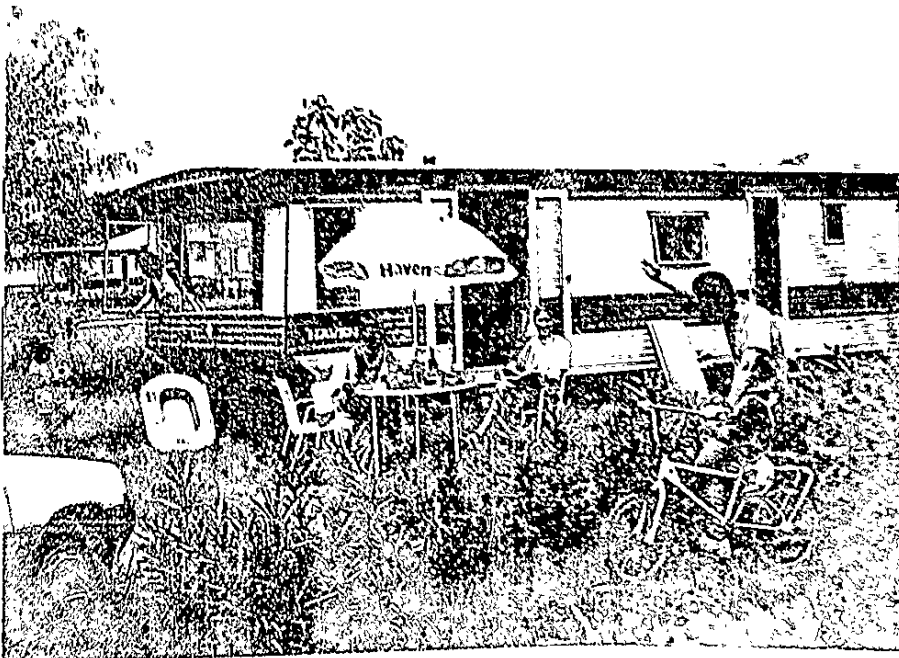
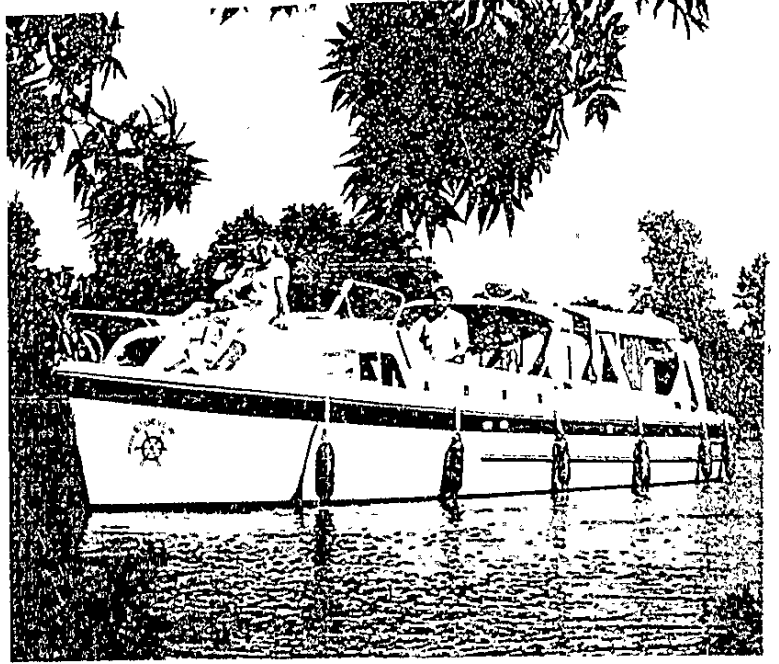
Top right: "Aliens", made at Pinewood Studios during the year, was a box office success for Rank Theatres.

Centre left: The master video tape replay area for high volume cassette duplication at Rank Video Services' new plant in West London.

Centre right: On location during the making of *The Fourth Protocol*, starring Michael Caine and Pierce Brosnan (on motorbike), a new film for Rank Film Distributors.

Bottom left: Famous television personalities perform key roles in Rank Training's films and videos.

Bottom right: Rank Film Laboratories' analytical control of film processing solutions.



## Review of Operations *continued*

achieved. Rapid progress is being made to achieve the level of returns being obtained by the original Top Rank circuit.

The improvement in the number of admissions that was expected following the introduction of the National Game has not occurred so far but turnover per admission has continued to increase.

### Rank Amusements

The acquisition from Ladbroke of 42 amusement centres makes this new company a leading operator of inland amusement centres in the country. A number of new centres are planned to open in 1987 and a comprehensive modernisation and replacement of the range of amusement with prizes machines is being implemented.

The company opened its operation of the large amusement centre at the Haven Devon Cliffs caravan park and plans to operate similar centres at three other caravan parks in 1987.

### HOTELS AND CATERING

Director - Stuart May

	1986	1985
Turnover (£million)	99.5	102.9
Trading Profit (£million)	12.1	15.4

### Rank Hotels

Trading profit at Rank Hotels declined compared with 1985, which was a record year. This was a result of the cancellations by overseas visitors to London, especially from the U.S.A, due to concerns over terrorism and the weaker U.S. dollar.

Despite the shortfall in occupancy, all our London hotels achieved improved room rates as a direct consequence of the extensive capital refurbishment and upgrading schemes that have been taking place over recent years.

During the year a new restaurant opened at The Royal Lancaster Hotel, and the programme of upgrading bedrooms, public rooms and restaurant facilities continued throughout the hotels.

Our London hotels have been maintained to high standards and they are all well located with excellent reputations. With no significant addition of first class hotels in London for some years ahead, Rank hotels are well placed to take advantage of an upturn in demand.

Throughout the year, The Unicorn Hotel in Bristol traded well and increased profit.

The Hotel St. Regis in Detroit, which is managed on behalf of its owners, is being extended by an additional 100 bedrooms.

### Rank Motorway Services

Motorway Services recorded a good profit increase. Catering, fuel and retail activities all produced results in excess of last year and the policy of modernising facilities and extending services has generated increasing custom.

During the year improvements were made at the Aust M4 and Forton M6 Service Areas. A major investment programme has been approved to reorganise and modernise Farthing Corner M2 Service Area. This will include a 60-room budget hotel with opening planned for Easter 1987.

The modernisation programme will this year include additional facilities, new petrol forecourt livery and the latest electronic sales and control systems to speed customer service at all service areas.

### PRECISION INDUSTRIES

Director - Peter Blaxtan

	1986	1985
Turnover (£million)	84.0	73.3
Trading Profit (£million)	14.6	11.5

### Rank Cintel

The company is the leading supplier of telecine equipment used by professional television establishments throughout the world. During the year an enhanced MK III telecine was launched,

Top left: Wings entered the skiing market this winter under the Ski Blue Sky title bought by Rank in 1986.

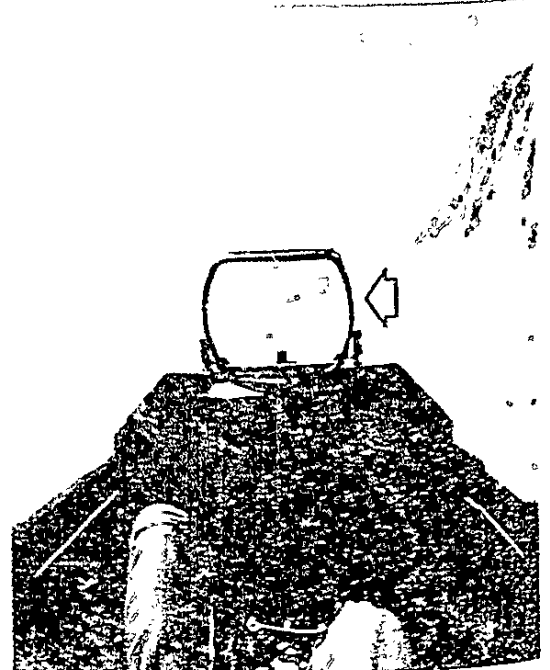
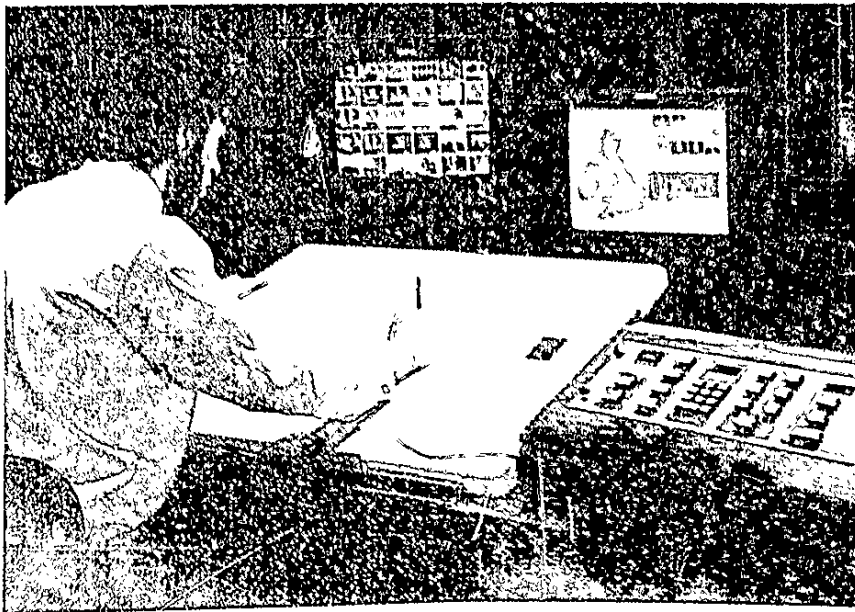
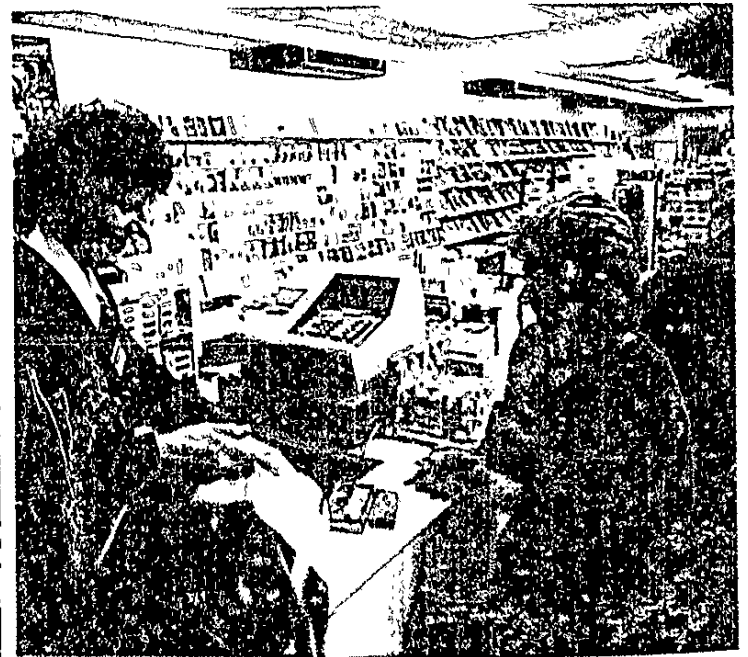
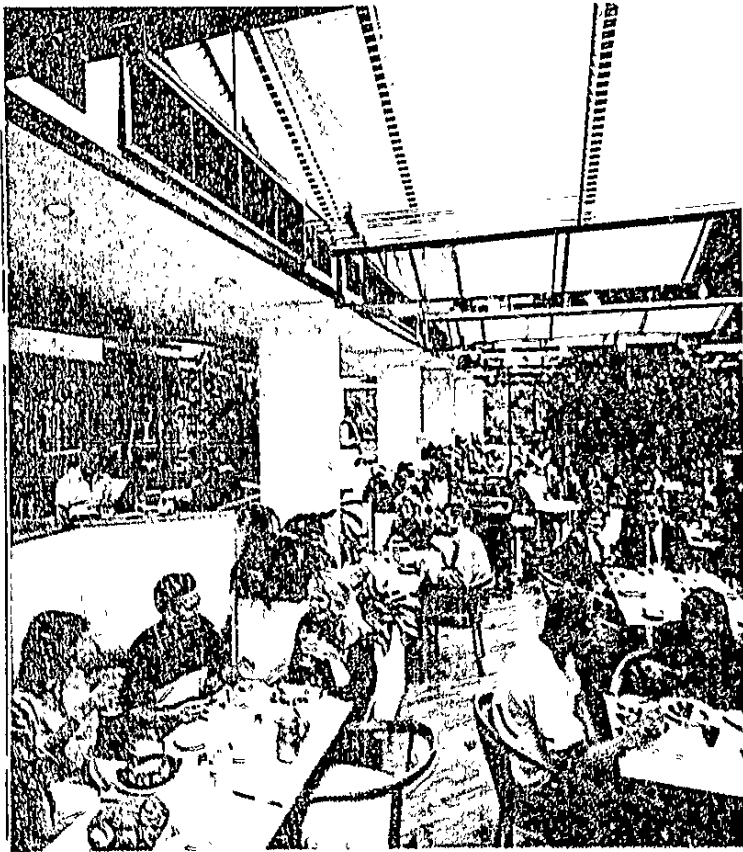
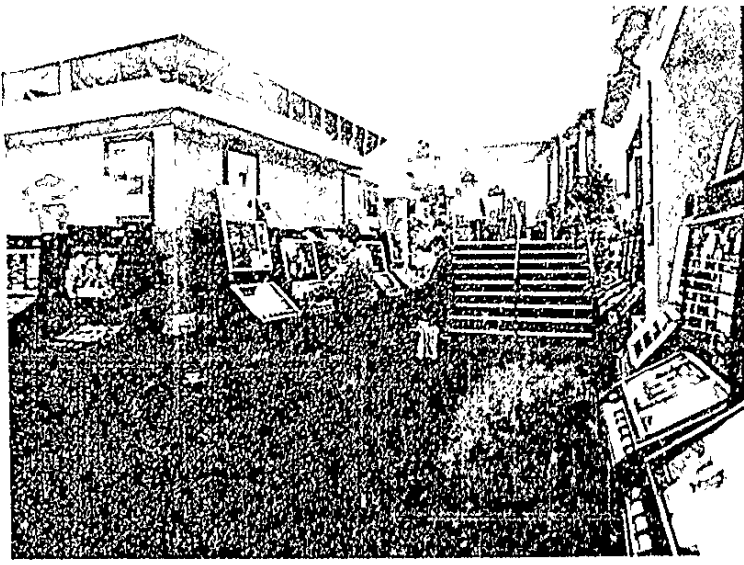
Top right: Blue Line, part of Haven Leisure acquired during 1986, operates over 300 cruisers in France.

Centre left: This unique costume made of 1,000 £50 notes publicised the £50,000 daily prize national bingo game offered by Top Rank Clubs.

Centre right: A section of the popular new indoor water 'playground' at Butlin's Somerwest World, Minehead.

Bottom left: Haven Leisure offers holidaymakers a wide choice of 32 chalet and caravan parks in the UK and 21 parks in France and Spain.

Bottom right: Wings' new brochures for 1987 were an instant success in travel agents' shops throughout the UK.



# The Rank Organisation

## Review of Operations *continued*

expanding the company's range of telecine products and a prototype high definition version of this equipment was demonstrated internationally.

The company's new "Art File" product was introduced during the year. This combines the already successful image storage facilities of "Slide File", with a computer based graphic drawing board.

Continuing progress has been made with the video micrographics equipment, which enables microfilm records to be stored and remotely accessed. A contract has been secured for work stations for the U.S. government.

The company has established a new software development centre in Cambridge to develop enhanced digital graphic products.

**Rank Brimar**  
Thorn Brimar acquired in January 1986 has been integrated with Rank Electronic Tubes and, with effect from 1st November 1986, these companies trade as Rank Brimar.

The combined business is now the leading specialist cathode ray tube display manufacturer in the U.K., although the benefits of integration will take time to be fully realised. The business continues to be heavily export orientated and sales virtually doubled as a result of the Brimar acquisition. A large contract for technology transfer to The Republic of China made its contribution to a satisfactory year of progress.

**Rank Pullin Controls**  
The company supplies a wide range of sighting products operating in the visual and infra-red wavebands, including thermal imaging equipment.

After a good first half year, the latter half was disappointing due to delayed confirmation of orders from home and overseas.

The longer term outlook is

encouraging with a satisfactory outstanding order book. The company was recently awarded a large contract for the Thermal Imager on the T.O.W. on the Lynx helicopter.

**Rank Taylor Hobson**  
The company — in its centenary year — supplies a wide range of metrology instruments, cine zoom lenses and thermal imaging scanners. The continuing success of the Form Talysurf helped to produce record profit.

Gold medal awards for this equipment were presented at the Leipzig Fair in East Germany and at the Brno Fair in Czechoslovakia.

In October 1986 the company launched Talyrond 300, a new automatic form and dimensional measuring machine. This instrument brings laboratory accuracy to the shopfloor and is capable of being fully interfaced with computer controlled manufacturing systems.

The company is extending its main laboratories and manufacturing plant in Leicester. The additional capacity together with increased research and development expenditure will enable further expansion.

The latest products are computer based requiring customer application centres located near the major engineering centres of the world. Initially application laboratories have been established in Chicago and Tokyo.

### NORTH AMERICA

Director — Michael Gifford

	1986	1985
Turnover (£million)	63.2	38.7
Trading Profit (£million)	6.5	3.6

### Strand Lighting

The company achieved record turnover and profit from global markets and ended the year with a high level of orders.

During the year, the company's principal competitor in North America, Electro Controls in Salt Lake City was

*Top left: Rank Amusements is the second largest operator of adult amusement centres in the country.*

*Top right: The Royal Garden Hotel in Kensington celebrated its 20th anniversary in 1986 with a major refurbishment programme, including the redevelopment of its reception hall.*

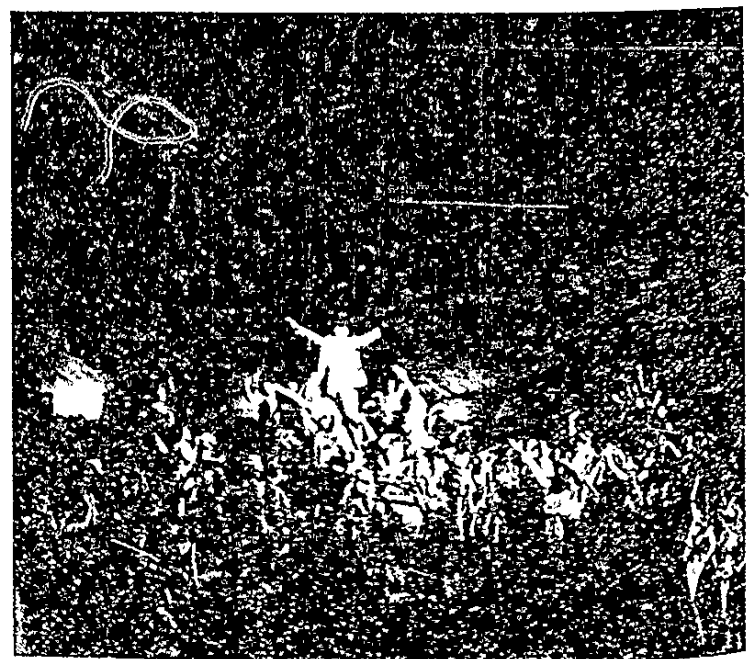
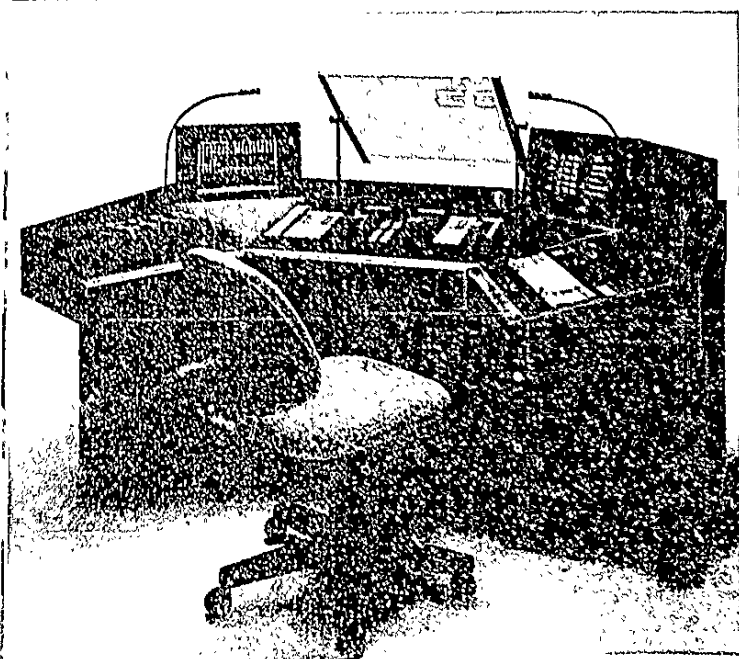
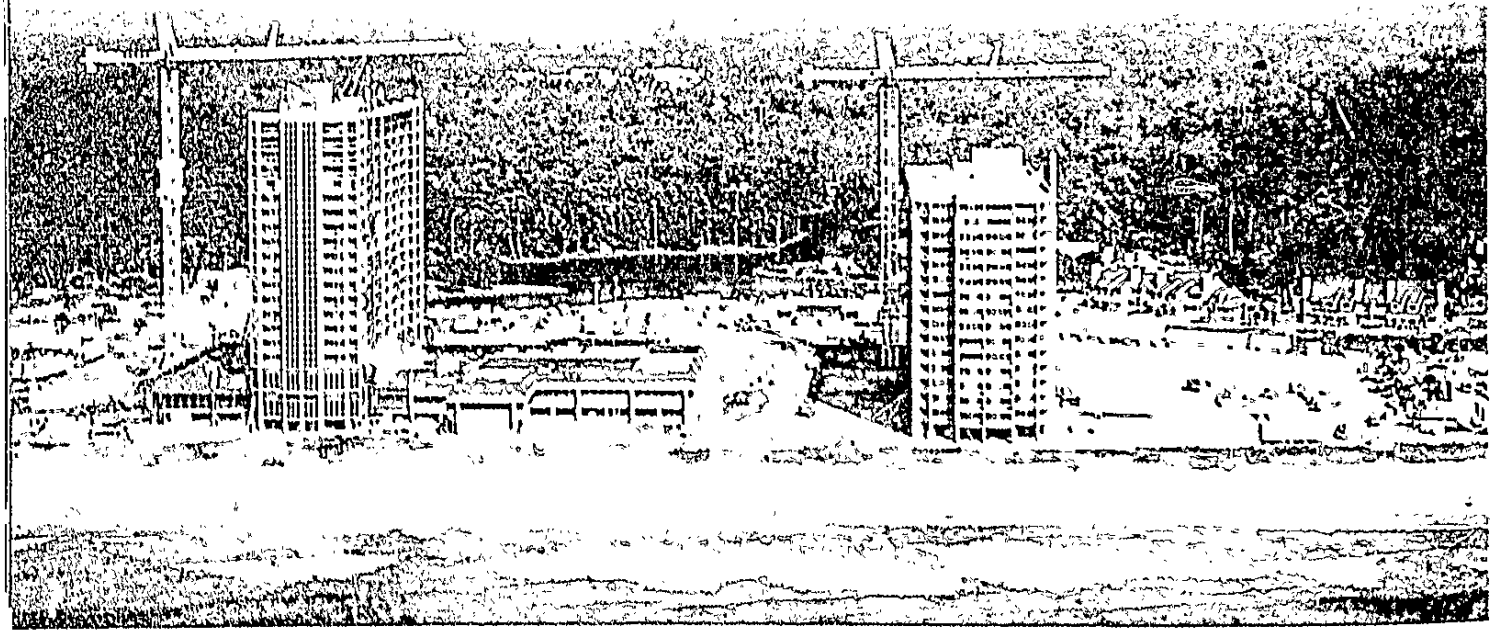
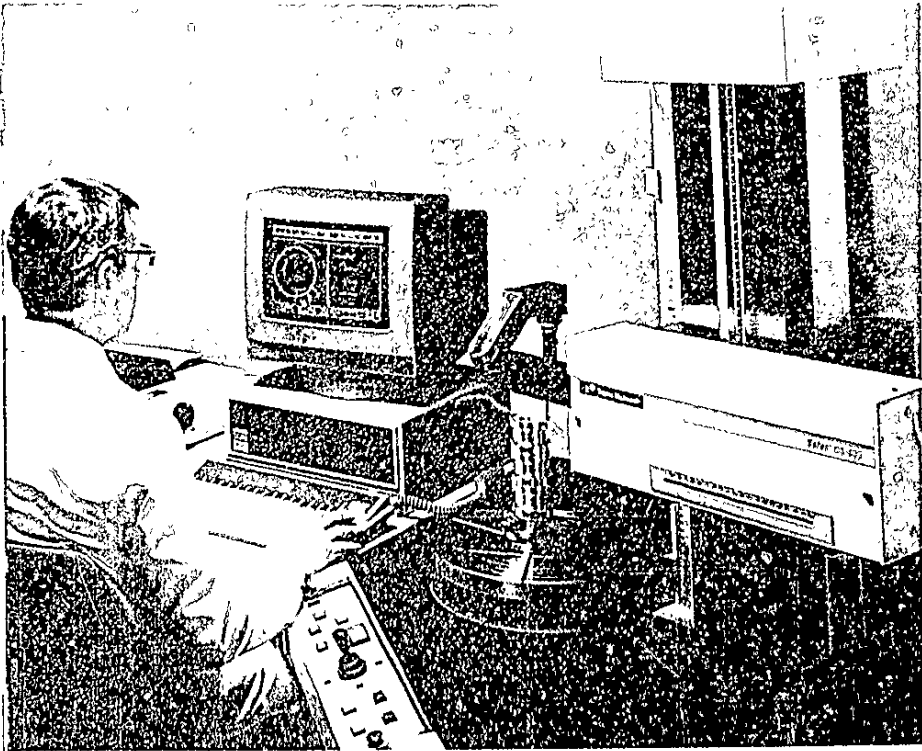
*Centre left: New facilities were introduced at the Royal Lancaster Hotel overlooking Hyde Park, one of which is the highly popular Pavement Café.*

*Centre right: The modernisation programme undertaken throughout Rank Motorway Services includes this new shopping facility for motorists visiting Farthing Corner on the M2.*

*Bottom left: Rank Cintel's new Art File equipment combines the company's successful Slide File image storage product with a computer based graphic drawing board.*

*Bottom right: Rank Brimar provides the cathode ray tube for the pilot's head-up display of flight information in this F16 aircraft.*





# The Rank Organisation

## Review of Operations *continued*

acquired, giving Strand Lighting a major share of the North American market. In Europe, Quartzcolor/Janiro of Italy, the world's leading supplier of studio lighting equipment was acquired, enabling Strand to maintain its lead position in the worldwide studio lighting equipment market as well as providing additional opportunities for growth.

Advanced lighting technology acquired in 1985 enabled the company to secure large orders from the U.S. Space Agency-NASA. The U.S. Air Force will also use this equipment in simulators for aerial refuelling training.

During the year a specialist lighting contract at EXPO '86 in Vancouver, Canada was successfully completed as the largest single contract in the history of the company.

### Rank Development Inc. — Kingston Plantation

Construction of the first phase of this resort development at Lake Arrowhead, Myrtle Beach, South Carolina, progressed on schedule.

Customer demand has been strong for all apartments under construction, with nearly all the luxury villas in the first phase having been sold within the year of commencement. The majority of the luxury oceanfront apartments in the first tower block have already been sold although construction will not be complete until the Spring of 1987. A second oceanfront tower, previously planned for later commencement, was started in August 1986 to meet market requirements.

The centrepiece of the first phase was a hotel, due to open in the Spring of 1987, which will be operated as a resort hotel with special emphasis on conference and other group business. It will be managed by the Radisson Hotel Corporation, whose interests include major travel agencies in the U.S.A. and Canada.

Phase two is planned to start before the end of 1987.

### AUSTRALASIA/ASIA

Director — Leslie Bond

	1986	1985
Turnover (£million)	24.7	24.4
Trading Profit (£million)	2.2	2.2

#### Australia

As planned the service division of the Major Domestic Appliances business was sold during the year and the Housewares Manufacturing facility was closed and the plant and equipment sold. Tessa, the furniture business, was also sold.

Howard Silvers, the architectural fittings business improved profits and successfully expanded into the retail market.

#### Asia

The completion of a number of projects during the year, including continued success in marketing Mobira mobile telephones, has maintained profits in the Technical Division. However, the economic recession throughout the region continues to depress the sales of consumer products.

#### New Zealand

With lower economic activity in New Zealand, Rank's 50% share of the profit before tax of Kerridge Odeon companies was £1.5 million for the year ended 31st March 1986 compared with £2.1 million in the previous year.

### RANK XEROX

The Rank Organisation's share of the profit before tax of the Rank Xerox companies was £81.1 million compared with £68.4 million the previous year.

Rank Xerox turnover for the year to 31st October 1986 increased by 7% to £1,926 million producing a profit before tax and before Xerox recharges of £214 million compared with £201 million in 1985.

Top left: Rank Taylor Hobson's Talyrond 300, launched in 1986, is an automatic form and dimensional measuring machine, capable of being fully interfaced with computer controlled manufacturing systems.

Top right: The latest in the range of Rank Pullin Controls' sighting equipment — a thermal imaging surveillance camera.

Centre: A view of Kingston Plantation, USA, from the Atlantic, showing the Radisson Hotel and South Hampton apartment buildings under construction with the 20 acre recreation lake and luxury villa-style apartments in the background.

Bottom left: A Premier computerised lighting control console from the range produced by Electro Controls, acquired by Strand Lighting in 1986.

Bottom right: A scene from the opera 'Carmen' at the London Coliseum, lit with Strand Lighting computer-controlled equipment.

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# The Rank Organisation

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## Share Ownership Analysis

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at 31st October 1986

	Holdings		Nominal amount held	
	Number	%	£m	%
Ordinary share holdings				
Individuals				
Up to 500 shares	19,641	66.71	0.6	1.11
501 - 2,500 shares	6,080	20.65	1.6	2.97
2,501 - 25,000 shares	562	1.91	0.7	1.30
Over 25,000 shares	6	0.02	0.2	0.37
	<u>26,289</u>	<u>89.29</u>	<u>3.1</u>	<u>5.75</u>
Institutions and other corporate holdings				
Banks and nominee companies	2,223	7.55	28.4	52.69
Insurance companies and pension funds	299	1.02	17.5	32.47
Other corporate holdings	631	2.14	4.9	9.09
	<u>3,153</u>	<u>10.71</u>	<u>50.8</u>	<u>94.25</u>
Total Ordinary share holdings	29,442	100.00	53.9	100.00
Preference share holdings	4,594		12.6	
Total	<u>34,036</u>		<u>66.5</u>	

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## The Financial Calendar

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Results	Dates of Payment of Dividends and Interest	
Half Year:	Ordinary shares	
Announced July	Interim:	November
	Final:	April
Full Year:	Preference shares	1st January and
Announced January		1st July
	4½% Convertible Loan	15th February
	1993	
Annual Report:	6% Unsecured Loan	30th June and
Posted to shareholders in February	Stock 1983/88	31st December
	5½% Unsecured Loan	30th June and
Annual General Meeting:	Stock 1990/95	31st December
Held in March		
	8% Unsecured Loan	30th June and
	Stock 1988/93	31st December
	10½% Unsecured	30th April and
	Loan Stock 1997/2002	31st October



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# The Rank Organisation

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## *Report of the Auditors*

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to the Members of The Rank Organisation Plc

We have audited the accounts on pages 18 to 38 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out in note 1 on pages 21 and 22, give a true and fair view of the state of affairs of the Company and of the Group at 31st October 1986 and of the profit and source and application of funds of the Group for the year to that date and comply with the Companies Act 1985.

London  
13th February 1987

*Paul Derek Mitchell*  
PEAT, MARWICK, MITCHELL & CO.  
Chartered Accountants

# The Rank Organisation

## Group Profit & Loss Account

for the year ended 31st October 1986

	Note	1986 £m	1985 £m
Turnover	27	718.1	630.9
Less costs net of exceptional items	3	633.7	562.4
Trading profit	3 & 27	84.4	68.5
Share of results of associated companies	4		
Rank Xerox companies		81.1	68.4
Others		1.6	2.7
		167.1	139.6
Interest	5	(3.0)	(3.6)
Profit on ordinary activities before tax		164.1	136.0
Tax on profit on ordinary activities	6	(64.0)	(61.1)
Profit on ordinary activities after tax		100.1	74.9
Minority interests		(5.5)	(6.2)
Earnings		94.6	68.7
Extraordinary items	7	(19.1)	1.5
Profit for the financial year	8	75.5	70.2
Dividends	9	(39.4)	(30.9)
Transfer to reserves	24	36.1	39.3
Earnings per Ordinary share (before extraordinary items)	10	45.4p	33.7p

\* Comparative figures have been restated (see note 2 on page 22).

# The Rank Organisation

## Balance Sheets

at 31st October 1986

	Note	Group		Company	
		1986 £m	1985* £m	1986 £m	1985 £m
<b>Fixed assets</b>					
Intangible assets	11	0.2	0.3	—	0.4
Tangible assets	12	306.5	198.4	1.6	56.7
<b>Investments</b>					
Subsidiary companies	14	—	—	1,045.2	579.1
Associated companies	15	331.0	328.8	1.1	1.1
Other	16	25.3	—	—	—
		<u>663.0</u>	<u>527.5</u>	<u>1,047.9</u>	<u>637.3</u>
<b>Current assets</b>					
Stocks	17	106.7	80.0	—	16.4
Debtors	18	189.2	130.0	77.0	80.4
Security deposits	19	26.0	29.6	—	—
Other cash deposits	19	115.7	161.3	12.7	59.1
Cash at bank and in hand	19	18.5	5.1	1.8	0.8
<b>Creditors (amounts falling due within one year)</b>					
Loan capital and borrowings	19	(70.8)	(46.7)	(61.3)	(38.7)
Other	20	(199.0)	(168.0)	(146.5)	(154.4)
<b>Net current assets (liabilities)</b>		<u>186.3</u>	<u>191.3</u>	<u>(116.3)</u>	<u>(36.4)</u>
<b>Total assets less current liabilities</b>		<u>849.3</u>	<u>718.8</u>	<u>931.6</u>	<u>600.9</u>
<b>Creditors (amounts falling due after more than one year)</b>					
Loan capital and borrowings	19	(189.4)	(177.6)	(177.8)	(165.1)
Other	20	(5.1)	(9.6)	(0.8)	—
<b>Provisions for liabilities and charges</b>					
Deferred taxation	21 & 23	(19.1)	(17.7)	(1.4)	(1.2)
Other provisions	21	(15.3)	(21.0)	(0.3)	(2.1)
		<u>620.4</u>	<u>491.9</u>	<u>751.3</u>	<u>432.5</u>
<b>Capital and reserves</b>					
Called up share capital	24	66.5	63.1	66.5	63.1
Share premium account	24	204.7	141.6	204.7	141.6
Revaluation reserve	24	—	—	111.2	89.8
Other reserves	24	303.5	246.7	368.9	138.0
		<u>574.7</u>	<u>451.4</u>	<u>751.3</u>	<u>432.5</u>
<b>Minority interests</b>					
Preference shareholders		31.4	29.1	—	—
Ordinary shareholders		14.3	11.4	—	—
		<u>620.4</u>	<u>491.9</u>	<u>751.3</u>	<u>432.5</u>

Patrick Meaney  
Chairman

M. B. Gifford  
Managing Director and  
Chief Executive

Accounts approved by  
the Board on  
13th February 1987.

\* Group comparative figures have  
been restated (see note 2 on page  
22).

*Patrick Meaney*  
*M. B. Gifford*

# The Rank Organisation

## Group Source and Application of Funds

for the year ended 31st October 1986

	1986 £m	1985 £m
Generation of funds from operations		
Trading profit	84.4	68.5
Interest	(3.0)	(3.6)
Dividends received from associated companies	22.2	16.6
Extraordinary items before tax	(21.0)	4.6
Items not requiring (providing) funds		
Depreciation	21.5	17.6
Other items	(1.1)	(33.7)
	<u>103.0</u>	<u>70.0</u>
(Increase) decrease in working capital		
Stocks	(20.2)	(3.1)
Debtors	(4.3)	2.3
Creditors and provisions	(3.1)	3.5
	<u>75.4</u>	<u>72.7</u>
Issue of additional Ordinary shares	66.5	—
Net proceeds from the sale of:		
Tangible fixed assets	10.8	21.7
Net assets and goodwill of subsidiaries	2.0	62.6
Investments	3.2	23.5
	<u>157.9</u>	<u>180.5</u>
Application of funds		
New businesses acquired (see below)	120.4	1.8
Investments in associated and other companies	1.4	0.3
Additions to tangible fixed assets	49.3	48.8
Dividends paid	35.2	35.1
Tax paid	22.4	16.5
	<u>228.7</u>	<u>102.5</u>
(Increase) decrease in net borrowings	<u>(70.8)</u>	<u>78.0</u>
Represented by changes in:		
Preference capital of a subsidiary	(4.0)	(14.5)
Loan capital and borrowings	(34.0)	(13.5)
Cash and short term deposits	(32.8)	106.0
	<u>(70.8)</u>	<u>78.0</u>
New businesses acquired		
Fixed assets		
Intangible assets	35.0	0.1
Tangible assets	88.6	1.8
Stocks	6.1	0.1
Debtors	6.0	—
Creditors	(7.7)	(0.2)
Provisions for liabilities and charges		
Deferred taxation	(1.6)	—
Other provisions	(6.0)	—
	<u>120.4</u>	<u>1.8</u>
Discharged by		
Issue of shares	66.5	—
Cash	50.1	1.8
Assumption of liability for borrowings	3.8	—
	<u>120.4</u>	<u>1.8</u>

Note: To eliminate distortions arising from changes in foreign currency exchange rates, the figures are presented on the basis that exchange rates ruling at 31st October of each year had applied throughout that year.

# The Rank Organisation

## Notes to the Accounts

### 1 Accounting policies

#### (i) Consolidation

The accounts are prepared under the historical cost convention and, except as stated in notes 1(iv), 1(viii) and 1(x), are on bases consistent with the previous year. The effect on the profit and loss account and balance sheets of the changes in bases of accounting referred to in those notes is set out in note 2. The Group profit and loss account and balance sheet include the accounts of the Company and its subsidiaries, and the Group's share of profits or losses and reserves of associated companies which are all related companies. The profits or losses of subsidiaries acquired or sold during the year are included as from or up to their respective dates of acquisition or disposal.

As provided for by Section 228(7) of the Companies Act 1985, no profit and loss account is presented in respect of The Rank Organisation Plc.

#### (ii) Exchange rates

##### *The Company and its subsidiaries*

Assets, liabilities, revenues and costs arising from transactions denominated in foreign currencies are translated into the currencies of the reporting companies either at the exchange rate on the day on which the transaction occurs or at the contracted rate if the transaction is covered by a related or matching foreign exchange contract. At the balance sheet date monetary assets and liabilities are translated at closing, or if appropriate, forward contract rates. Non-monetary assets are maintained at their historic cost unless they are matched by foreign currency borrowings in which case they are translated at closing exchange rates. Where foreign currency assets have been financed by foreign currency borrowings, exchange differences arising on the borrowings have been dealt with through reserves to the extent that they are covered by exchange differences arising on the related assets. The matching of exchange differences has not been restricted to individual currencies since the directors consider that net foreign currency assets are funded by total foreign currency borrowings. Other gains and losses arising on transactions in foreign currencies during the year are included in the profit and loss account.

For the purposes of consolidation of financial statements denominated in foreign currencies, assets, liabilities, revenues and costs are translated into sterling at the exchange rates ruling on the balance sheet date. Exchange differences arising from the re-translation of the opening net investment in overseas subsidiaries and branches at the closing rates of exchange are recorded as a movement in reserves.

#### *Rank Xerox companies*

Assets and liabilities denominated in foreign currencies are translated into the currencies of the reporting companies at exchange rates ruling at the balance sheet date. The exchange differences arising, together with exchange differences on trading transactions, are dealt with in the respective profit and loss accounts.

For the purposes of consolidation of financial statements denominated in foreign currencies, assets and liabilities are translated into sterling at the exchange rates ruling at the balance sheet date and profit and loss account items at average exchange rates for the year. The exchange differences arising are dealt with through reserves. Unrealised intra-group profits are eliminated at exchange rates ruling on the date of the relevant transactions.

#### (iii) Turnover

Turnover consists of sales of goods and services, admission receipts, film distribution revenues, royalties, commissions and gross rents receivable from investment properties, proceeds of sale of properties held as trading assets and the value of work carried out on the property development in progress.

#### (iv) Goodwill

Goodwill in the Group balance sheet, representing the net excess of the cost of shares in subsidiaries over net tangible assets at dates of acquisition together with the historical cost of goodwill of the Company, which was previously stated at cost less provisions for permanent diminution in value has, in accordance with Statement of Standard Accounting Practice No. 22, now been dealt with on an immediate write off basis.

#### (v) Stocks

Raw materials, work in progress, finished goods, other stocks and film productions are stated at the lower of cost (including, where appropriate, manufacturing overheads) and net realisable value on bases consistent with the previous year. Work in progress is stated net of progress payments receivable. Stocks also include property development in progress which is stated at cost plus attributable profit less foreseeable losses and is shown net of deposits received.

#### (vi) Property development in progress

The group uses the percentage of completion method to recognise profit from the construction of its resort condominium and villa development. The percentage of completion is determined by measuring the percentage of actual costs (including interest and attributable overheads) incurred to date. This percentage is then applied to the estimated profit on units pre-sold in the project.

# The Rank Organisation

## Notes to the Accounts *continued*

### 1 Accounting policies *continued*

(vii) Research and development expenditure  
Research and development expenditure incurred in the year is charged against profit from ordinary activities unless specifically chargeable to and recoverable from customers under agreed contract terms.

#### (viii) Depreciation of tangible assets *Properties*

(a) No depreciation is provided on freehold land.

(b) Depreciation is provided on a straight line basis to write off the cost of all freehold buildings over their estimated useful lives which do not exceed 100 years.

(c) Leasehold properties are depreciated over the shorter of their estimated useful lives, which do not exceed 100 years, and the terms of the leases.

#### *Other*

Depreciation is provided on a straight line basis to write off the cost of the assets over their estimated useful lives mainly at rates between 5% and 25% per annum.

#### *Change in basis of depreciation*

In previous accounting periods the useful lives of buildings of the holiday centres owned by a subsidiary have been assumed to end on 31st October, 2018; accordingly the rate of depreciation applied to additions depended on the date of acquisition of those additions. The basis of depreciation was changed during the current year in order to bring the policy into line with the basis used

elsewhere in the Group. In particular asset lives of buildings of the holiday centres are now assumed to be a maximum of 25 years from the date of the expenditure.

#### (ix) Leased assets

Rental payments in respect of operating and finance leases are charged to profit and loss account as incurred.

#### (x) Deferred taxation

*The Company and its subsidiaries*  
Deferred taxation computed under the liability method is only provided where it cannot be demonstrated with reasonable probability that a liability will not arise in the foreseeable future. No provision is made for taxation payable in the event of the profits of certain overseas subsidiary and associated companies being distributed. The amounts of deferred taxation provided and the relevant potential liability are set out in note 23 on page 34.

#### *Rank Xerox companies*

In previous accounting periods full provision under the liability method was made for deferred taxation. The basis has been changed to one of making provision only where it cannot be demonstrated with reasonable probability that a liability will not arise in the foreseeable future. The Rank Xerox companies have a significant deferred tax asset comprising tax on unrealised inter and intra group profits on supplies and equipment intended for sale and rental.

### 2 Changes in bases of accounting

The accounts for the year ended 31st October, 1985 have been restated to give effect to the change in basis of accounting for goodwill and the change made by a subsidiary in its basis for depreciating certain tangible fixed assets. In addition the Rank Xerox companies have changed their basis of providing deferred taxation and it has been considered appropriate to restate the Group's accounts for its share of the change. The effect on the Group profit and loss account and Group balance sheet is as set out below. The balance sheet of the Company is not affected by the changes.

#### *Group Profit and Loss Account*

	Increase/(decrease) in profits			
	Total	Goodwill change	Depreciation change	Deferred tax change
	£m	£m	£m	£m
Trading profit	(1.0)	—	(1.0)	—
Profit on ordinary activities before tax	(1.0)	—	(1.0)	—
Tax on profit on ordinary activities	(3.9)	—	—	(3.9)
Profit on ordinary activities after tax	(4.9)	—	(1.0)	(3.9)
Minority interests	0.2	—	—	0.2
Earnings	(4.7)	—	(1.0)	(3.7)
Extraordinary items	0.9	0.9	—	—
Profit for the financial year	(3.8)	0.9	(1.0)	(3.7)
Transfer to reserves	(3.8)	0.9	(1.0)	(3.7)

Earnings per share reduces by 2.3p. per share.

#### *Group Balance Sheet*

	(Decrease) £m
Intangible assets	(56.9)
Tangible assets	(16.0)
Investment in associated companies	(16.5)
Arising from goodwill written off	(9.3)
Arising from deferred tax change	(7.2)
Other reserves	(89.1)
Goodwill written off	(66.2)
Change in basis of depreciation	(16.0)
Deferred tax change	(6.9)
Minority interests	(0.3)

# The Rank Organisation

## Notes to the Accounts *continued*

### 3 Trading profit

	1986	1985
	£m	£m
Turnover	718.1	630.9
Cost of sales	(546.1)	(486.9)
Gross profit	172.0	144.0
Distribution costs	(44.9)	(41.1)
Administrative expenses	(47.8)	(45.5)
Other operating income	1.4	1.6
	80.7	59.0
Exceptional items		
Surplus on purchase of debenture and loan stock	0.6	1.3
Profits less losses on disposal of operating properties	3.1	7.1
Recovery of oil exploration expenditure written off in prior years	—	1.1
Trading profit	84.4	68.5

Trading profit is stated after (charging) or crediting the following items:

Depreciation of tangible fixed assets	(21.5)	(17.6)
Operating lease payments — property	(5.2)	(4.3)
— plant and machinery	(1.6)	(1.3)
Finance lease payments — plant and machinery	(0.7)	(0.8)
Auditors' remuneration (Company £0.1m 1985 £0.2m)	(0.9)	(0.8)
Rents receivable	2.2	3.2
Profits before central costs and interest of businesses acquired during the year	11.8	0.1

### 4 Share of results of associated companies

	1986	1985
	£m	£m
Share of profits less losses before taxation	82.7	71.1
Share of taxation (note 6)	(39.3)	(40.1)
Share of extraordinary items (note 7)	—	(1.2)
	43.4	29.8
Dividends receivable by the Group	(70.8)	(20.2)
Profits less losses for the year less dividends receivable	(27.4)*	9.6
Minority interests	1.0	(0.3)
Amounts retained attributable to shareholders of the Company	(26.4)	9.3
Adjustment of reserves on disposal of investments	—	(7.1)
Net (decrease) increase in profits retained in associated companies	(26.4)	2.2

\*Comprises distribution of reserves of Rank Xerox companies £28.1m less profits retained in other associated companies £0.7m (see note 15).

### 5 Interest

	1986	1985
	£m	£m
Interest on bank loans and overdrafts	(17.5)	(21.1)
Interest on other loans fully repayable within 5 years	(0.7)	(0.5)
Interest on other loans not fully repayable within 5 years	(3.8)	(4.8)
Interest receivable	19.0	22.8
	(3.0)	(3.6)

Interest payable is shown net of £2.1m (1985 £0.4m) interest allocated to property development projects and £3.7m included within the lapsed bid costs in extraordinary items.

# The Rank Organisation

## Notes to the Accounts *continued*

6 Taxation	Company and its subsidiaries	1986			Company and its subsidiaries	1985		
		Associated companies Rank Xerox companies	Others	Total		Associated companies Rank Xerox companies	Others	Total
	£m	£m	£m	£m	£m	£m	£m	£m
United Kingdom corporation tax								
Current	20.2	(1.1)	—	19.1	18.4	0.6	0.1	19.1
Deferred	(0.2)	1.4	—	1.2	(0.5)	7.2	—	6.7
	<u>20.0</u>	<u>0.3</u>	<u>—</u>	<u>20.3</u>	<u>17.9</u>	<u>7.8</u>	<u>0.1</u>	<u>25.8</u>
Overseas								
Current	4.8	49.2	0.6	54.6	2.3	30.1	1.0	33.4
Deferred	(0.1)	(10.8)	—	(10.9)	0.8	1.1	—	1.9
	<u>4.7</u>	<u>38.4</u>	<u>0.6</u>	<u>43.7</u>	<u>3.1</u>	<u>31.2</u>	<u>1.0</u>	<u>35.3</u>
	<u>24.7</u>	<u>38.7</u>	<u>0.6</u>	<u>64.0</u>	<u>21.0</u>	<u>39.0</u>	<u>1.1</u>	<u>61.1</u>

### Company and its subsidiaries

United Kingdom corporation tax on profits for the year has been provided at 37.08% (1985 42.08%) and provision for deferred taxation has been made at rates which have regard to the reduction in corporation tax rates set out in Section 18 Finance Act 1984. The United Kingdom tax charge is stated after crediting double tax relief of £0.7m (1985 £0.4m) in respect of income from subsidiaries. The charge for taxation has been increased by £0.1m in respect of capital allowances and other timing differences (1985 decreased by £3.4m).

### Rank Xerox companies

The charge for United Kingdom corporation tax has been provided at 37.08% (1985 42.08%).

## 7 Extraordinary items

	1986 £m	1985 £m
Costs (including related interest) of lapsed bid for Granada Group PLC (after tax relief of £1.4m)	(14.4)	—
Net cost and provision for cost of terminating activities	(5.2)	(0.3)
Profits less losses against historical cost on disposal of investment properties	—	4.9
	<u>(19.6)</u>	<u>4.6</u>
Other tax items (including relief relating to previous years)	0.5	(1.7)
	<u>(19.1)</u>	<u>2.9</u>
Share of extraordinary items of associated companies	—	(1.2)
	<u>(19.1)</u>	<u>1.7</u>
Attributable to minorities	—	(0.2)
	<u>(19.1)</u>	<u>1.5</u>



# The Rank Organisation

## Notes to the Accounts *continued*

### 8 Profit attributable to The Rank Organisation Plc

The profit for the financial year dealt with in the accounts of The Rank Organisation Plc was £270.5m (1985 £90.2m) and included £83.9m being the profit on sale of certain of its undertakings and assets to wholly owned subsidiaries and a special dividend of £152.6m paid out of profits generated by the sale of assets by a subsidiary to its subsidiary. In 1985 the profit included dividends from subsidiaries of £65.6m paid out of prior year profits.

### 9 Dividends

	1986 £m	1985 £m
<i>Preference shares</i>		
6½% Cumulative Preference	0.4	0.4
8% Second Cumulative Preference	0.2	0.2
	<u>0.6</u>	<u>0.6</u>
<i>Ordinary shares</i>		
Interim of 6.25p per share, since paid (1985 interim of 5.5p per share)	13.5	11.1
Final of 11.75p per share, proposed (1985 final of 9.5p per share)	25.3	19.2
	<u>38.8</u>	<u>30.3</u>
	<u>39.4</u>	<u>30.9</u>

By virtue of the Finance Acts 1972 and 1976, the dividends payable on the 6½% Cumulative Preference Shares and 8% Second Cumulative Preference Shares are calculated at the rates of 4.375% and 5.6% per annum respectively.

### 10 Earnings per Ordinary share

The calculation of earnings per Ordinary share is based upon profit before extraordinary items of £94.6m from which are deducted Preference dividends totalling £0.6m giving earnings of £94.0m (1985 £68.1m) and on the weighted average number of Ordinary shares in issue during the year of 206,840,000 (1985 201,995,000 shares).

### 11 Intangible assets

	Group £m	Company £m
Deferred revenue expenses		
Cost at 31st October 1985	0.8	0.3
Transfers to subsidiaries	—	(0.3)
Additions	0.1	—
	<u>0.9</u>	<u>—</u>
Cost at 31st October 1986		
Amortisation at 31st October 1985	0.5	0.1
Transfers to subsidiaries	—	(0.1)
Amortisation for year	0.2	—
	<u>0.7</u>	<u>—</u>
Amortisation at 31st October 1986		
Net book amount at 31st October 1985	0.3	0.2
	<u>0.2</u>	<u>—</u>
Net book amount at 31st October 1986		

### Goodwill

Goodwill of the Company at 31st October 1985 of £0.2m was transferred to a subsidiary during 1986.

# The Rank Organisation

## Notes to the Accounts *continued*

### 12 Tangible assets

	Freehold land and buildings £m	Leasehold land and buildings £m	Fixtures fittings tools and equipment £m	Plant and machinery £m	Assets in course of construction £m	Total £m
Group						
Cost at 31st October 1985*	97.0	74.7	117.8	29.1	1.3	319.9
Prior year adjustment (see note 2 on page 22)	(3.4)	(0.8)	(1.3)	—	—	(5.5)
Cost at 31st October 1985 restated	93.6	73.9	116.5	29.1	1.3	314.4
Currency translation adjustment	0.4	—	0.8	(0.1)	—	1.1
New businesses acquired	73.9	3.4	17.4	4.3	—	99.0
Additions	12.1	5.0	28.3	3.8	0.1	49.3
Disposals	(1.0)	(1.1)	(6.9)	(6.1)	(1.3)	(16.4)
Transfers to current assets	(4.4)	(4.0)	(3.1)	(0.5)	—	(12.0)
Cost at 31st October 1986	174.6	77.2	153.0	30.5	0.1	435.4
Depreciation at 31st October 1985*	17.3	11.2	60.1	16.9	—	105.5
Prior year adjustment (see note 2 on page 22)	6.8	4.4	(0.7)	—	—	10.5
Depreciation at 31st October 1985 restated	24.1	15.6	59.4	16.9	—	116.0
Currency translation adjustment	0.1	—	—	—	—	0.1
New businesses acquired	3.0	0.4	3.9	3.1	—	10.4
Disposals	(0.6)	(0.7)	(5.2)	(4.1)	—	(10.6)
Depreciation for year	3.0	2.0	13.6	2.9	—	21.5
Transfers to current assets	(1.3)	(3.9)	(3.0)	(0.3)	—	(8.5)
Depreciation at 31st October 1986	28.3	13.4	68.7	18.5	—	128.9
Net book amount at 31st October 1985 restated	69.5	58.3	57.1	12.2	1.3	198.4
Net book amount at 31st October 1986	146.3	63.8	84.3	12.0	0.1	306.5
Company						
Cost at 31st October 1985	22.0	25.1	42.3	—	—	89.4
Transfers to subsidiaries	(20.0)	(22.8)	(39.1)	—	—	(81.9)
Additions	—	0.2	1.1	—	—	1.3
Disposals	(4.7)	(2.1)	(4.0)	—	—	(10.8)
Transfers from current assets	2.8	0.7	1.3	—	—	4.8
Cost at 31st October 1986	0.1	1.1	1.6	—	—	2.8
Depreciation at 31st October 1985	6.0	5.3	21.4	—	—	32.7
Transfers to subsidiaries	(5.2)	(4.6)	(19.4)	—	—	(29.2)
Disposals	(1.9)	(1.0)	(2.0)	—	—	(4.9)
Depreciation for year	—	—	0.1	—	—	0.1
Transfers from current assets	1.1	0.4	1.0	—	—	2.5
Depreciation at 31st October 1986	—	0.1	1.1	—	—	1.2
Net book amount at 31st October 1985	16.0	19.8	20.9	—	—	56.7
Net book amount at 31st October 1986	0.1	1.0	0.5	—	—	1.6

The net book amount of leasehold land and buildings at 31st October, 1986 includes for the Group £37.8m (1985 £23.8m) and for the Company £1.0m (1985 £15.2m) in respect of leases with less than 50 years to run. The net book amount of tangible assets for the Group includes £0.3m (1985 £NIL) interest capitalised.

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

# The Rank Organisation

## Notes to the Accounts *continued*

### 13 Commitments

#### Future capital expenditure

At 31st October 1986 commitments for capital expenditure amounted to £33.0m (1985 £15.3m) for the Group and £NIL (1985 £NIL) for the Company. Expenditure authorised by the Directors but not contracted amounted to £10.7m (1985 £14.0m) for the Group and £NIL (1985 £2.2m) for the Company.

#### Property developments in progress (note 17)

Future expenditure authorised by the Directors amounted to £33.2m (1985 £37.4m) of which £23.2m (1985 £32.9m) was contracted at 31st October 1986.

#### Group rental commitments over periods of leases

The commitment at 31st October 1986 to make payments on operating leases in the year to 31st October 1987 was:

	Properties		Plant and machinery	
	1986	1985	1986	1985
	£m	£m	£m	£m
Leases expiring in one year	0.2	0.1	0.6	0.5
Leases expiring in two to five years	1.3	0.8	1.6	0.5
Leases expiring in more than five years	4.0	3.7	0.3	—
	<u>5.5</u>	<u>4.6</u>	<u>2.5</u>	<u>1.0</u>

Total rental commitments at 31st October 1986 in respect of finance leases of plant and machinery were £1.0m (1985 £2.4m) of which £0.6m (1985 £1.0m) is payable within one year.

#### Forward foreign exchange contracts

At 31st October 1986 contracts in the ordinary course of business for the Group were £54.3m (1985 £34.6m) and for the Company £NIL (1985 £NIL).

### 14 Investments in subsidiary companies

	Shares	Loans	Provisions	Net
	at cost or	and		book
	valuation	advances	amount	
	£m	£m	£m	£m
Balances at 31st October 1985	255.8	371.2	(47.9)	579.1
Transfers to subsidiary	(10.9)	—	—	(10.9)
Additions	—	479.6	—	479.6
Disposals/repayments	(3.0)	(39.9)	7.7	(35.2)
Increase in provisions	—	—	(1.1)	(1.1)
Reduction of provisions	—	—	12.3	12.3
Increase on revaluation	21.4	—	—	21.4
Balances at 31st October 1986	<u>263.3</u>	<u>810.9</u>	<u>(29.0)</u>	<u>1,045.2</u>

The Company's 60% holding in the ordinary share capital of Rank Precision Industries (Holdings) Limited was revalued by the directors on 31st October 1986 at £111.2m being an amount equal to the historical cost of £3.3m plus the appropriate share of post acquisition retained reserves. The surplus on revaluation has been taken to revaluation reserve.

Of the loans and advances to subsidiaries £62.1m (1985 £65.6m) has been subordinated to other creditors as an alternative to increasing the share capital of certain subsidiaries.

Loans and advances during the year of £479.6m include: (i) loans to finance the purchase of new businesses from third parties; (ii) loans relating to the purchase by subsidiaries of certain of the Company's assets and undertakings; and (iii) loans to a subsidiary to enable it to acquire shares in an associated company previously owned by its immediate holding company.

# The Rank Organisation

## Notes to the Accounts *continued*

### 14 Investments in subsidiary companies continued

The principal subsidiaries, whose activities are shown in greater detail in the Review of Operations on pages 7 to 15 are:

		Class of shares owned	Country of incorporation and operation	Percentage of share capital attributable to the Company		Total
				Directly owned	Through subsidiaries	
Film and Television Services	Pinewood Studios Limited	Ordinary	Great Britain	—	100	100
	Rank Advertising Films Limited	Ordinary	Great Britain	—	100	100
	Rank Audio Visual Limited	Ordinary	Great Britain	—	100	100
	Rank Film Distributors Limited	Ordinary	Great Britain	—	100	100
	Rank Film Laboratories Limited	Ordinary	Great Britain	—	100	100
	Rank Theatres Limited	Ordinary	Great Britain	—	100	100
	Rank Video Services Limited	Ordinary Deferred	Great Britain	—	100	100
Holidays and Recreation	Wings Limited	Ordinary Deferred	Great Britain	100	—	100
	Butlin's Limited	6%	Great Britain	100	—	100
		Cumulative Preference		100	—	100
	Haven Leisure Limited	Ordinary	Great Britain	—	100	100
	Top Rank Limited	Ordinary	Great Britain	—	100	100
Hotels and Catering	Rank Amusements Limited	Ordinary	Great Britain	—	100	100
	Rank Hotels Limited	Ordinary	Great Britain	—	100	100
	Rank Motorway Services Limited	Ordinary	Great Britain	—	100	100
Precision Industries	Rank Precision Industries Limited	Ordinary	Great Britain	100	—	100
North America	Rank Precision Industries Inc	Common	U.S.A.	—	100	100
	Strand Lighting Inc	Common	U.S.A.	—	100	100
	Strand Lighting Asia Limited	Ordinary	Hong Kong	—	100	100
Australia/Asia	Strand Lighting Limited	Ordinary	Great Britain	—	100	100
	Rank Development Inc	Common	U.S.A.	—	100	100
	Rank Industries Australia Limited	Ordinary	Australia	—	100	100
Holding and other companies	Rank Industries Asia Pte. Limited	Ordinary	Singapore	—	100	100
	A. Kershaw & Sons, Plc (note (a))	8% 'A' Cumulative Preference 12% 'B' Non-Cumulative Preference	Great Britain	78	—	78
	Rank RX Holdings Limited (note (b))	Ordinary	Great Britain	62	—	62
	Rank Holdings (U.K.) Limited (note (c))	Ordinary	Great Britain	50	46	96
	Rank Overseas Holdings Limited (note (d))	Ordinary	Great Britain	100	—	100
	Rank Precision Industries (Hc) Limited (note (a))	5% Cumulative Preference Ordinary	Great Britain	57	35	92
				60	33	93

(a) A. Kershaw & Sons, Plc holds 43% of the preference and 40% of the ordinary share capital of Rank Precision Industries (Holdings) Limited which owns 50% of the share capital of Rank RX Holdings Limited.

(b) Rank RX Holdings Limited owns directly and indirectly the whole of the Group's interests in the Rank Xerox companies.

(c) Rank Holdings (U.K.) Limited owns the Group's investment in the majority of the UK operating subsidiary companies.

(d) Rank Overseas Holdings Limited owns the Group's investment in the principal overseas subsidiary and other associated companies.

# The Rank Organisation

## Notes to the Accounts *continued*

### 15 Investments in associated companies

	Group			Company	
	Shares at cost £m	Share of post acquisition retained profits £m	Loans and advances £m	Total £m	Shares at cost £m
<b>Rank Xerox companies (unlisted)</b>					
Balances at 31st October 1985	17.4	276.4	1.2	295.0	—
Prior year adjustment (see note 2 on page 22)	—	(7.2)	—	(7.2)	—
Balances at 31st October 1985 as restated	17.4	269.2	1.2	287.8	—
Currency translation adjustment	—	56.6	—	56.6	—
Additions	0.8	—	—	0.8	—
Distribution of reserves	—	(28.1)	—	(28.1)	—
Balances at 31st October 1986	18.2	297.7	1.2	317.1	—
<b>Other (unlisted)</b>					
Balances at 31st October 1985	39.0	11.3	—	50.3	1.1
Prior year adjustment (see note 2 on page 22)	(9.3)	—	—	(9.3)	—
Balances at 31st October 1985 as restated	29.7	11.3	—	41.0	1.1
Currency translation adjustment	0.7	(1.2)	—	(0.5)	—
Additions	0.2	—	—	0.2	—
Disposals	(2.9)	—	—	(2.9)	—
Transfer to other investments	(26.1)	0.8	—	(25.3)	—
Surplus on revaluation of fixed assets	—	0.7	—	0.7	—
Share of retained profits for the year	—	0.7	—	0.7	—
Balances at 31st October 1986	1.6	12.3	—	13.9	1.1
<b>Total</b>	<b>19.8</b>	<b>310.0</b>	<b>1.2</b>	<b>331.0</b>	<b>1.1</b>

The associated companies principally affecting profits are:

	Percentage voting interest	Country of incorporation and operation	Class of capital owned	Percentage holding	Date of accounts
<b>Rank Xerox companies</b>					
Rank Xerox Limited	48.8	Great Britain	'B' Ordinary	96.4	31.10.86
Rank Xerox Holding B.V.	48.8	Holland	'D' Ordinary 'B' Ordinary 'C' Ordinary	96.4 96.4 96.4	31.10.86
Rank Xerox Investments Limited	49.0	Bermuda	'B' Ordinary	96.4	31.10.86
<b>Other associated companies</b>					
Film exhibition					
Kerridge Odeon Corporation Limited	50.0	New Zealand	Ordinary	50.0	31.3.86
Holidays and recreation					
Cal Air International Limited	50.0	Great Britain	Ordinary Deferred	50.0 50.0	31.10.86

# The Rank Organisation

## Notes to the Accounts *continued*

### 15 Investments in associated companies continued

The business of the Rank Xerox companies consists of the manufacturing and marketing of business equipment. This includes xerographic copiers and duplicators, electronic, impact and electrostatic printers, information processing products and systems, electronic typewriters, facsimile transceivers, and related supplies. Rank Xerox has its principal manufacturing operations in the United Kingdom, France and Holland and markets such equipment through subsidiary companies in Europe, Asia, Africa and Australia. Its principal associated company, Fuji Xerox Co. Ltd., a company incorporated in Japan, which is 50% owned by Rank Xerox Limited, also manufactures and markets business equipment.

Under an agreement with Xerox Corporation made in 1977, the Group, through Rank RX Holdings Limited, is entitled to a share in the annual combined profits before taxation of all the associated companies owned jointly with Xerox Corporation. This share amounts to one half of such profits up to a maximum annual sum of £3,700,627 plus one third of the amount by which such profits exceed £7,401,254, from which is deducted the related taxation. For this purpose, the combined profits before taxation shown below are adjusted to eliminate charges made by Xerox Corporation for research and development and corporate overhead costs and to include certain net income received direct by Xerox Corporation.

A summary of the combined financial statements of the Rank Xerox companies is set out below:

Profit and Loss Account	1986	1985*	Balance Sheet	
	£m	£m	1986	1985*
			£m	£m
Turnover	1,926	1,806	Fixed assets	465
Less costs	1,771	1,645	Tangible assets	286
			Investments	751
Trading profit	155	161	Net current assets	650
Interest	2	(14)	Total assets less current liabilities	1,401
Share of results of associates	57	54	Creditors falling due after more than one year	(298)
Profit before Xerox Corporation charges	214	201	Provisions for liabilities and charges	(57)
Xerox Corporation charges	(76)	(75)		1,046
Profit before tax	138	126	Share capital and reserves	1,039
Tax	(67)	(80)	Minority interests	7
Profit after tax	71	46		1,046
				875

\*Comparative figures have been restated for a change in basis of accounting for deferred tax which has increased the tax charge for 1985 by £15m and increased share capital and reserves by £7m.

### 16 Other investments (unlisted)

	Shares	Loans and	Provisions	Total
	at cost	advances		
	£m	£m	£m	£m
Balances at 31st October 1985	0.2	0.7	(0.9)	—
Additions	0.3	—	(0.3)	—
Transfers from associated companies	25.3	—	—	25.3
Disposals	(0.2)	(0.7)	0.9	—
Balances at 31st October 1986	25.6	—	(0.3)	25.3

The transfer from associated companies relates to the investments in Telecom Plus International Inc. and Cathay Films Distribution Company Limited which are no longer regarded as associated companies as the Group's investment in the companies is no longer considered to be for the long term nor does the Group exercise significant influence over the affairs of either company.

The Group owns common stock of Telecom Plus International Inc., representing 21.2% of the voting rights in that company, which is incorporated and operates in the U.S.A. The Group's investment at 31st October 1986 is carried at cost less provision for diminution in value.

The Group owns ordinary shares of Cathay Films Distribution Company Limited, representing 24.2% of the voting rights in that company, which is incorporated and operates in Hong Kong. The Group's investment at 31st October 1986 is carried at cost plus share of post-acquisition retained profits to 31st December 1984.

# The Rank Organisation

## Notes to the Accounts *continued*

### 17 Stocks

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Raw materials and consumables	13.5	14.6	—	1.0
Work in progress	16.6	16.7	—	—
Finished goods and goods for resale	25.8	24.5	—	3.8
Film productions	5.3	9.3	—	11.6
Property developments in progress	45.5	14.9	—	—
	<u>106.7</u>	<u>80.0</u>	<u>—</u>	<u>16.4</u>
Property developments in progress comprise cost plus attributable profit	53.0	14.9	—	—
Less: progress payments	7.5	—	—	—
	<u>45.5</u>	<u>14.9</u>	<u>—</u>	<u>—</u>

Section 228 of the Companies Act 1985 contains an overriding requirement for the accounts to give a true and fair view. For this reason attributable profit has been included in property developments in progress in accordance with Statement of Standard Accounting Practice No. 9 although it constitutes a departure from the statutory valuation rules. As progress payments cannot be allocated between cost and profit it is not possible to determine the effect of the departure on the balance sheet carrying value of the property developments in progress. Interest capitalised included in property developments in progress amounted to £1.6m (1985 £0.4m).

### 18 Debtors

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Amounts falling due within one year				
Trade debtors	62.0	61.6	0.1	7.2
Amounts owed by group companies	—	—	46.0	39.8
Other debtors	8.0	11.0	0.4	4.9
Fixed assets held for disposal	3.6	3.9	2.4	2.5
Prepayments and accrued income	19.6	19.5	0.9	7.9
Dividends receivable from associated company	23.4	14.8	—	—
	<u>116.6</u>	<u>110.8</u>	<u>49.8</u>	<u>62.3</u>
Amounts falling due after more than one year				
Trade debtors	8.6	0.4	—	0.4
Other debtors	4.9	4.3	0.1	0.7
Fixed assets held for disposal	1.6	1.1	—	1.1
Prepayments and accrued income	1.2	—	—	—
Advance corporation tax recoverable	16.3	13.4	27.1	15.9
Dividends receivable from associated company	40.0	—	—	—
	<u>72.6</u>	<u>19.2</u>	<u>27.2</u>	<u>18.1</u>
<b>Total</b>	<u>189.2</u>	<u>130.0</u>	<u>77.0</u>	<u>80.4</u>

# The Rank Organisation

## Notes to the Accounts *continued*

19 Loan capital, borrowings,  
short term deposits and cash

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Bank overdrafts	12.0	10.1	9.3	8.1
Bank loans				
Amounts repayable				
Within one year or on demand	55.8	34.8	49.3	29.1
Between one and two years	77.3	53.7	72.7	49.5
Between two and five years	7.1	12.1	7.1	12.1
In five years or more	47.1	48.7	47.1	48.7
	<u>187.3</u>	<u>149.3</u>	<u>176.2</u>	<u>139.4</u>
Other borrowings				
4½% Convertible Loan 1993	24.8	26.0	24.8	26.0
Remainder amount repayable				
Within one year	3.0	1.8	2.7	1.5
Between one and two years	1.3	3.1	—	2.7
Between two and five years	2.5	1.9	0.1	0.1
Between five and fifteen years	10.6	13.4	7.3	7.3
In fifteen years or more	18.7	18.7	18.7	18.7
	<u>60.9</u>	<u>64.9</u>	<u>53.6</u>	<u>56.3</u>
	<u>260.2</u>	<u>224.3</u>	<u>239.1</u>	<u>203.8</u>
Total				
Secured				
Sterling	6.8	8.4	—	—
Other currencies	25.1	26.0	24.8	26.0
	<u>31.9</u>	<u>34.4</u>	<u>24.8</u>	<u>26.0</u>
Unsecured				
Sterling	55.9	42.1	55.1	41.9
Other currencies	172.4	147.8	159.2	135.9
	<u>228.3</u>	<u>189.9</u>	<u>214.3</u>	<u>177.8</u>
	<u>260.2</u>	<u>224.3</u>	<u>239.1</u>	<u>203.8</u>
Total as above				
Amounts falling due within one year or on demand	70.8	46.7	61.3	38.7
Amounts falling due after more than one year	189.4	177.6	177.8	165.1
	<u>260.2</u>	<u>224.3</u>	<u>239.1</u>	<u>203.8</u>
Loan capital				
Security deposits	26.0	29.6	—	—
Other cash deposits	115.7	161.3	12.7	59.1
Cash at bank and in hand	18.5	5.1	1.8	0.8
	<u>160.2</u>	<u>196.0</u>	<u>14.5</u>	<u>59.9</u>
Total deposits and cash				
Net borrowings	100.0	28.3	224.6	143.9

Holders of the 4½% Convertible Loan 1993 have the right to convert into fully paid Ordinary shares of the Company exercisable until 12th February 1993 on the basis of U.S. \$14.523 of the loan for one Ordinary share of 25p. No conversion rights had been exercised by 31st October 1986 at which date U.S. \$34.9m nominal of the loan was outstanding. During the year the Company purchased and cancelled U.S. \$2.7m of the loan.

Security deposits represent cash placed with the trustees of the 4½% Convertible Loan 1993 (and in 1985 a debenture of a subsidiary) to secure the repayment of these borrowings. Sterling borrowings of £6.8m (1985 £8.4m) are secured by either fixed or floating charges on various assets and undertakings of certain subsidiaries.

The remainder of other borrowings shown above includes borrowings not fully repayable within five years totalling £29.6m (1985 £33.3m) for the Group and £26.0m (1985 £26.0m) for the Company. These borrowings are repayable in part by annual sinking funds or by instalments and are all repayable at par. The average rate of interest payable on these borrowings was, for the Group 9.0% (1985 9.0%) and for the Company 9.4% (1985 9.5%).



# The Rank Organisation

## Notes to the Accounts *continued*

### 20 Other creditors

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Amounts falling due within one year				
Payments received on account	8.5	6.4	—	0.2
Trade creditors	65.5	55.6	1.2	17.0
Interest payable to group companies	—	—	2.8	2.5
Amounts owed to group companies	—	—	80.1	70.6
United Kingdom corporation tax	9.0	9.1	1.2	0.5
Overseas taxation	3.2	1.8	—	—
Advance corporation tax	16.3	13.4	16.3	13.4
Other tax and social security	6.0	6.1	2.7	4.2
Other creditors	17.2	17.0	0.6	4.7
Accruals and deferred income	32.9	27.0	2.6	10.8
Dividends				
Accrued on preference shares	0.2	0.2	0.2	0.2
Payable and proposed on ordinary shares	38.8	30.3	38.8	30.3
Minority shareholders of subsidiaries	1.4	1.1	—	—
	<u>199.0</u>	<u>168.0</u>	<u>146.5</u>	<u>154.4</u>
Amounts falling due after more than one year				
Payments received on account	0.4	—	—	—
United Kingdom corporation tax	3.2	5.0	—	—
Other creditors	1.5	4.6	0.8	—
	<u>5.1</u>	<u>9.6</u>	<u>0.8</u>	<u>—</u>

### 21 Provisions for liabilities and charges

	Deferred taxation £m	Other pro- visions £m
<b>Group</b>		
Balances at 31st October 1985	17.7	22.0
Currency translation adjustment	0.1	(0.5)
Utilised during the year	—	(11.5)
Subsidiaries acquired	1.6	2.6
Charge for the year in the profit and loss account	(0.3)	2.7
Balances at 31st October 1986	<u>19.1</u>	<u>15.3</u>
<b>Company</b>		
Balances at 31st October 1985	1.2	2.1
Transfers to subsidiaries	(0.7)	(0.9)
Utilised during the year	—	(0.9)
Advance corporation tax	0.9	—
Balances at 31st October 1986	<u>1.4</u>	<u>0.3</u>

Other provisions are principally represented by closure costs in respect of the termination of activities.

# The Rank Organisation

## Notes to the Accounts *continued*

### 22 Provision for pensions and similar obligations

#### United Kingdom

The group pension schemes are contracted out of the State earnings related pension arrangements and are externally funded under separate trusts. Benefits are fixed by reference to final pay. There were 7,545 current members, 6,639 pensioners and 5,156 former employees with deferred pension rights at the 5th April 1986, the last pension plan year end. Valuations of the funds are carried out by the Eagle Star Group triennially, the last actuarial report being to 5th April 1985. That report disclosed that the funds were adequate to meet all the obligations of the schemes.

#### Other countries

Group contributions to schemes for employees in other countries totalled £0.5m (1985 £0.9m).

### 23 Deferred taxation

	Provided				Not provided			
	Group		Company		Group		Company	
	1986	1985	1986	1985	1986	1985	1986	1985
	£m	£m	£m	£m	£m	£m	£m	£m
Capital allowances	13.1	12.9	7.9	8.6	12.7	14.3	—	—
Other timing differences	6.0	5.3	—	—	(4.3)	(1.3)	—	—
Losses	—	(0.5)	—	—	—	—	—	—
Advance corporation tax	—	—	(6.5)	(7.4)	—	—	—	—
	19.1	17.7	1.4	1.2	8.4	13.0	—	—

The above figures exclude taxation payable:

(a) in the event of profits of certain overseas subsidiary and associated companies being distributed and

(b) on capital gains which might arise from the sale of certain investments by the Company at the values at which they are stated in the Company's balance sheet.

### 24 Capital and reserves

Share capital	1986		1985	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
	£000	£000	£000	£000
6½% Cumulative Preference shares of £1 each	10,000	9,996	10,000	9,996
8% Second Cumulative Preference shares of £1 each	3,000	2,602	3,000	2,602
Ordinary shares of 25p each	70,800	53,874	57,000	50,498
	83,800	66,472	70,000	63,096

During the year, 13,500,000 Ordinary shares were issued in connection with an acquisition from Ladbroke Group PLC and 808 Ordinary shares were issued on the early exercise of options by employees.

At 31st October 1986, of the unissued Ordinary shares 2,401,639 were reserved against conversions of the outstanding 4½% Convertible Loan 1993 and 3,345,456 against the exercise of options granted under the Company's Share Option Schemes. Details of the options are as follows:

	Date of Grant	Shares	Option Price
Share Savings Scheme	25th April 1985	315,801	306p
	7th March 1986	126,775	454p
Executive Share Option Scheme	8th May 1985	527,960	345p
	3rd March 1986	421,470	504p
	21st August 1986	1,953,450	490p
		3,345,456	

Options granted under the Share Savings Scheme are exercisable normally within a period of six months after the fifth anniversary of the SAYE contracts. Options granted under the Executive Share Option Scheme are exercisable within a period normally commencing on the third anniversary and ending on the tenth anniversary of the date of the grant.

# The Rank Organisation

## Notes to the Accounts *continued*

24 Capital and reserves  
continued

Reserves	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Share premium account	204.7	141.6	204.7	141.6
Revaluation reserve	—	—	111.2	89.8
Other reserves	303.5	246.7	368.9	138.0
	<u>508.2</u>	<u>388.3</u>	<u>684.8</u>	<u>369.4</u>

At 31st October 1986 the reserves of the Company were higher than those of the Group principally because:

- (i) goodwill comprising the net excess of the cost of shares over the net tangible assets at dates of acquisition has been written off against Group reserves but an equivalent provision by the Company for diminution in value of its investment in subsidiaries has not been considered necessary; and
- (ii) the Company generated inter-group profits during the year from the sale of a substantial part of its undertaking and assets to wholly owned subsidiaries at values above those carried in the Group accounts.

Movement in share capital and share premium account	Ordinary share capital £m	Share premium account £m
Balances at 31st October 1985	50.5	141.6
Issue of shares in the year	3.4	64.1
Expenses in connection with the issue	—	(1.0)
	<u>53.9</u>	<u>204.7</u>
Balances at 31st October 1986		

### Movements in reserves

Group	Company and its subsidiaries £m	Associated companies £m	Total £m
Balances at 31st October 1985 previously reported	58.6	277.2	335.8
Adjustments due to changes in accounting policies			
Group goodwill written off pre 1985	(66.2)	—	(66.2)
Fixed assets restatement			
Pre 1985	(15.0)	—	(15.0)
1985	(1.0)	—	(1.0)
Deferred taxation — Rank Xerox companies			
Pre 1985	—	(3.0)	(3.0)
1985	—	(3.9)	(3.9)
Balances at 31st October 1985 restated	(23.6)	270.3	246.7
Currency translation adjustments	1.7(a)	53.3	55.0
Write off of goodwill arising in the year	(35.0)	—	(35.0)
Surplus on revaluation of fixed assets	—	0.7	0.7
Transfers	(0.8)	0.8	—
Surplus on profit and loss account for the year	62.5	(26.4)	36.1
	<u>4.8</u>	<u>298.7(b)</u>	<u>303.5</u>
Balances at 31st October 1986			

(a) After offsetting £0.7m of net exchange losses arising on foreign currency borrowings less deposits.

(b) Includes £286.5m in respect of Rank Xerox companies.

# The Rank Organisation

## Notes to the Accounts *continued*

24 Capital and reserves  
continued

Company	Revaluation £m	Other £m	Total £m
Balances at 31st October 1985	89.8	138.0	227.8
Currency translation adjustment	—	(0.2)	(0.2)
Surplus on profit and loss account for the year	—	231.1	231.1
Revaluation surplus	21.4	—	21.4
Balances at 31st October 1986	<u>111.2</u>	<u>368.9</u>	<u>480.1(c)</u>

26 Dire

(c) Includes £363.5m regarded as available for distribution

In presenting the figures for the Company's investments in subsidiary and associated companies the directors have adopted the alternative accounting rules under the terms of Schedule 4 Part II Section C of the Companies Act 1985 and have revalued an investment in a subsidiary company at 31st October 1986. The valuation surplus of £21.4m arising thereon in the year has been taken to revaluation reserve.

The directors also consider that a diminution in value has occurred in two subsidiary companies and consequently have made a charge of £1.1m to the profit and loss account of the Company during the year.

The directors have considered the value at 31st October 1986 of the remaining fixed assets of the Company without actually revaluing them, and are satisfied that these remaining assets are worth in total not less than the aggregate amount at which they are stated in these accounts.

Accordingly, and as provided in Section 275 of the Companies Act 1985, the provisions for diminution in value of investments in subsidiaries of £1.1m charged in arriving at the surplus for the year of £231.1m in the Company's profit and loss account do not fall to be treated as realised losses and therefore are not regarded as reducing distributable reserves.

25 Contingent liabilities

Group	1986 £m	1985 £m
Guarantees by the company and by subsidiary companies, bills discounted by group companies and uncalled liability in respect of partly paid shares	18.9	17.6
Guarantees of advances to associated company	0.2	0.2
Guarantees of lease commitments of an associated company	20.5	13.8
<b>Company</b>		
Guarantees of advances to subsidiary companies, bills discounted and uncalled liabilities in respect of partly paid shares		
Provided as liabilities in the group balance sheet	6.9	5.0
Others	15.4	13.8
Guaranteed buyback of redeemable preference shares of a subsidiary	32.7	30.2
Guarantees of advances to an associated company	0.2	0.2
Guarantees of lease commitments of an associated company	20.5	13.8
No security has been given in respect of any contingent liability.		

# The Rank Organisation

## Notes to the Accounts *continued*

### 26 Directors and employees

(a) The directors' interests in shares or stocks of the Company which are all beneficial unless otherwise stated were as follows:-

	31st October 1986		1st November 1985	
	Ordinary Shares	Share Options	Ordinary Shares	Share Options
L. H. Bond	—	31,398	—	31,398
Sir Arthur Bryan	1,000	—	—	—
R. F. H. Cowen	40,000	—	40,000	—
as trustee	5,008,085	—	10,008,085	—
H. A. Crichton-Miller	—	60,000	—	60,000
J. Daly	—	60,000	—	60,000
J. C. Duckworth	1,404	—	1,404	—
Sir Leslie Fletcher	1,000	2,418	1,000	2,418
M. B. Gifford	500	152,418	500	152,418
Sir Patrick Meaney	1,016	62,418	1,016	62,418
Sir Denis Mountain	8,465	—	315	—
as trustee	—	—	254,600	—
The Hon. Angus Ogilvy	2,679	2,418	2,679	2,418
D. M. Yates	50	62,418	50	62,418

The above interests include options to purchase Ordinary shares granted under the terms of the Company's Share Savings and Executive Share Option Schemes.

Throughout the year Mr. R. F. H. Cowen also had a non-beneficial interest in 1,025 6½% Cumulative Preference shares and £15,200 10½% Unsecured Loan Stock, Sir Patrick Meaney a beneficial interest in £76 10½% Unsecured Loan Stock and Sir Denis Mountain a beneficial interest in 1,000 6½% Cumulative Preference shares.

Except as stated above none of the directors had any interest in the shares or stocks of the Company or its subsidiaries.

There have been no changes in the above interests since 31st October 1986.

No director was interested during or at the end of the year in any contract which was significant in relation to the company's business.

	1986 £000	1985 £000
(b) Total emoluments of the directors of The Rank Organisation Plc		
Fees	59	44
Other emoluments	534	481
Contributions to pension schemes	202	127
(c) Emoluments of Chairman	78	65
(d) Emoluments of the highest paid director	152	152

(e) The table which follows shows the number of directors of The Rank Organisation Plc, other than the Chairman and the highest paid director, and of higher paid employees of the Group, whose emoluments during the year were within the bands stated.

Emoluments £	Directors		Employees	
	1986	1985	1986	1985
5,001—10,000	6	5	—	—
30,001—35,000	—	—	29	22
35,001—40,000	—	—	10	11
40,001—45,000	—	—	9	2
45,001—50,000	—	—	5	3
50,001—55,000	—	—	1	1
55,001—60,000	—	1	1	1
60,001—65,000	—	1	1	—
70,001—75,000	2	1	—	—
75,001—80,000	1	—	—	—

(f) The particulars shown in notes (c), (d) and (e) above are provided only in respect of directors and employees of the Group working wholly or mainly in the United Kingdom.

# The Rank Organisation

## Notes to the Accounts *continued*

### 27 Segmental information

Analysis by Division	Average number of employees		Turnover		Trading profit	
	1986	1985	1986 £m	1985 £m	1986 £m	1985 £m
Film and Television Services	4,191	4,501	137.9	119.1	13.0	11.0
Holidays and Recreation	8,871	7,302	306.8	245.2	32.8	16.5
Hotels and Catering	2,673	2,701	99.5	102.9	12.1	15.4
Precision Industries	2,080	1,891	84.0	73.3	14.6	11.5
North America	641	568	63.2	38.7	6.5	3.6
Australia/Asia	415	498	24.7	24.4	2.2	2.2
Property disposal profits	—	—	—	—	3.0	6.5
Unallocated and discontinuing businesses	490	1,585	2.0	27.3	0.2	1.8
	<u>19,361</u>	<u>19,046</u>	<u>718.1</u>	<u>630.9</u>	<u>84.4</u>	<u>68.5</u>

Total number of employees at 31st October

1986	16,635
1985	16,442

### Analysis by geographical area

United Kingdom	591.7	526.8	67.8	57.0
Rest of Europe	27.6	17.4	5.6	1.7
North America	59.3	49.7	5.5	5.5
Australia/Asia	39.5	37.0	5.5	4.3
	<u>718.1</u>	<u>630.9</u>	<u>84.4</u>	<u>68.5</u>

Employee costs	£m	£m
Wages and salaries	133.2	133.1
Social security costs	10.0	9.5
Other pension costs	7.3	8.0
	<u>150.5</u>	<u>150.6</u>

# The Rank Organisation

## Five Year Review

Turnover, Profit, Earnings and Dividend	1986 £m	1985* £m	1984 £m	1983 £m	1982 £m
Turnover	718.1	630.9	724.7	742.9	682.2
Trading profit	84.4	68.5	59.8	38.2	33.2
Associates Interest	82.7 (3.0)	71.1 (3.6)	65.4 (19.9)	56.7 (25.6)	63.7 (34.9)
Profit before tax	164.1	136.0	105.3	69.3	62.0
Tax	(64.0)	(61.1)	(42.1)	(37.8)	(32.7)
Minority interests	(5.5)	(6.2)	(6.6)	(2.0)	(2.1)
Profit before extraordinary items	94.6	68.7	56.6	29.5	27.2
Extraordinary items	(19.1)	1.5	—	(25.4)	(23.2)
Profit available for distribution	75.5	70.2	56.6	4.1	4.0
Earnings per Ordinary share (before extraordinary items)	45.4p	33.7p	27.7p	14.3p	13.2p
Total dividend per Ordinary share	18.0p	15.0p	12.0p	10.0p	8.0p
Group funds employed					
Intangible assets	0.2	0.3	56.2	54.0	57.4
Fixed assets	306.5	198.4	280.6	378.3	404.0
Investments	356.3	328.8	368.7	333.5	277.3
Net trading assets (liabilities)	57.4	(7.3)	14.3	48.2	71.7
Total funds employed at year end	720.4	520.2	719.8	814.0	810.4
Financed by					
Ordinary share capital and reserves	562.1	438.8	525.5	529.7	533.9
Preference share capital and minority interests	58.3	53.1	48.2	43.2	43.0
	620.4	491.9	573.7	572.9	576.9
Net borrowings	100.0	28.3	146.1	241.1	233.5
	720.4	520.2	719.8	814.0	810.4

\*Figures for 1985 have been restated for the changes in bases of accounting referred to in Note 2 on page 22. Previous years have not been restated.

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# The Rank Organisation

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## Notice of Meeting

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Notice is hereby given that the fiftieth Annual General Meeting of The Rank Organisation Plc will be held in the Cotswold Suite, Gloucester Hotel, Harrington Gardens, London, SW7 4LH, at 11.00 a.m. on Wednesday 18th March 1987 for the following purposes:

- 1 To receive the Report of the Directors and the audited Accounts for the year ended 31st October 1986 and to declare a final Dividend on the Ordinary shares.
- 2 To elect Directors:
  - (a) Mr. J. Daly
  - (b) Dr. D. V. Atterton
  - (c) Mr. A. W. P. Stenham
- 3 To re-appoint Auditors and to authorise the Directors to fix the Auditors' Fee.

As special business to consider and, if thought fit, pass the following Resolution, which will be proposed as a Special Resolution:

- 4 "That the Directors be generally and unconditionally authorised at any time before the date for which the Annual General Meeting of the Company next following this meeting is convened and at any time thereafter, notwithstanding that this authority has expired, pursuant to any offer or agreement made by the Company before the expiry of this authority:

- (i) to allot relevant securities (as defined in section 80(2) of the Companies Act 1985) up to a maximum nominal amount of £17,300,000
- (ii) to allot any equity security of the Company under the authority conferred on them by sub-paragraph (i) of this Resolution as if Section 89(1) of that Act did not apply provided that the power hereby given shall be limited to:-
  - (a) such allotments of equity securities as are specified in paragraphs 6(C)(1) and 6(C)(2) of the Articles of Association of the Company; and
  - (b) any other allotment for cash of equity securities up to a maximum nominal amount of £3,540,000

the expression "equity security" having for the purpose of this Resolution the meaning ascribed to it in Section 94 of that Act."

By Order of the Board  
Brian C. Owers  
Secretary  
24th February 1987

6 Connaught Place  
London W2 2EZ

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

Directors' service contracts of more than one year's duration are available for inspection at the Registered Office of the Company during the usual business hours and at the place of the Meeting for fifteen minutes prior to and throughout the Meeting.



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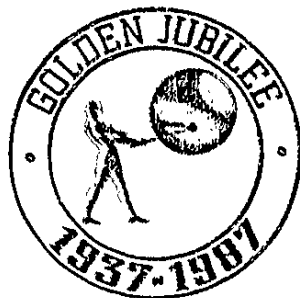
# The Rank Organisation

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## *1986--A Year of Celebrations*

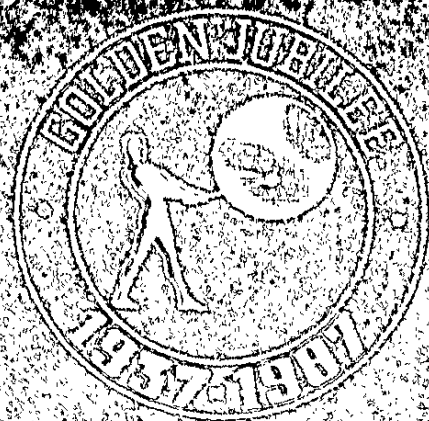
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A number of companies within the Group celebrated special anniversaries during the year.



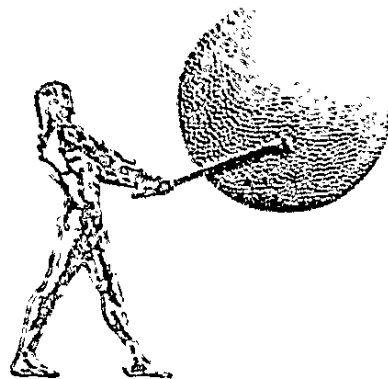
This symbol has been designed to commemorate the 50th Anniversary of The Rank Organisation

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# The Rank Organisation Report & Accounts 1986



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# The Rank Organisation

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