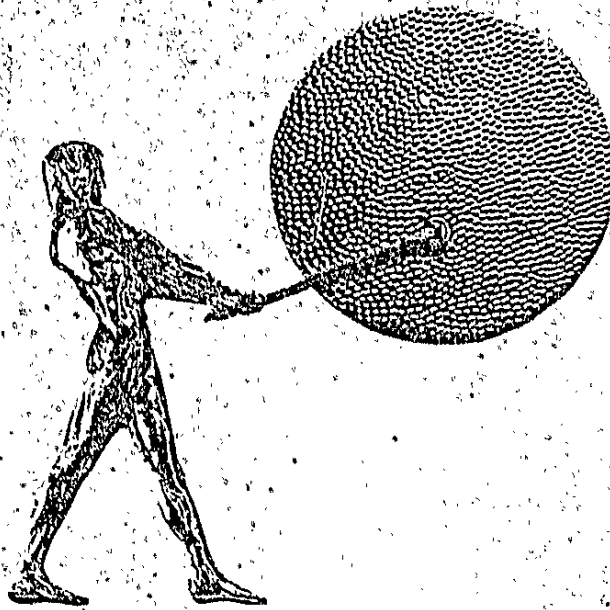


The Rank Organisation Report & Accounts 1987



The Rank Organisation

Report and Accounts for the year ended 31 October 1987

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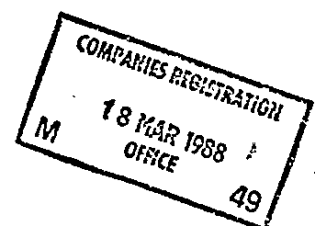
The Rank Organisation

Results at a Glance

	1987	1986
	£m	£m
Turnover and Profit		
Turnover	668.4	718.1
Trading profit	100.3	84.4
Share of results before tax of associated companies	118.2	82.7
Profit before tax	208.3	164.1
Earnings	126.1	94.6
Profit for the financial year	142.5	75.5
Earnings, Dividend and Assets		
Earnings per Ordinary share (before extraordinary items)	58.2p	45.4p
Total dividend per Ordinary share	21.75p	18.0p
Net tangible assets per Ordinary share	283p	261p
Employees		
Group employees at 31st October	17,679	16,635

Notes

- (i) Analyses of Group turnover and profits by Division and geographical area are given on page 23.
- (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	
Angus Crichton-Miller*	
James Daly*	
Sir Leslie Fletcher, D.S.C.	
Sir Denis Mountain, Bt.	
The Hon. Angus Ogilvy	
Anthony W. Stenham	
Nigel V. Turnbull, F.C.A.*	Finance Director
Douglas M. Yates*	

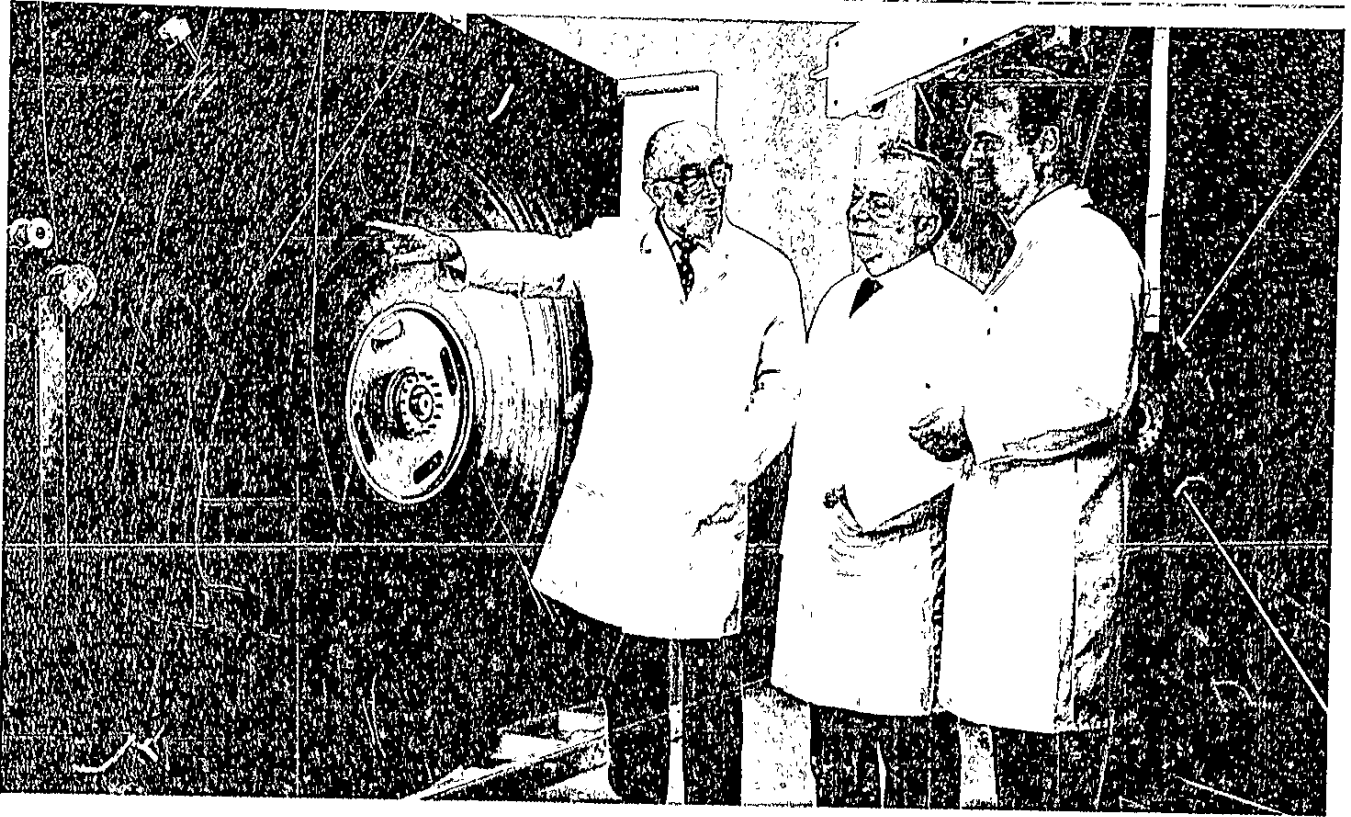
*Executive

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

The Rank Organisation

Chairman's Statement



Sir Patrick Meaney examining the unique 60,000 ft Mega Spool for high speed positive film processing with its designer, Colin Mossman (right), Technical Director and James Downer, Managing Director of Rank Film Laboratories. This equipment has received a Scientific and Engineering Award from the American Academy of Motion Picture Arts and Sciences — a rare distinction for a British company.

The Rank Organisation profit before tax for the year ended 31st October 1987 increased to £208.3 million, compared with the 1986 profit before tax of £164.1 million.

Trading profit increased to a record £100.3 million compared with £84.4 million in 1986. All operating Divisions, with the exception of Precision Industries, contributed to these improved results.

Rank's share of the pre-tax results of associated companies increased to £118.2 million from £82.7 million in 1986, including the share of Rank Xerox profit before tax at £115.7 million compared with £81.1 million in 1986.

Earnings per Ordinary share increased to 58.2 pence compared with 45.4p in 1986, and the Board has recommended a final dividend of 14.50 pence per Ordinary share. With the interim dividend of 7.25p per Ordinary share

declared in July 1987, this makes a total of 21.75p per Ordinary share compared with 18p per Ordinary share in 1986. Net tangible asset value per share increased to 283 pence.

Net borrowings at the year end were £122.7 million after repaying £31.4 million of Preference shares in Australia during the year, and net interest costs were £10.2 million. In November we commenced plans to restructure our Balance Sheet and finances and since the end of the year we have announced proposals to repay Preference shares and Loan stocks to simplify the capital structure and also to amend the borrowing limits in the Company's Articles.

Judicious investment is the key to profitable growth and £129 million was spent on acquisitions and capital expenditure. Acquisitions were in areas where Rank could anticipate enriching

Chairman's Statement continued

profit by adding operations to existing businesses. Two such examples were the Showboat Group which increased significantly our amusement centre operations, and the Pneumo business in the U.S.A. which links with Rank Taylor Hobson and provides valuable overseas manufacturing facilities for that company. Since the end of the year we have announced plans, subject to Government approval, to launch a national Pay TV channel based on showing recently released feature films.

Over two thirds of capital expenditure was spent in the Holidays and Recreation Division with the majority invested in Butlin's, where the centres at Bognor and Skegness were redeveloped extensively with the inclusion of Waterworlds, other facilities and new accommodation. At Haven Leisure a programme of upgrading the caravan parks acquired as part of Haven commenced, and at Top Rank the refurbishment of former Ladbroke clubs accelerated. Expenditure continued on the refurbishment of hotel facilities and motorway service areas, as did the refurbishment and conversion of existing cinemas to multiple screens.

We have continued to dispose of assets failing to produce an acceptable return or which did not form part of our growth plans. These included our investments in TPI Enterprises, U.S.A., Kerridge Odeon in New Zealand, and our controlling interest in Rank Industries Asia. We also agreed to sell our marina business as further expansion was difficult and costly. The phased closure of the Wings overseas holiday business commenced, including the sale of the brand names. In total, disposals realised £1.00 million, £72 million of which was received in the year.

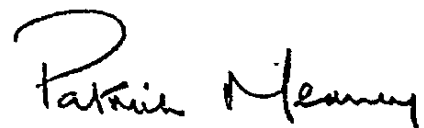
During the year a number of top management responsibilities were reorganised. In July we welcomed Nigel Turnbull as our Finance Director taking over from Douglas Yates who was

assigned to Special Projects covering planning and acquisitions. A Leisure Developments Division was established under Leslie Bond with responsibility for the establishment of new leisure multiplex projects, the ongoing operation of Kingston Plantation and other property development and sales. Strand Lighting was brought within the Precision Industries Division.

As will be seen from the figures and the comments in the Review of Operations on subsequent pages of this Report, the year was one of ongoing development with sound growth and continuing improvement in the return on the Company's assets and its earnings per share. These achievements were largely the result of the quality and application of our management and staff at all levels and, on behalf of the Board, I wish to express our appreciation of their splendid contributions.

Our future plans will require continuing high performance from all who serve the Organisation, and one of our prime tasks will be to utilise fully the considerable talents and energies available throughout the Company.

Rank has clear objectives, capable management, strong resources and excellent opportunities to develop its activities at home and overseas. Despite repercussions from the substantial decline and frailty of stock market values with possible adverse influences on economic growth, we are confident that 1988 will be a further year of achievement and progress for your Company.



Directors' Report

The Directors submit their Report and Statement of Accounts for the year ended 31st October 1987.

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.

During the year the Group's shareholding in its New Zealand associate, the Kerridge Group of companies, and the investment in TPI Enterprises Inc., U.S.A. were sold. The Singapore based operation, Rank Industries Asia Pte Limited was also sold with the Group retaining a 5% interest. In October the Group disposed of its marina business. The Wings holiday business is being closed and the trade names have been sold to Bass Plc.

An analysis of turnover and profit by business activity is given in note 1 on page 23 and the Group's continuing activities and businesses are reported on in the Review of Operations.

Profit and Dividends

Profit before tax for the year was £208.3 million (1986 £164.1 million). Profit after tax and minority interests was £126.1 million (1986 £94.6 million).

The Directors recommend a final dividend of 14.50p per Ordinary share which, together with the interim dividend of 7.25p already paid, makes a total for the year of 21.75p per share (1986 18p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 7th April 1988 to those shareholders whose names are on the register on 6th March 1988.

The amount which it is proposed should be transferred to reserves is

detailed in note 21 to the Accounts on pages 36 and 37.

Fixed Assets

The Directors are of the opinion that the present market value of the land and buildings of the Company and its subsidiaries is in excess of net book values.

Changes in tangible fixed assets during the year are shown in note 9 on page 27.

Directors

With the exception of Dr. D. V. Atterton, Mr. A. W. P. Stenham and Mr. N. V. Turnbull, the Directors listed on page 2 were Directors of the Company throughout the year. Dr. D. V. Atterton and Mr. A. W. P. Stenham were appointed Directors on 13th February 1987 and elected at the last Annual General Meeting. Mr. N. V. Turnbull was appointed a Director on 15th July 1987 and in accordance with the Articles of Association of the Company he retires and, being eligible, offers himself for election. Mr. Turnbull has a service contract with the Company which is terminable by either party on not less than three years notice.

The Hon. Angus Ogilvy, Sir Leslie Fletcher and Mr. L. H. Bond retire by rotation and, being eligible, offer themselves for re-election.

The beneficial interests of the Directors in shares of the Company, are shown in note 23 on page 38.

Biographical notes on the Directors appear on page 16.

Share Capital

On 11th January 1988, the Company sent to shareholders proposals for the cancellation and repayment of the 6¼% and 8% Preference Shares and cancellation of the share premium account. These proposals are subject to approval by shareholders at General Meetings on 4th February 1988 and the subsequent confirmation by the

The Rank Organisation

Directors' Report continued

High Court of the reduction in share capital.

During the year 24,291 Ordinary shares were issued on the early exercise of options under the Share Option Schemes and 344 Ordinary shares were issued on part conversion of 4¼% Convertible Loan 1993.

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 nominal amount of £2,694,000 representing 5% of the issued Ordinary share capital without first making a strict pro rata offer to all existing Ordinary shareholders.

Loan Stocks

On 11th January 1988, the Company gave Notice of Repayment to holders of its 6 per cent Unsecured Loan Stock 1983/88 and proposed terms for the early repayment of its remaining three classes of Loan Stock. The proposals are subject to approval by stockholders at formal meetings on 4th February 1988. Details of the proposed repayments are given in note 17 on page 33.

Share Option Schemes

During the year further options over Ordinary shares were granted to employees under the terms of the Share Option Schemes. Details of options outstanding at 31st October 1987 are given in note 21 on page 35.

Significant Shareholdings

At the date of this Report, Guardian Royal Exchange plc and its subsidiaries held 12,299,865 (5.70%) 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 has mounted a major Communication Programme informing employees of recent changes in pensions legislation and the new pension options available to them in 1988.

The Company continues to provide a broad range of employment training and opportunities, particularly for young people.

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 1987 amounted to £119,937. 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 McLintock have signified their willingness to continue in office as Auditors. A resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

Brian C. Owers
Secretary


28th January 1988

The Rank Organisation

Review of Operations

FILM AND TELEVISION SERVICES

Director – James Daly

	1987	1986
Turnover (£million)	143.7	131.7
Trading Profit (£million)	16.3	12.3

Distribution

Film and Video Distribution and Training have been merged under an integrated management in order to increase efficiency and to co-ordinate all film investment decisions. All three sectors of the business achieved record results with overall profit well ahead.

The most successful film distributed by Rank was "Platoon" which won four Hollywood Oscars including the award for Best Film of the year. A further 16 films were released during the year including "The Fourth Protocol" and "The Name of the Rose".

Funds for film financing were increased with the announcement in May of a \$100 million revolving film fund. These funds are available to independent producers in return for distribution rights. Film investment is targeted to expand both the service and distribution businesses.

Exhibition

Theatres and Advertising Films produced record results.

Odeon cinema admissions were ahead by over 10% and after three buoyant years are about 70% above the 1984 level. This significant improvement has been achieved by strong marketing, substantial refurbishment and a continuing policy of flexible pricing supported by films which have appealed to increasing numbers of customers of all age groups. "Crocodile Dundee" and "The Living Daylights" were the two most successful films during the year.

New multi-screen cinemas are to be built at Romford and Stoke-on-Trent and similar opportunities elsewhere are being pursued. Substantial development has also taken place with the addition

of new screens at Ayr, Cheltenham, Glasgow, Harlow, Leicester, Sutton Coldfield and Sheffield. Further cinema screens are planned to include Leeds, Nottingham, Southampton and London's West End.

Advertising Films increased its market share by acquiring advertising rights for all cinemas owned by the Cannon Group. Increased demand for advertising has reflected the buoyant trend in cinema attendance resulting in increased profit.

Services

Trading conditions were below expectations for the service related businesses, resulting in a reduction in profit.

U.K. based film production was depressed following tax changes and resulted in Pinewood Studios ceasing its fully serviced operation and becoming a four-wall facility from May. The studio now has lower operating costs and has been successful in attracting business from different sectors of the market. It is once more operating profitably.

Foreign currency and in particular the U.S. dollar weakened against sterling and this created a difficult trading environment for the film laboratories. Given these conditions volume compared well with previous record years but margins and profit were reduced.

Video Services benefited from the increased efficiency and larger capacity of its new plant at Brentford. Video cassette volume increased by nearly a quarter and profit by more.

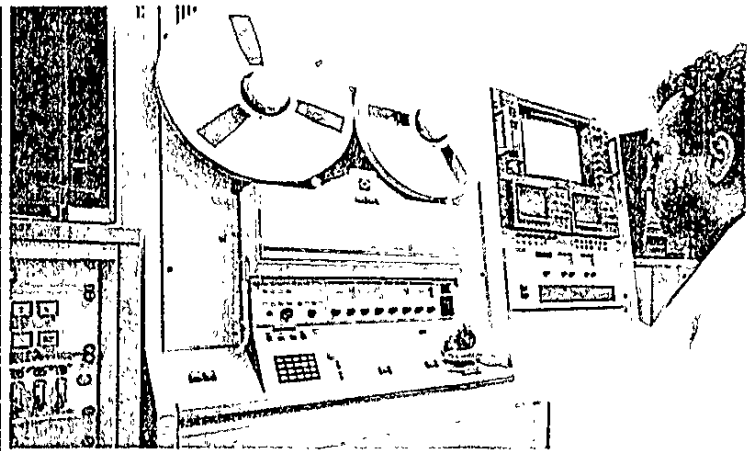
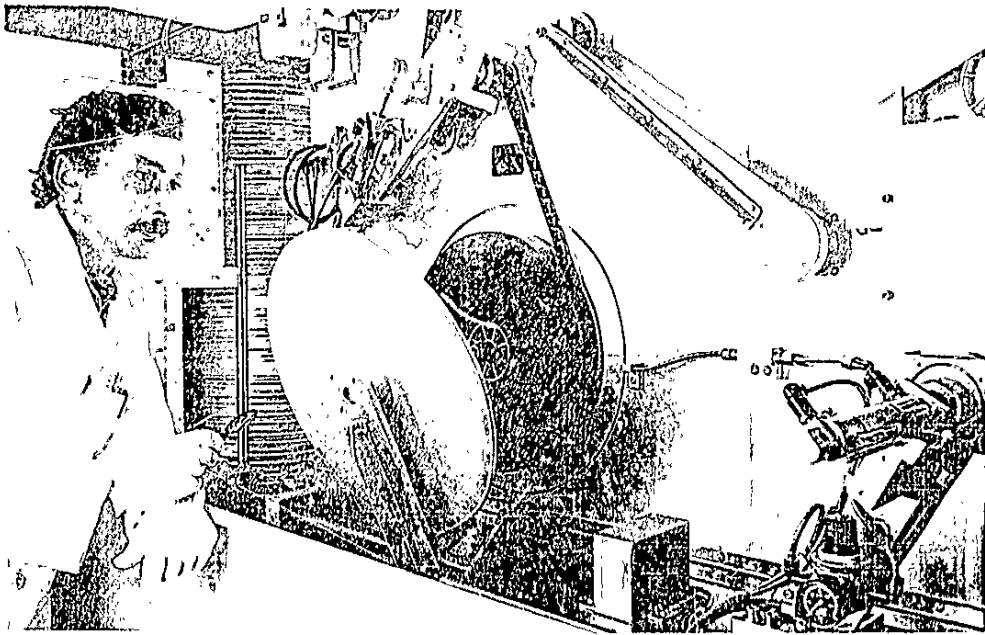
HOLIDAYS AND RECREATION

Director – Angus Crichton-Miller

	1987	1986
Turnover (£million)	193.9	163.3
Trading Profit (£million)	43.9	33.5

Holidays

Despite some decline in the overall



Review of Operations *continued*



Top left: Another part of the high speed processing system which won Rank Film Laboratories the Award mentioned in the caption on page 3. "Auto unload" receives processed film from the Mega Spool and automatically winds, cuts and packs it into film cans.

Top centre: Re-developed and opened in 1987 by Rank Theatres, the Kingswest multiplex in Brighton includes a 5 screen Odeon cinema, dance suite, discotheque, amusement centre and restaurant.

Top right: Rank Training produced a new range of business training films and videos including inter-active video training programmes.

Centre left: Pinewood Studios' 15th James Bond film, "The Living Daylights", had Timothy Dalton as the star for the first time. The film was a box office success for Rank Theatres.

Centre right: Rank Video Services was the first duplicator in the world to install Sony's new high quality 1" video equipment with digital sound tracks.

Bottom left: The winner of 4 Hollywood Oscar Awards, including 'Best Film', "Platoon" was a major success for Rank Film Distributors.

Bottom right: A selection of Rank Home Video's most popular titles in 1987.

market for holidays in the U.K. the £45 million investment made in Butlin's Holiday Worlds in the Winter of 1986/87 contributed to a further increase in holiday bookings and a marked improvement in the average tariff. Out of season bookings also increased satisfactorily and overall profit was well ahead. A further £35 million is being invested in 1988 as part of the continuing programme and includes £12 million at Ayr, now renamed Wonderwest World, and this represents the first stage of a £25 million programme at this site.

Butlin's hotels produced record profits and a three year investment programme has been started to include the construction of new accommodation at the Ocean Hotel, Saltdean.

Haven Leisure's holiday bookings were below expectations although in line with the market. However, the introduction of caravan sales at more sites has been successful in contributing to a record year for caravan sales. A £6 million investment programme currently in progress will provide additional customer facilities and improve both caravan and chalet accommodation.

The hurricane in October destroyed over 200 caravans at two parks in Kent, and there should be substantial replacement purchases by caravan owners in the current year.

Bookings at Haven Abroad caravan parks in France were good, with record numbers of customers at the Royan and Montpellier parks supported by strong caravan sales.

The Blue Line business in France, with 300 boats for holiday hire, produced satisfactory results and new boats are being built for the 1988 season together with the opening of a new customer base in Aquitaine.

Cal Air International, the charter airline owned jointly with British Caledonian continued to achieve good results.

Recreation

Top Rank Clubs consolidated its position as market leader in the U.K. social and bingo club market with nearly 20% of national admissions. Integration of the former Ladbroke Clubs acquired in June 1986 was completed. Results were good assisted by the introduction of the National Game, which has helped to encourage admissions.

Rank Amusements' acquisition of Showboat Holdings in September has made it market leader with some 100 inland amusement centres throughout the U.K. Profit for the year was ahead of expectations and continuing growth will be enhanced by the addition of new centres planned in 1988.

The business operates arcades at eight of Haven Holidays' coastal caravan parks, and in 1988 arcades will be operated at Butlin's Holiday Worlds.

HOTELS AND CATERING

Director - Stuart May

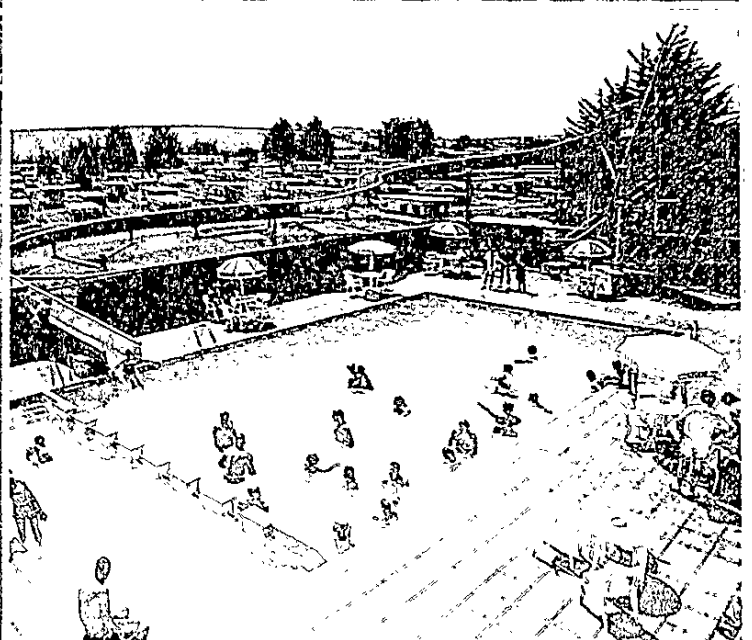
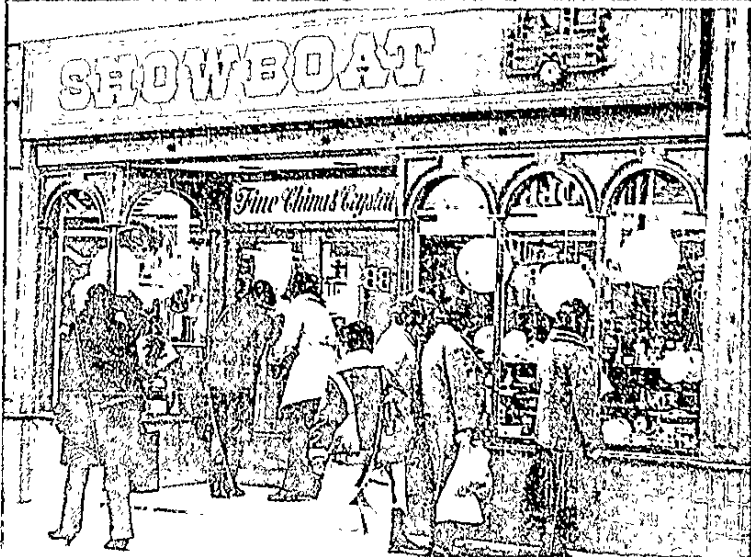
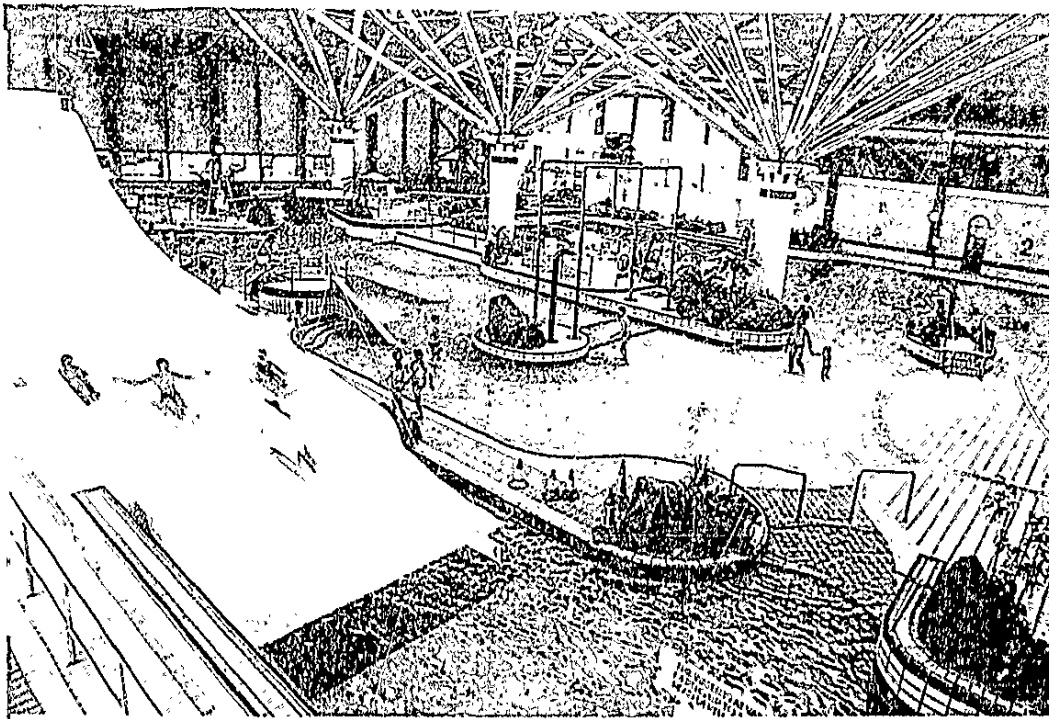
	1987	1986
Turnover (£million)	116.2	99.5
Trading Profit (£million)	16.5	12.1

Hotels

Rank Hotels' trading profit improved over the previous year which had been affected by cancellations of bookings from the U.S.A. Higher occupancy and room rates were achieved at all hotels, reflecting the continuing benefit of the extensive refurbishment programme that has taken place in recent years.

The Unicorn Hotel in Bristol had a successful year with a further improvement in profit. Complete redevelopment of the hotel is planned in 1988 to include upgrading of all existing rooms and public areas, the construction of additional rooms and the provision of new catering facilities.

During the year Rank Hotels North America was formed. It will undertake the management under contract of four-



The Rank Organisation

Review of Operations *continued*

and five-star independent and franchised hotels in city centres and first class resorts throughout the U.S.A. Currently the company has five hotels with a total of over 1,000 rooms under management including the well known Brown Palace Hotel in Denver and the Radisson Hotel at Kingston Plantation, Myrtle Beach.

Catering

A chain of restaurants under the brand name "Texacana" was launched during the year. They cater for the family market and will be located in edge of town shopping malls and retail parks. Texacana restaurants will have a Texan/Mexican theme featuring charcoal grilled chicken and other popular dishes on the menu. The first unit will open in Borehamwood, Hertfordshire, followed by a further four Texacana openings during 1988.

The six existing Motorway Service Areas all traded well producing profit ahead of last year. The programme of upgrading and refurbishment continued at all sites and resulted in improved levels of business and customer service.

During the year Anderton Motorway Service Area on the M61 was acquired. This unit will be upgraded in line with other Rank service areas and in due course will make a good contribution.

In April a 60-room motor lodge was opened at Farthing Corner on the M2. The Farthing Corner Lodge provides modern three-star accommodation at competitive prices. It is planned to develop this type of accommodation at all major motorway sites, and Lodges are expected to be opened at Aust on the M4 and Hilton Park on the M6 during 1988.

PRECISION INDUSTRIES

Director - Peter Blaxtan

	1987	1986
Turnover (£million)	126.3	131.0
Trading Profit (£million)	14.2	18.8

Strand Lighting, now part of Precision Industries Division, is included in the turnover and profit figures shown above.

Trading profit for Precision Industries declined from 1986 which was a record year. Trading conditions in the U.S.A. became more difficult both for Metrology and Lighting products and with 30% of the Division's sales denominated in dollars these formed the main reason for the reduction in sterling turnover and profit.

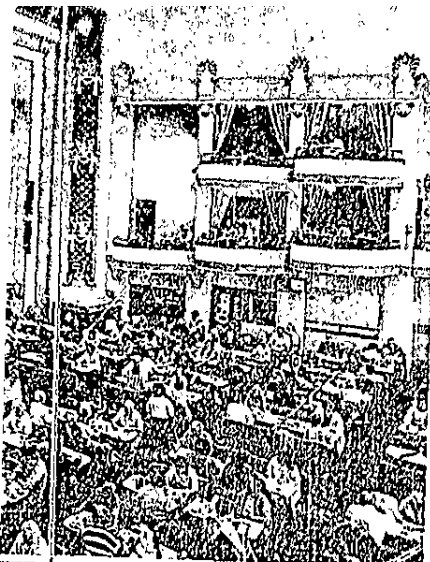
During the year, the Division increased its R & D investment which together with higher investment in marketing will ensure that the Division maintains its leadership in the niche markets which it serves.

Image Processing

Cintel had a successful year and developed further its long term plan to diversify into new areas of image processing systems. As part of this plan, a joint venture company with Brown & Root Vickers Limited was established to enter the Videomicrographic market. The new company, Integrated Documatics Limited, which is 30% owned by Cintel, aims to optimise Cintel's image scanning process and display expertise with Brown & Root Vickers' extensive project management experience. During the year Cintel became a participant in the Eureka project to develop a European High Definition Television system.

Defence

Rank Brimar and Rank Pullin Controls had a difficult year, due mainly to deferment of military orders in the U.K. and U.S.A. However, Brimar made substantial progress in integrating the Thorn Brimar business acquired in 1986 and is well placed to profit from market opportunities. Marketing operations of Brimar and Pullin Controls have been strengthened and have contributed to the current increased order intake.



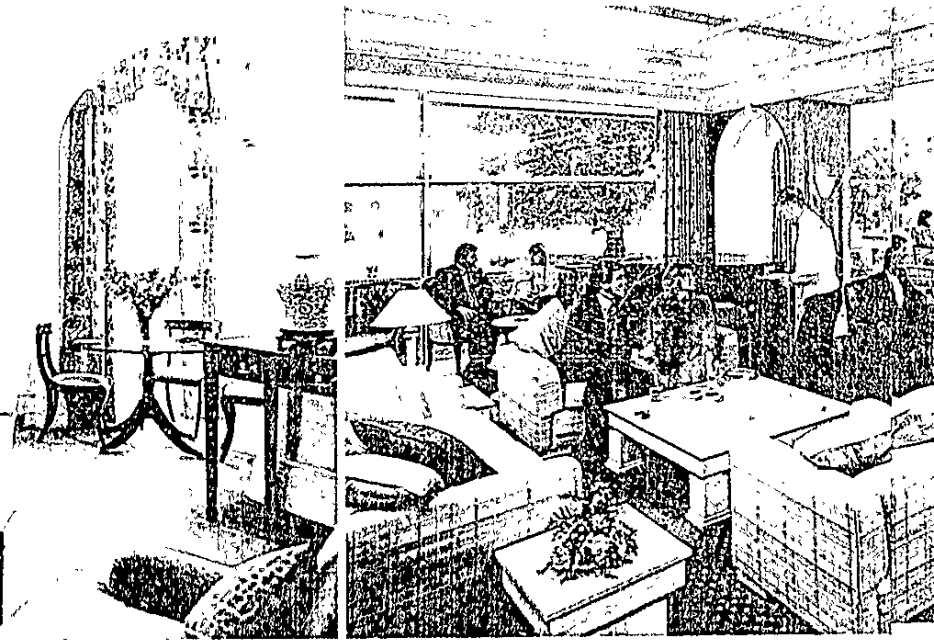
Top left: The sub-tropical Aquasplash at Bultin's Southcoast World, Dognor is one of the biggest waterworlds in Europe.

Top right: Up to 2,000 bingo players per session enjoy the latest facilities in this fine old theatre in Brighton, completely refurbished by Top Rank Clubs.

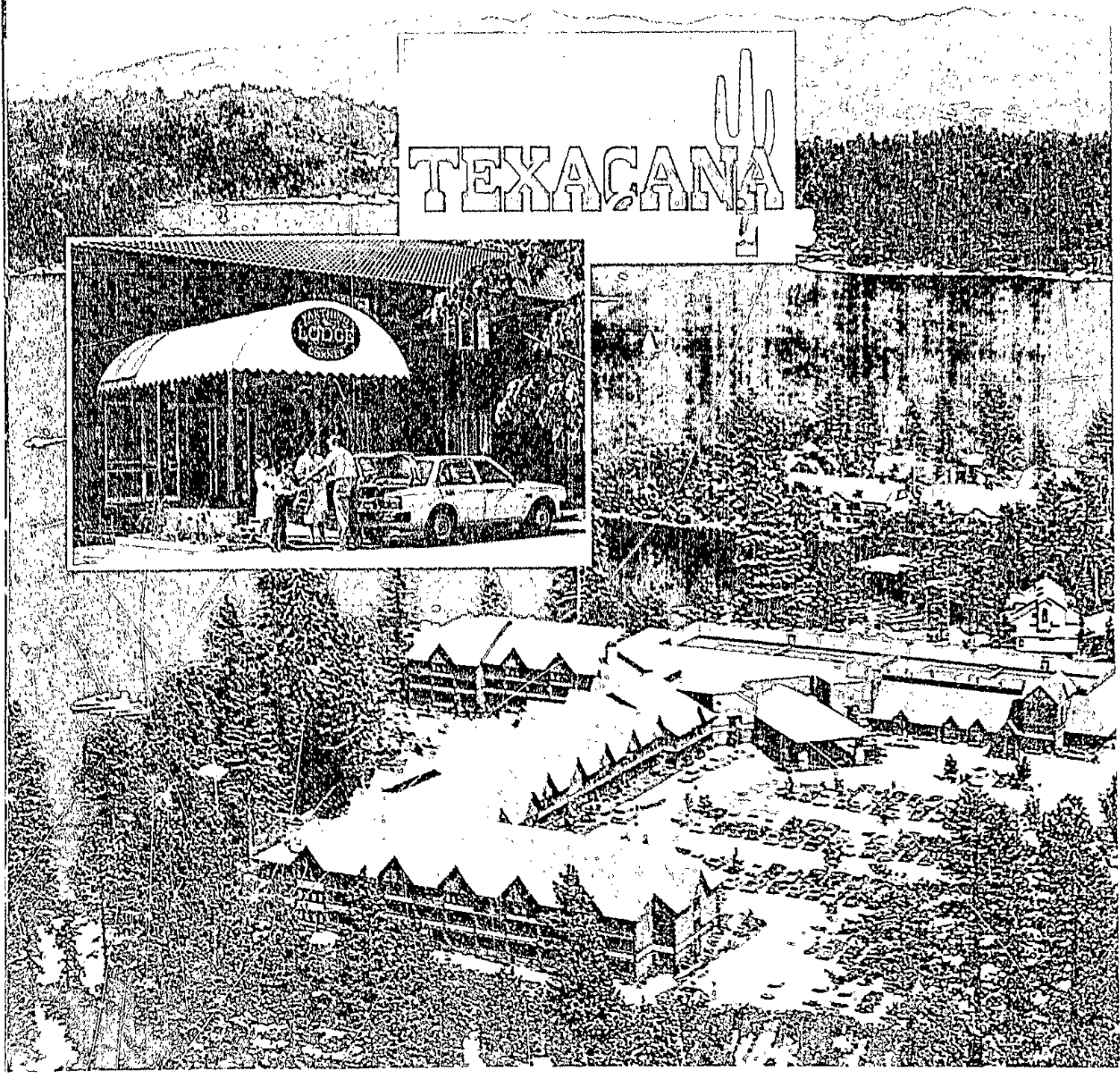
Centre: Some of the range of over 300 holiday cruisers in Haven's Blue Line hire fleet available on inland waterways in France.

Bottom left: The Showboat Amusement Centres acquired in 1987 made Rank Amusements the leading UK company in this sector.

Bottom right: New leisure facilities are being added to Haven Holidays caravan parks throughout Britain.



TEXACANA



The Rank Organisation

Review of Operations *continued*

Metrology

After achieving record profit in 1986, Rank Taylor Hobson had a difficult year due to reduced sales in the U.S.A. and Japan where there was a fall in demand for capital equipment, particularly in the motor industry in the U.S.A.

Sales of the Talyrond 300 launched at the end of 1986 are encouraging and a new 4,000 sq metre extension to the existing main laboratory and manufacturing plant at Leicester has been completed and will contribute to increased efficiency. In July a new subsidiary, Rank Pneumo Inc., was established in the U.S.A. to acquire the business of Pneumo Precision Inc. The products of this business complement the range of metrology equipment sold by Rank Taylor Hobson. This acquisition also gives the Division a useful manufacturing base in the U.S.A.

Lighting

Strand Lighting achieved record turnover, but price competition in U.S. markets caused pressure on margins and reduced profit. Strand's range of automated and computer controlled lighting equipment continues to have considerable growth potential. During the year Strand launched its own range of colour filters which have been successful with large orders being obtained as the year ended.

The international expansion of Strand has continued with new marketing companies established in Australia and France. These new outlets, together with the subsidiaries in the U.S.A., U.K., Canada, Germany, Italy and Hong Kong, give Strand a substantial wholly owned distribution network covering its principal world markets.

LEISURE DEVELOPMENTS

Director - Leslie Bond

	1987	1986
Turnover (£million)	20.4	17.0
Trading Profit (£million)	8.9	4.8

This Division has been formed to cover all Rank's new leisure related developments and operations.

Development of the 145-acre Kingston Plantation resort at Lake Arrowhead, Myrtle Beach, South Carolina progressed on schedule although exchange translation held back the growth in sterling profit. Customer demand remained strong for luxury villas throughout the year and the second phase of the villa project was brought forward to satisfy continuing demand.


The Radisson Hotel planned for sale when fully developed, opened in April and has attracted good business during its first year of operation. Since 1st November it has been operated by Rank Hotels North America under a continuing long term contract.

Construction of the Sports and Health Club is well advanced and will be operated together with the Hotel to provide a wide range of leisure facilities for home owners, hotel guests and members.


Rank Leisure was formed in March to advance and co-ordinate the Organisation's Leisure expansion programme.

Since its inception Rank Leisure has successfully negotiated two major schemes, the first at Romford, Essex, where the activities will include a new eight-screen Odeon Cinema, a large capacity Top Rank Bingo and Social Club, a rooftop Discotheque and a licensed Pasta/Pizza Restaurant.


The second and larger of these two multi leisure developments will be on a 23.5-acre site in Stoke-on-Trent. It will consist of a new seven-screen Odeon Cinema, a 30-lane Ten Pin Bowling Centre, an Amusement Arcade, a Snooker Club, Catering and Licensed Bars, Indoor and Outdoor Crown Bowling Greens and a 160-metre Dry Ski Slope. There will also be a large indoor Waterworld including flumes,




Top left: One of the refurbished apartments operated by the Athenaeum Hotel in London's Piccadilly.



Top right: The popular new lounge bar at the Royal Garden Hotel, overlooking Kensington Gardens.

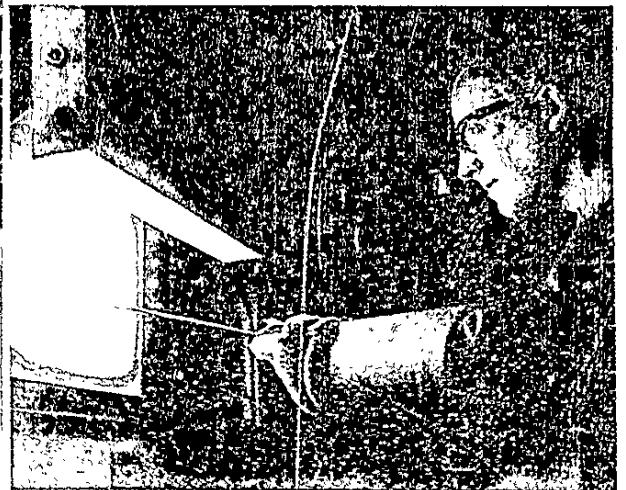
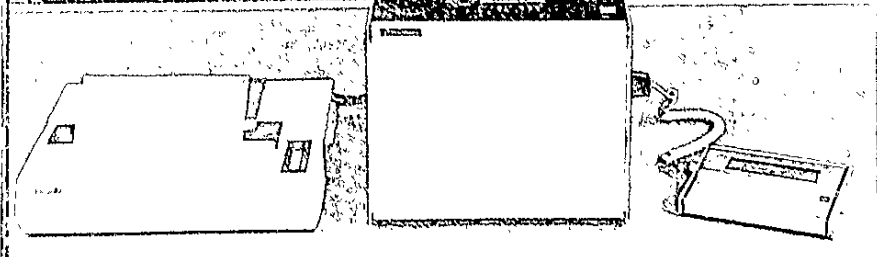
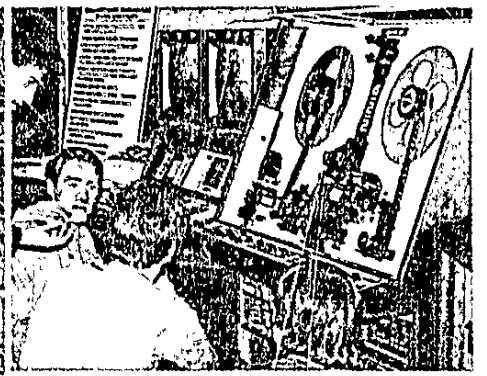
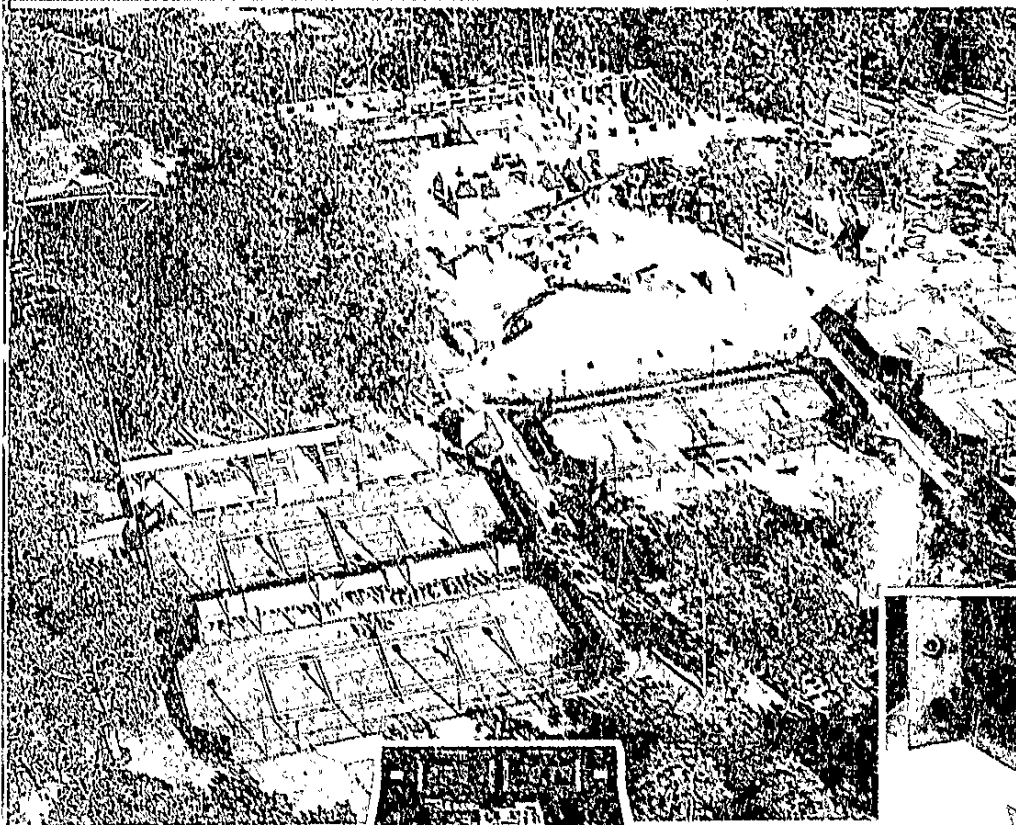
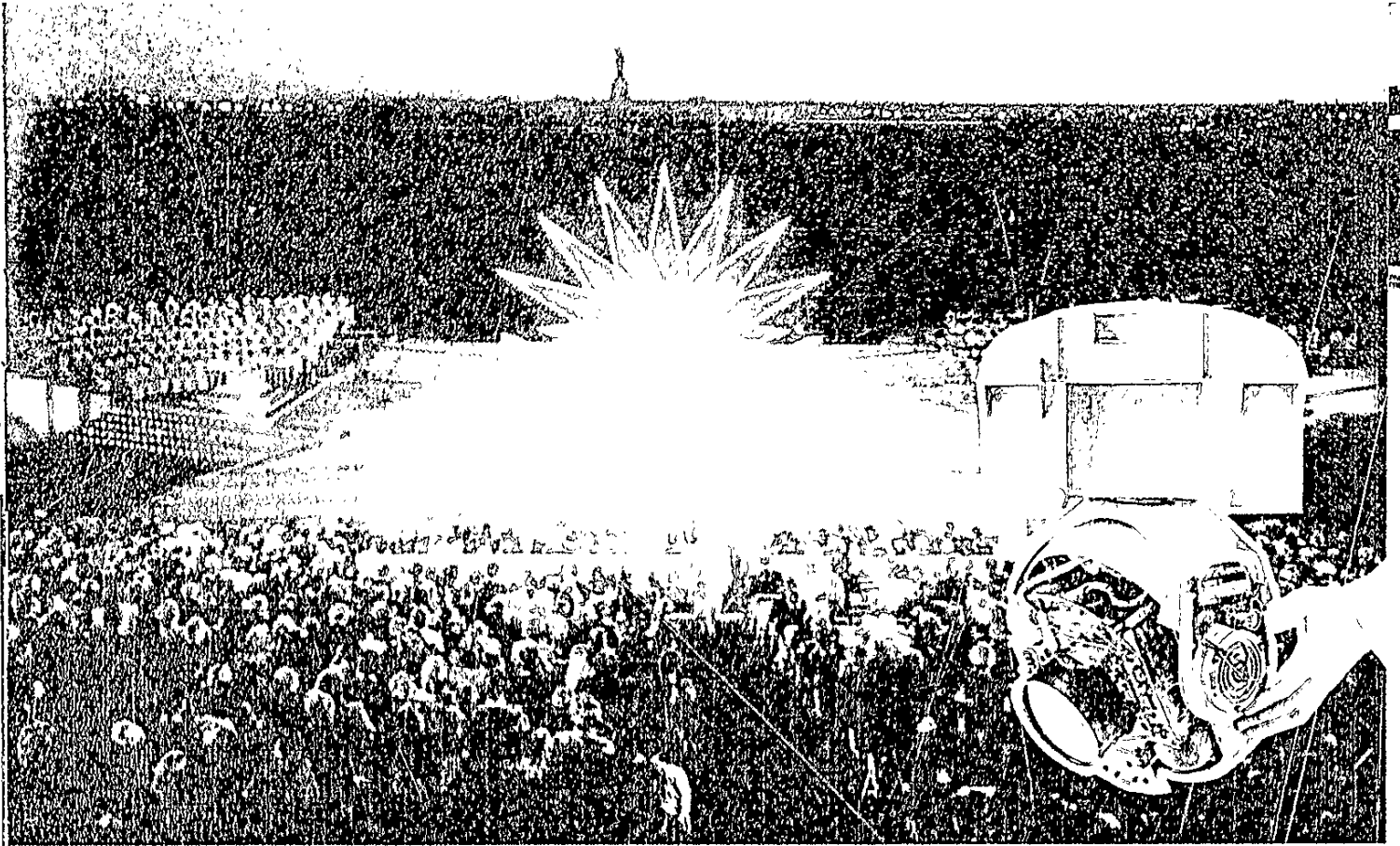


Top inset: The 'logo' for the company's chain of Texacana restaurants opening in 1988.



Bottom inset: Farthing Corner Lodge on the M2 in Kent is the first budget hotel to be opened and operated by Rank Motorway Services.

Bottom: The picturesque Lake Arrowhead Hilton Lodge in California is one of five hotels in the USA managed by Rank Hotels North America.



Review of Operations *continued*

multi-slides, hot spa pools, geysers, a wave pool, lagoon and beach.

These two complexes are the first phase in the Organisation's new leisure development programme, with other opportunities currently under review and negotiation.

The ongoing U.K. programme of redevelopment of existing locations to provide modern operating facilities linked with other commercial property development and the disposal of properties surplus to requirements produced markedly higher profit.

RANK XEROX

The Rank Organisation's share of the profit before tax of the Rank Xerox companies was £115.7 million compared with £81.1 million the previous year.

Rank Xerox turnover for the year to 31st October 1987 increased by 15% to £2.2 billion producing a profit before tax and before Xerox recharges of £318 million compared with £214 million in 1986.

OTHER ASSOCIATES

As a result of the sale by Rank of its 50% shareholding in the Kerridge Odeon companies in May 1987 only a six-month share of Kerridge's profit before tax for its year ended 31st March 1987 is shown in Associated Company results compared with a full year in 1986.

Above: This ultra-precision computer-controlled contouring lathe produced by Rank Pneumo Inc operates to accuracies of less than one millionth of an inch.

Top left: Strand Lighting and nature combine to produce a spectacular effect at the annual 4th July celebrations in New York.

Top inset: Rank Pullin Controls' new thermal imager is used for such airborne applications as battlefield surveillance at night.

Centre left: Kingston Plantation's Health and Sports Centre is nearing completion. Seven of the nine hard tennis courts are finished and in use.

Centre inset: Rank Cintel's new Enhanced MK111c Digiscan telecine equipment is already in popular demand.

Bottom right: Rank Brimar develops and manufactures specialised phosphors applied in a wide range of cathode ray display tubes using high temperature synthesis.

Bottom left: Talytrac, developed by Rank Taylor Hobson, is a self contained high precision inspection gauge for measuring the radius and form of smaller products.

The Rank Organisation

Board of Directors

Sir Patrick Meaney

Chairman since 1983 and a Director since 1979. Aged 62, a Deputy Chairman of Midland Bank plc, and a Director of Imperial Chemical Industries PLC and MEPC plc.

Michael B. Gifford

Managing Director and Chief Executive since 1983. Aged 52, he was previously Finance Director of Cadbury Schweppes plc.

David V. Atterton, C.B.E.

A non-executive Director since February 1987. Aged 60 and a Director of Barclays Bank PLC, British Coal, and Marks and Spencer plc.

Leslie H. Bond

A Director since 1978. Aged 63 and Managing Director of the Leisure Developments Division.

Sir Arthur Bryan

A non-executive Director since 1985. Aged 64 and President of Wedgwood plc.

Angus Crichton-Miller

A Director since 1982. Aged 48 and Managing Director of the Holidays and Recreation Division.

James Daly

A Director since 1982. Aged 49 and Managing Director of the Film and Television Services Division.

Sir Leslie Fletcher, D.S.C.

A non-executive Director since 1984. Aged 65 and Deputy Chairman of Standard Chartered plc, Chairman of Standard Chartered Merchant Bank Limited, and a Director of RMC Group plc.

Sir Denis Mountain

A non-executive Director since 1968. Aged 58 and a Director of Allied London Properties plc and the Bank of Nova Scotia (Canada) Limited.

The Hon. Angus Ogilvy

A non-executive Director since 1968. Aged 59 and a Director of Imperial Life (UK) Limited, MEPC plc, and Sotheby's.

Anthony W. Stenham

A non-executive Director since February 1987. Aged 56 and a Managing Director of Bankers Trust Company of New York, and a Director of Capital Radio plc.

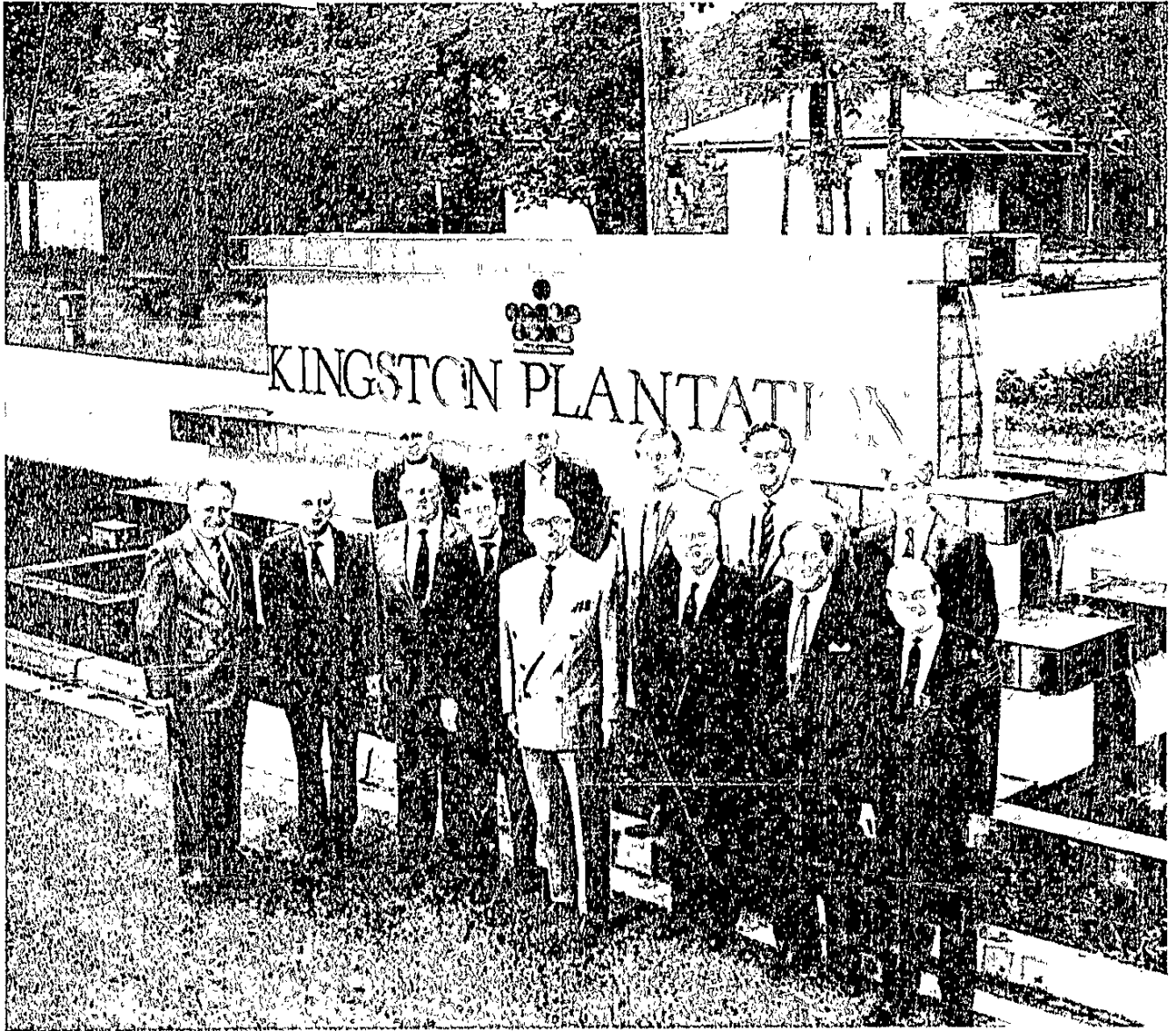
Nigel V. Turnbull, F.C.A.

Finance Director since July 1987. Aged 45, he was previously Finance Director of Tricentral PLC.

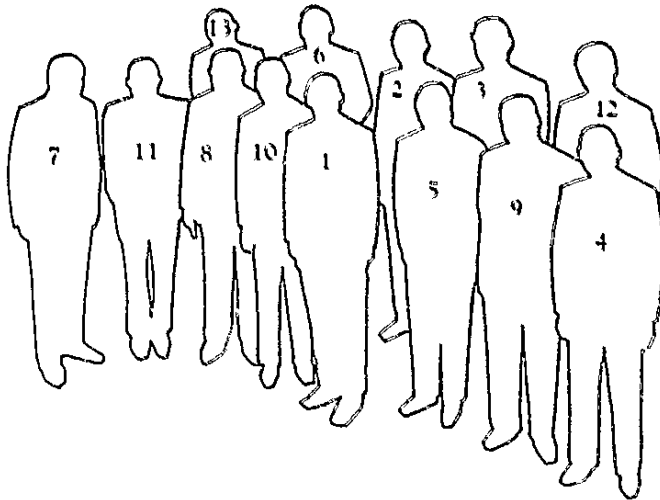
Douglas M. Yates

A Director since 1982. Aged 45, responsible for Special Projects, he was Finance Director until July 1987.

The Rank Organisation



The Board of Directors on their visit to Kingston Plantation, South Carolina, USA, in May 1987



1. Sir Patrick Meaney
2. Michael Gifford
3. David Atterton
4. Leslie Bond
5. Sir Arthur Bryan
6. Angus Crichton-Miller
7. James Daly
8. Sir Leslie Fletcher
9. Sir Denis Mountain
10. Angus Ogilvy
11. Anthony Stenham
12. Douglas Yates
13. Brian Owers (Company Secretary)

Nigel Turnbull is not in the photograph

The Rank Organisation

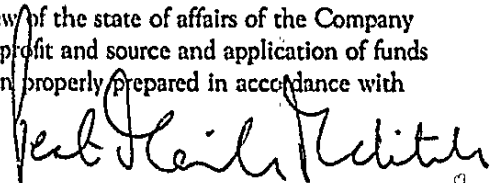
Report of the Auditors

to the Members of The Rank Organisation Plc

We have audited the accounts on pages 19 to 38 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31st October 1987 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
28th January 1988


PEAT MARWICK McLINTOCK
Chartered Accountants

Accounting Policies

(i) Consolidation

The accounts are prepared under the historical cost convention on bases consistent with the previous year. 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. 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) Foreign currency

Revenues and costs of overseas companies are included in the consolidated profit and loss account at year-end rates of exchange. Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date except where a forward exchange contract has been arranged when the forward rate is used. Exchange differences on the retranslation of opening net assets of foreign subsidiary companies are dealt with through reserves net of differences on related foreign currency borrowings. Other gains and losses arising from foreign currency transactions, including trading, are included in the consolidated profit and loss account.

(iii) Turnover

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

(iv) Goodwill

Goodwill is written off to reserves in the year that it arises.

(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. Work in progress is stated net of progress payments receivable. Stocks also include completed properties for resale and property development in progress which are stated at cost plus attributable profit less foreseeable losses and are shown net of deposits received.

(vi) Property development

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.

(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.

(ix) Leased assets

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

(x) Pensions

The pension costs relating to the UK schemes, which are of the defined benefit type, are assessed in accordance with the advice of a qualified actuary using the projected unit method. Actuarial surpluses and deficiencies are recognised over the expected average remaining service lives of the employees. Overseas schemes are accounted for in accordance with local conditions and practice such that, for the Group, the costs of pensions are charged against profits on a systematic basis over the service lives of the employees in the Group pension schemes.

(xi) Deferred taxation

Deferred taxation is computed under the liability method and 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 companies being distributed. The amounts of deferred taxation provided and the relevant potential liability are set out in note 20 on page 35.

The Rank Organisation

Group Profit & Loss Account

for the year ended 31st October 1987

	Note	1987 £m	1986 £m
Turnover	1	668.4	718.1
Less costs net of exceptional items	1	<u>568.1</u>	<u>633.7</u>
Trading profit	1	100.3	84.4
Share of results of associated companies	2		
Rank Xerox companies		115.7	81.1
Others		2.5	1.6
		<u>218.5</u>	<u>167.1</u>
Interest	3	(10.2)	(3.0)
Profit on ordinary activities before tax		<u>208.3</u>	<u>164.1</u>
Tax on profit on ordinary activities	4	(78.3)	(64.0)
Profit on ordinary activities after tax		<u>130.0</u>	<u>100.1</u>
Minority interests		(3.9)	(5.5)
Earnings		<u>126.1</u>	<u>94.6</u>
Extraordinary items	5	16.4	(19.1)
Profit for the financial year	6	<u>142.5</u>	<u>75.5</u>
Dividends	7	(47.5)	(39.4)
Transfer to reserves	21	<u>95.0</u>	<u>36.1</u>
Earnings per Ordinary share (before extraordinary items)	8	<u>58.2p</u>	<u>45.4p</u>

The Rank Organisation

Balance Sheets

at 31st October 1987

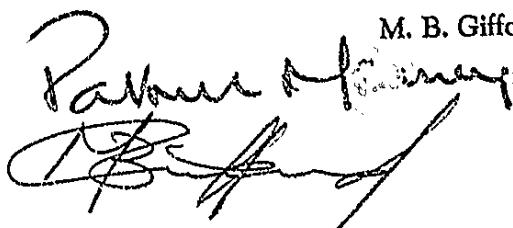
	Note	Group		Company	
		1987 £m	1986 £m	1987 £m	1986 £m
Fixed assets					
Tangible assets	9	354.1	306.5	1.7	1.6
Investments	11	340.7	356.3	1,094.8	1,046.3
		<u>694.8</u>	<u>662.8</u>	<u>1,096.5</u>	<u>1,047.9</u>
Current assets					
Stocks	15	117.3	106.7	—	—
Debtors	16	207.0	139.4	86.4	77.0
Cash and deposits	17	120.1	160.2	14.4	14.5
Creditors (amounts falling due within one year)					
Loan capital and borrowings	17	(101.2)	(70.8)	(89.7)	(61.3)
Other	18	(204.4)	(199.0)	(210.9)	(146.5)
Net current assets (liabilities)		<u>138.8</u>	<u>186.5</u>	<u>(199.8)</u>	<u>(116.3)</u>
Total assets less current liabilities		<u>833.6</u>	<u>849.3</u>	<u>896.7</u>	<u>931.6</u>
Creditors (amounts falling due after more than one year)					
Loan capital and borrowings	17	(141.6)	(189.4)	(131.4)	(177.8)
Other	18	(5.7)	(5.1)	(0.8)	(0.8)
Provisions for liabilities and charges					
Deferred taxation	19 & 20	(17.7)	(19.1)	(1.8)	(1.4)
Other provisions	19	(31.6)	(15.3)	(18.0)	(0.3)
		<u>637.0</u>	<u>620.4</u>	<u>744.7</u>	<u>751.3</u>
Capital and reserves					
Called up share capital	21	66.5	66.5	66.5	66.5
Share premium account	21	204.8	204.7	204.8	204.7
Revaluation reserve	21	—	—	115.2	111.2
Other reserves	21	351.3	303.5	358.2	368.9
		<u>622.6</u>	<u>574.7</u>	<u>744.7</u>	<u>751.3</u>
Minority interests					
Preference shareholders		—	31.4	—	—
Ordinary shareholders		14.4	14.3	—	—
		<u>637.0</u>	<u>620.4</u>	<u>744.7</u>	<u>751.3</u>

Patrick Meaney

Chairman

M. B. Gifford

Managing Director and
Chief Executive



Accounts approved by the Board
on 28th January 1988.

The Rank Organisation

Group Source and Application of Funds

for the year ended 31st October 1987

	1987	1986
	£m	£m
Generation of funds from operations		
Trading profit	100.3	84.4
Interest	(10.2)	(3.0)
Dividends received from associated companies	43.8	22.2
Extraordinary items before tax	13.1	(21.0)
Items not requiring (providing) funds		
Depreciation	25.6	21.5
Other items	(29.9)	(1.1)
	<u>142.7</u>	<u>103.0</u>
(Increase) decrease in working capital		
Stocks	(22.1)	(20.2)
Debtors	(32.3)	(4.3)
Creditors and provisions	1.5	(3.1)
	<u>89.8</u>	<u>75.4</u>
Issue of additional Ordinary shares	—	66.5
Net proceeds from the sale of:		
Tangible fixed assets	17.4	10.8
Net assets and goodwill of subsidiaries	37.2	2.0
Investments	45.4	3.2
	<u>189.8</u>	<u>157.9</u>
Application of funds		
New businesses acquired (see below)	28.2	120.4
Investments in associated and other companies	11.5	1.4
Additions to tangible fixed assets	89.1	49.3
Dividends paid	42.3	35.2
Tax paid	23.0	22.4
	<u>194.1</u>	<u>228.7</u>
(Increase) in net borrowings	(4.3)	(70.8)
Represented by changes in:		
Preference capital of a subsidiary	26.8	(4.0)
Loan capital and borrowings	(15.4)	(34.0)
Cash and short term deposits	(15.7)	(32.8)
	<u>(4.3)</u>	<u>(70.8)</u>
New businesses acquired		
Fixed assets		
Intangible assets	29.5	35.0
Tangible assets	3.8	88.6
Stocks	2.2	6.1
Debtors	1.1	6.0
Creditors	(3.3)	(7.7)
Provisions for liabilities and charges		
Deferred taxation	(0.2)	(1.6)
Other provisions	(4.9)	(6.0)
	<u>28.2</u>	<u>120.4</u>
Discharged by		
Issue of shares	—	66.5
Cash	27.2	50.1
Assumption of liability for borrowings	1.0	3.8
	<u>28.2</u>	<u>120.4</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 Turnover and trading profit

	1987 £m	1986 £m
Turnover	668.4	718.1
Cost of sales	(485.3)	(546.1)
Gross profit	183.1	172.0
Distribution costs	(45.9)	(44.9)
Administrative expenses	(45.1)	(47.8)
Other operating income	0.6	2.0
Profit less loss on disposal of properties (of which £6.9m (1986 £3.0m) relates to Leisure Developments).	7.6	3.1
Trading profit	100.3	84.4

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

Depreciation of tangible fixed assets	(25.6)	(21.5)
Operating lease payments — property	(6.2)	(5.2)
— plant and machinery	(1.7)	(1.6)
Finance lease payments — plant and machinery	(0.6)	(0.7)
Auditors' remuneration (Company £0.1m 1986 £0.1m)	(0.9)	(0.9)
Rents receivable	4.1	2.2
Profit of businesses acquired during the year before central costs and interest	0.3	11.8

Analysis by Division

	Turnover		Trading profit	
	1987 £m	1986 £m	1987 £m	1986 £m
Film and Television Services	143.7	131.7	16.3	12.3
Holidays and Recreation	193.9	163.3	43.9	33.5
Hotels and Catering	116.2	99.5	16.5	12.1
Precision Industries	126.3	131.0	14.2	18.8
Leisure Developments	20.4	17.0	8.9	4.8
	600.5	542.5	99.8	81.5
Discontinued and unallocated	67.9	175.6	0.5	2.9
	668.4	718.1	100.3	84.4

Analysis by geographical area

United Kingdom	502.9	444.1	88.7	67.7
Rest of Europe	29.5	25.5	5.0	5.2
North America	55.3	59.3	4.1	5.5
Rest of World	12.8	13.6	2.0	3.1
	600.5	542.5	99.8	81.5
Discontinued and unallocated	67.9	175.6	0.5	2.9
	668.4	718.1	100.3	84.4

The Rank Organisation

Notes to the Accounts *continued*

1 Turnover and trading profit continued

	1987 £m	1986 £m
Employee costs		
Wages and salaries	134.8	133.2
Social security costs	10.9	10.0
Other pension costs	6.6	7.3
	<u>152.3</u>	<u>150.5</u>

	Number	Number
Employees on average during the year	19,544	19,361
Employees at the 31st October	17,679	16,635

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 7,278 current members, 6,723 pensioners and 5,501 former employees with deferred pension rights at 5th April 1987, 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 £0.4m (1986 £0.5m).

2 Share of results of associated companies

	1987 £m	1986 £m
Share of profits less losses before taxation	118.2	82.7
Share of taxation (note 4)	(53.5)	(39.3)
Share of extraordinary items (note 5)	(1.1)	—
	<u>63.6</u>	<u>43.4</u>
Dividends receivable by the Group	(34.6)	(70.8)
Profits less losses for the year less dividends receivable	29.0	(27.4)
Minority interests	(1.0)	1.0
	<u>28.0</u>	<u>(26.4)</u>
Amounts retained attributable to shareholders of the Company	(11.6)	—
Adjustment of reserves on disposal of investments		
Net increase (decrease) in profits retained	<u>16.4</u>	<u>(26.4)</u>

3 Interest

	1987 £m	1986 £m
Interest on bank loans and overdrafts	(19.9)	(17.5)
Interest on other loans fully repayable within 5 years	(2.4)	(0.7)
Interest on other loans not fully repayable within 5 years	(3.3)	(3.8)
Interest receivable	15.4	19.0
	<u>(10.2)</u>	<u>(3.0)</u>

Interest payable is shown net of £2.9m (1986 £2.1m) interest allocated to property development projects. (In 1986 £3.7m was included within the lapsed bid costs in extraordinary items.)

The Rank Organisation

Notes to the Accounts *continued*

4 Taxation on profit on ordinary activities

	Company and its subsidiaries	1987 Associated companies		Total
		Rank Xerox companies	Others	
	£m	£m	£m	£m
United Kingdom corporation tax				
Current	21.1	(4.6)	0.2	16.7
Deferred	—	0.7	—	0.7
	<u>21.1</u>	<u>(3.9)</u>	<u>0.2</u>	<u>17.4</u>
Overseas tax				
Current	3.1	58.3	0.4	61.8
Deferred	0.6	(1.5)	—	(0.9)
	<u>3.7</u>	<u>56.8</u>	<u>0.4</u>	<u>60.9</u>
	<u>24.8</u>	<u>52.9</u>	<u>0.6</u>	<u>78.3</u>

	Company and its subsidiaries	1986 Associated companies		Total
		Rank Xerox companies	Others	
	£m	£m	£m	£m
United Kingdom corporation tax				
Current	20.2	(1.1)	—	19.1
Deferred	(0.2)	1.4	—	1.2
	<u>20.0</u>	<u>0.3</u>	<u>—</u>	<u>20.3</u>
Overseas tax				
Current	4.8	49.2	0.6	54.6
Deferred	(0.1)	(10.8)	—	(10.9)
	<u>4.7</u>	<u>38.4</u>	<u>0.6</u>	<u>43.7</u>
	<u>24.7</u>	<u>38.7</u>	<u>0.6</u>	<u>64.0</u>

Company and its subsidiaries

United Kingdom corporation tax on profits for the year has been provided at 35% (1986 37.08%). The United Kingdom tax charge is stated after crediting double tax relief of £1.9m (1986 £0.7m) in respect of income from subsidiaries.

Rank Xerox companies

The charge for United Kingdom corporation tax has been provided at 35% (1986 37.08%).

The Rank Organisation

Notes to the Accounts *continued*

5 Extraordinary items

	1987 £m	1986 £m
Surplus on disposal of businesses, subsidiaries and associated companies	32.2	—
Net cost and provision for cost of terminating activities	(19.1)	(5.2)
Costs of lapsed bid (after tax relief of £1.4m)	—	(14.4)
	<u>13.1</u>	<u>(19.6)</u>
Tax relating to current year	3.5	0.4
Prior year tax items (including £1.0m release of deferred taxation)	0.9	0.1
	<u>17.5</u>	<u>(19.1)</u>
Share of extraordinary items of associated companies	(1.1)	—
	<u>16.4</u>	<u>(19.1)</u>

6 Profit attributable to The Rank Organisation Plc

The profit for the financial year dealt with in the accounts of The Rank Organisation Plc was £36.8m (1986 £270.5m including £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.)

7 Dividends

	1987 £m	1986 £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 7.25p per share, since paid (1986 interim of 6.25p per share)	15.6	13.5
Final of 14.50p per share, proposed (1986 final of 11.75p per share)	31.3	25.3
	<u>46.9</u>	<u>38.8</u>
	<u>47.5</u>	<u>39.4</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.

8 Earnings per Ordinary share

The calculation of earnings per Ordinary share is based upon profit before extraordinary items of £126.1m from which are deducted Preference dividends totalling £0.6m giving earnings of £125.5m (1986 £94.0m) and on the weighted average number of Ordinary shares in issue during the year of 215,513,000 (1986 206,840,000 shares).

The Rank Organisation

Notes to the Accounts *continued*

9 Tangible assets

	Freehold land and buildings £m	Leasehold land and buildings £m	Fixtures fittings tools and equipment £m	Plant and machinery £m	Total £m
Group					
Cost at 31st October 1986*	173.8	77.1	154.0	30.5	435.4
Currency translation adjustment	(1.1)	(0.1)	(0.3)	(1.1)	(2.6)
New businesses acquired	1.6	1.0	—	4.9	7.5
Additions	20.6	18.2	43.2	7.1	89.1
Disposals	(13.0)	(3.4)	(15.9)	(2.0)	(34.3)
Transfers from (to) current assets	2.2	(0.3)	(1.5)	(0.4)	—
Cost at 31st October 1987	184.1	92.5	179.5	39.0	495.1
Depreciation at 31st October 1986*	28.2	13.5	68.6	18.6	128.9
Currency translation adjustment	(0.2)	—	(0.1)	(0.5)	(0.8)
New businesses acquired	—	0.7	—	3.0	3.7
Disposals	(3.4)	(1.6)	(9.5)	(1.7)	(16.2)
Depreciation for year	3.9	2.1	16.4	3.2	25.6
Provision for loss on disposal	—	0.3	0.1	—	0.4
Transfers from (to) current assets	1.0	(0.3)	(0.7)	(0.6)	(0.6)
Depreciation at 31st October 1987	29.5	14.7	74.8	22.0	141.0
Net book amount at 31st October 1986	145.6	63.6	85.4	11.9	306.5
Net book amount at 31st October 1987	154.6	77.8	104.7	17.0	354.1
Company					
Cost at 31st October 1986	0.1	1.1	1.6	—	2.8
Transfers to subsidiaries	(0.1)	—	—	—	(0.1)
Additions	0.1	0.2	0.4	—	0.7
Transfers to current assets	—	(0.3)	(0.9)	—	(1.2)
Cost at 31st October 1987	0.1	1.0	1.1	—	2.2
Depreciation at 31st October 1986	—	0.1	1.1	—	1.2
Depreciation for year	—	0.3	0.2	—	0.5
Transfers to current assets	—	(0.3)	(0.9)	—	(1.2)
Depreciation at 31st October 1987	—	0.1	0.4	—	0.5
Net book amount at 31st October 1986	0.1	1.0	0.5	—	1.6
Net book amount at 31st October 1987	0.1	0.9	0.7	—	1.7

The net book amount of leasehold land and buildings at 31st October, 1987 includes for the Group £41.1m (1986 £37.8m) and for the Company £0.9m (1986 £1.0m) in respect of leases with less than 50 years to run. The net book amount of tangible assets for the Group includes £0.8m (1986 £0.3m) interest capitalised.

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

The Rank Organisation

Notes to the Accounts *continued*

10 Commitments

Future capital expenditure

At 31st October 1987 commitments for capital expenditure amounted to £44.5m (1986 £53.0m) for the Group and £0.3m (1986 £NIL) for the Company. Expenditure authorised by the Directors but not contracted amounted to £24.6m (1986 £10.7m) for the Group and £NIL (1986 £NIL) for the Company.

Property developments in progress (note 15)

Future expenditure authorised by the Directors amounted to £13.0m (1986 £33.2m) of which £12.3m (1986 £23.2m) was contracted at 31st October 1987.

Group rental commitments over periods of leases

The commitment at 31st October 1987 to make payments on operating leases in the year to 31st October 1988 was:

	Properties		Plant and machinery	
	1987	1986	1987	1986
	£m	£m	£m	£m
Leases expiring in one year	0.1	0.2	0.5	0.6
Leases expiring in two to five years	1.5	1.3	1.2	1.6
Leases expiring in more than five years	6.0	4.0	—	0.3
	<u>7.6</u>	<u>5.5</u>	<u>1.7</u>	<u>2.5</u>

Total rental commitments at 31st October 1987 in respect of finance leases of plant and machinery were £0.3m (1986 £1.0m) of which £0.2m (1986 £0.6m) is payable within one year.

Forward foreign exchange contracts

At 31st October 1987 contracts in the ordinary course of business for the Group were £22.7m (1986 £54.3m) and for the Company £NIL (1986 £NIL).

11 Investments

	Note	Group		Company	
		1987	1986	1987	1986
		£m	£m	£m	£m
Subsidiary companies	12	—	—	1,093.7	1,045.2
Associated companies	13	331.8	331.0	1.1	1.1
Other	14	8.9	25.3	—	—
		<u>340.7</u>	<u>356.3</u>	<u>1,094.8</u>	<u>1,046.3</u>

12 Investments in subsidiary companies

	Shares at cost or valuation	Loans and advances	Provisions	Net book amount
	£m	£m	£m	£m
Balances at 31st October 1986	263.3	810.9	(29.0)	1,045.2
Additions	192.5	100.6	—	293.1
Disposals/repayments	(17.8)	(235.7)	—	(253.5)
Increase in provisions	—	—	(1.3)	(1.3)
Reduction of provisions	—	—	6.2	6.2
Increase on revaluation	4.0	—	—	4.0
Balances at 31st October 1987	<u>442.0</u>	<u>675.8</u>	<u>(24.1)</u>	<u>1,093.7</u>

The Company's 60% holding in the ordinary share capital of Rank Precision Industries (Holdings) Limited was revalued by the directors as at 31st October 1987 at £115.2m (1986 £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 £66.2m (1986 £62.1m) has been subordinated to other creditors as an alternative to increasing the share capital of certain subsidiaries.

The Rank Organisation

Notes to the Accounts *continued*

12 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	Great Britain	—	100	100		
Holidays and Recreation	Burlin's Limited	6%	Great Britain	100	—	100		
		Cumulative Preference Ordinary		100	—	100		
	Haven Leisure Limited	Ordinary	Great Britain	—	100	100		
	Rank Amusements Limited	Ordinary	Great Britain	—	100	100		
	Showboat Holdings Limited	Ordinary	Great Britain	—	100	100		
	Top Rank Limited	Ordinary	Great Britain	—	100	100		
	Wings Limited	Ordinary	Great Britain	100	—	100		
		Deferred		100	—	100		
	Hotels and Catering	Rank Hotels Limited	Ordinary	Great Britain	—	100	100	
		Rank Motorway Services Limited	Ordinary	Great Britain	—	100	100	
Precision Industries	Rank Precision Industries Inc	Common	U.S.A.	—	100	100		
	Rank Precision Industries Limited	Ordinary	Great Britain	100	—	100		
	Strand Lighting Inc	Common	U.S.A.	—	100	100		
	Strand Lighting Limited	Ordinary	Great Britain	—	100	100		
Leisure Developments	Rank Development Inc	Common	U.S.A.	—	100	100		
	Holding and other companies	A. Kershaw & Sons, Plc (note (a))	8% 'A'	Great Britain	78	—	78	
Cumulative Preference 12½% 'B'				85	—	85		
Rank Holdings (U.K.) Limited (note (c))		Ordinary	Great Britain	Non-Cumulative Preference		82	—	82
				Ordinary	100	—	100	
Rank Industries Australia Limited		Ordinary	Australia	—	100	100		
Rank Overseas Holdings Limited (note (d))		Ordinary	Great Britain	100	—	100		
Rank Precision Industries (Holdings) Limited (note (a))		5%	Great Britain	57	35	92		
		Cumulative Preference Ordinary		60	33	93		
Rank RX Holdings Limited (notes (a) & (b))		Ordinary	Great Britain	50	46	96		

(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 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 companies.

The Rank Organisation

Notes to the Accounts *continued*

13 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
Rank Xerox companies (unlisted)					
Balances at 31st October 1986	18.2	297.7	1.2	317.1	—
Currency translation adjustment	—	(16.8)	—	(16.8)	—
Additions	2.5	—	—	2.5	—
Repayment	—	—	(1.2)	(1.2)	—
Share of retained profits for the year	—	27.4	—	27.4	—
Balances at 31st October 1987	20.7	308.3	—	329.0	—
Other (unlisted)					
Balances at 31st October 1986	1.6	12.3	—	13.9	1.1
Currency translation adjustment	—	(0.7)	—	(0.7)	—
Additions	0.3	—	—	0.3	—
Disposals	(0.7)	(11.6)	—	(12.3)	—
Share of retained profits for the year	—	1.6	—	1.6	—
Balances at 31st October 1987	1.2	1.6	—	2.8	1.1
Total	21.9	309.9	—	331.8	1.1

The associated companies principally affecting profits are:

	Percentage voting interest	Country of incorporation and operation	Class of capital owned	Percentage holding	Date of accounts
Rank Xerox companies					
Rank Xerox Limited	48.8	Great Britain	'B' Ordinary 'D' Ordinary	96.4 96.4	31.10.87
Rank Xerox Holding B.V.	48.8	Holland	'B' Ordinary 'C' Ordinary	96.4 96.4	31.10.87
Rank Xerox Investments Limited	49.0	Bermuda	'B' Ordinary	96.4	31.10.87
R-X Holdings Limited	33.3	Bermuda	'B' Ordinary	96.4	31.10.87
Charter airline					
Cal Air International Limited	50.0	Great Britain	Ordinary Deferred	50.0 50.0	31.10.87

The Rank Organisation

Notes to the Accounts *continued*

13 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 profit before tax as shown below is adjusted to eliminate the 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	1987 £m	1986 £m
Turnover	2,219	1,926
Less costs	1,998	1,771
Trading profit	221	155
Net interest receivable	19	2
Share of results of associates	78	57
Profit before Xerox Corporation charges	318	214
Xerox Corporation charges	(95)	(76)
Profit before tax	223	138
Tax	(104)	(67)
Profit after tax	119	71
 Balance Sheet	 1987 £m	 1986 £m
Fixed assets		
Tangible assets	407	465
Investments	295	286
	702	751
Net current assets	800	684
Total assets less current liabilities	1,502	1,435
Creditors falling due after more than one year	(324)	(298)
Provisions for liabilities and charges	(101)	(91)
	1,077	1,046
Share capital and reserves	1,073	1,039
Minority interests	4	7
	1,077	1,046

The Rank Organisation

Notes to the Accounts *continued*

14 Other investments (unlisted)

	Shares at cost £m	Loans and advances £m	Provisions £m	Total £m
Balances at 31st October 1986	25.3	0.3	(0.3)	25.3
Additions	8.7	0.2	(0.2)	8.7
Disposals	(25.1)	—	—	(25.1)
Balances at 31st October 1987	8.9	0.5	(0.5)	8.9

15 Stocks

	Group	
	1987 £m	1986 £m
Raw materials and consumables	12.0	13.5
Work in progress	14.7	16.6
Finished goods and goods for resale	25.5	25.8
Film productions	11.8	5.3
Completed properties for resale	23.7	—
Property developments in progress	29.6	45.5
	<u>117.3</u>	<u>106.7</u>
Property developments in progress comprise cost plus attributable profit	30.6	53.0
Less: progress payments	1.0	7.5
	<u>29.6</u>	<u>45.5</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 £2.9m (1986 £1.6m).

16 Debtors

	Group		Company	
	1987 £m	1986 £m	1987 £m	1986 £m
Amounts falling due within one year				
Trade debtors	72.1	62.0	0.4	0.1
Amounts owed by group companies	—	—	56.6	46.0
Other debtors	35.5	8.0	1.7	0.4
Fixed assets held for disposal	2.9	3.6	—	2.4
Prepayments and accrued income	15.3	19.6	0.5	0.9
Dividends receivable from associated company	34.2	23.4	—	—
	<u>160.0</u>	<u>116.6</u>	<u>59.2</u>	<u>49.8</u>
Amounts falling due after more than one year				
Trade debtors	4.7	8.6	—	—
Other debtors	3.5	5.1	0.1	0.1
Fixed assets held for disposal	0.1	1.6	—	—
Prepayments and accrued income	0.8	1.2	—	—
Advance corporation tax recoverable	17.9	16.3	27.1	27.1
Dividends receivable from associated company	20.0	40.0	—	—
	<u>47.0</u>	<u>72.8</u>	<u>27.2</u>	<u>27.2</u>
Total	<u>207.0</u>	<u>189.4</u>	<u>86.4</u>	<u>77.0</u>

The Rank Organisation

Notes to the Accounts *continued*

17 Loan capital, borrowings,
short term deposits and cash

	Group		Company	
	1987 £m	1986 £m	1987 £m	1986 £m
Bank overdrafts	15.3	12.0	9.3	9.3
Bank loans				
Amounts repayable				
Within one year or on demand	76.4	55.8	72.4	49.3
Between one and two years	49.6	77.3	44.4	72.7
Between two and five years	—	7.1	—	7.1
In five years or more	40.6	47.1	40.6	47.1
	<u>166.6</u>	<u>187.3</u>	<u>157.4</u>	<u>176.2</u>
Other borrowings				
4½% Convertible Loan 1993	20.2	24.8	20.2	24.8
Remaining amounts repayable				
Within one year	9.5	3.0	8.0	2.7
Between one and two years	0.3	1.3	0.1	—
Between two and five years	2.1	2.5	—	0.1
Between five and fifteen years	28.8	10.6	26.1	7.3
In fifteen years or more	—	18.7	—	18.7
	<u>60.9</u>	<u>60.9</u>	<u>54.4</u>	<u>53.6</u>
Total	<u>242.8</u>	<u>260.2</u>	<u>221.1</u>	<u>239.1</u>
Secured	27.0	31.9	20.2	24.8
Unsecured	215.8	228.3	200.9	214.3
Total as above	<u>242.8</u>	<u>260.2</u>	<u>221.1</u>	<u>239.1</u>
Amounts falling due within one year or on demand	101.2	70.8	89.7	61.3
Amounts falling due after more than one year	141.6	189.4	131.4	177.8
Loan capital	<u>242.8</u>	<u>260.2</u>	<u>221.1</u>	<u>239.1</u>
Security deposits	21.2	26.0	—	—
Other cash deposits	87.2	115.7	13.7	12.7
Cash at bank and in hand	11.7	18.5	0.7	1.8
Total cash and deposits	<u>120.1</u>	<u>160.2</u>	<u>14.4</u>	<u>14.5</u>
Net borrowings	<u>122.7</u>	<u>100.0</u>	<u>206.7</u>	<u>224.6</u>

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. During the year holders of U.S. \$5,000 nominal of the loan exercised conversion rights. At 31st October 1987 U.S. \$34.9m nominal of the loan was outstanding. Security deposits represent cash placed with the trustees of the 4½% Convertible Loan 1993 to secure the repayment of this borrowing. Sterling borrowings of £6.3m (1986 £6.8m) 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 £29.1m (1986 £29.6m) for the Group and £26.0m (1986 £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 9.3% (1986 9.0%) and for the Company 9.5% (1986 9.4%).

On 19th November 1987, the Company entered into an agreement with a syndicate of banks which provides a £450 million Multi-Option Financing Facility. This five-year committed facility provides for multi-currency advances and sterling acceptances.

On 11th January 1988, the Company gave Notice of Repayment to holders of its 6% Unsecured Loan Stock 1983/88 and proposed early repayment terms to the holders of the 5½% Unsecured Loan Stock 1990/95, 8% Unsecured Loan Stock 1988/93 and 10½% Unsecured Loan Stock 1997/2002. The terms of repayment have to be agreed at individual meetings of the holders of each Loan Stock to be held on 4th February 1988. Approval of these terms by Loan Stock holders would result in early repayment of a total of £26.2m nominal of Loan Stock at a cost of £26.8m.

The Rank Organisation

Notes to the Accounts *continued*

18 Other creditors

	Group		Company	
	1987 £m	1986 £m	1987 £m	1986 £m
Amounts falling due within one year				
Payments received on account	8.8	8.5	—	—
Trade creditors	64.8	65.5	0.5	1.2
Interest payable to group companies	—	—	2.8	2.8
Amounts owed to group companies	—	—	133.7	80.1
United Kingdom corporation tax	8.0	9.0	1.8	1.2
Overseas taxation	1.1	3.2	—	—
Advance corporation tax	17.9	16.3	17.9	16.3
Other tax and social security	5.8	6.0	2.5	2.7
Other creditors	17.1	17.2	2.5	0.6
Accruals and deferred income	32.7	32.9	2.1	2.6
Dividends				
Accrued on preference shares	0.2	0.2	0.2	0.2
Payable and proposed on ordinary shares	46.9	38.8	46.9	38.8
Minority shareholders of subsidiaries	1.1	1.4	—	—
	<u>204.4</u>	<u>199.0</u>	<u>210.9</u>	<u>146.5</u>
Amounts falling due after more than one year				
Payments received on account	0.3	0.4	—	—
United Kingdom corporation tax	3.5	3.2	—	—
Other creditors	1.9	1.5	0.8	0.8
	<u>5.7</u>	<u>5.1</u>	<u>0.8</u>	<u>0.8</u>

19 Provisions for liabilities and charges

	Deferred taxation £m	Other pro- visions £m
Group		
Balances at 31st October 1986	19.1	15.3
Currency translation adjustment	(0.9)	(0.7)
Arising on the acquisition of subsidiaries	0.2	9.7
Charge for the year in the profit and loss account	(0.7)	18.5
Utilised during the year	—	(11.2)
Balances at 31st October 1987	<u>17.7</u>	<u>31.6</u>
Company		
Balances at 31st October 1986	1.4	0.3
Advance corporation tax	0.4	—
Charge for the year in the profit and loss account	—	17.7
Balances at 31st October 1987	<u>1.8</u>	<u>18.0</u>

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

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Notes to the Accounts *continued*

20 Deferred taxation

	Provided				Not provided			
	Group		Company		Group		Company	
	1987	1986	1987	1986	1987	1986	1987	1986
	£m	£m	£m	£m	£m	£m	£m	£m
Capital allowances	11.3	13.1	7.9	7.9	12.5	12.7	—	—
Other timing differences	6.4	6.0	—	—	(4.9)	(4.3)	—	—
Advance corporation tax	—	—	(6.1)	(6.5)	—	—	—	—
	<u>17.7</u>	<u>19.1</u>	<u>1.8</u>	<u>1.4</u>	<u>7.6</u>	<u>8.4</u>	<u>—</u>	<u>—</u>

The above figures exclude taxation payable:

- (a) in the event of profits of certain overseas subsidiary 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.

21 Capital and reserves

Share capital	1987		1986	
	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	53,880	70,800	53,874
	<u>83,800</u>	<u>66,478</u>	<u>83,800</u>	<u>66,472</u>

During the year, 24,291 Ordinary shares were issued on the early exercise of options by employees and 344 Ordinary shares were issued on part conversion of 4½% Convertible Loan 1993. At 31st October 1987, of the unissued Ordinary shares, 2,401,295 were reserved against conversions of the outstanding 4½% Convertible Loan 1993 and 3,685,427 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	310,001	306p
	7th March 1986	126,134	454p
	6th March 1987	75,242	566p
Executive Share Option Scheme	8th May 1985	527,960	345p
	3rd March 1986	403,620	504p
	21st August 1986	1,871,350	490p
	6th March 1987	94,790	628p
	20th August 1987	276,330	751p
		<u>3,685,427</u>	

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.

On 11th January 1988, the Company proposed, subject to approval of the High Court, to repay the 6½% and 8% Preference shares and to cancel the share premium account and create a special reserve. These proposals are subject to approval by the holders of Ordinary shares, and in respect of the repayment by the holders of the Preference shares, at meetings on 4th February 1988 or at subsequent adjourned meetings.

The Rank Organisation

Notes to the Accounts *continued*

21 Capital and reserves
continued

Reserves	Group		Company	
	1987 £m	1986 £m	1987 £m	1986 £m
Share premium account	204.8	204.7	204.8	204.7
Revaluation reserve	—	—	115.2	111.2
Other reserves	351.3	303.5	358.2	368.9
	<u>556.1</u>	<u>508.2</u>	<u>678.2</u>	<u>684.8</u>

At 31st October 1987 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) in 1986 the Company generated intra-group profits 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 pre- mium account £m
Balances at 31st October 1986	53.9	204.7
Issue of shares in the year	—	0.1
Balances at 31st October 1987	<u>53.9</u>	<u>204.8</u>

Movements in reserves

Group	Company and its subsidiaries £m	Associated companies £m	Total £m
Balances at 31st October 1986	4.8	298.7	303.5
Currency translation adjustments	(1.2)(a)	(16.8)	(18.0)
Write off of goodwill arising in the year	(29.2)	—	(29.2)
Surplus on profit and loss account for the year	78.6	16.4	95.0
Balances at 31st October 1987	<u>53.0</u>	<u>298.3(b)</u>	<u>351.3</u>

(a) After offsetting £23.8m of net exchange gains arising on foreign currency borrowings less deposits.

(b) Includes £296.7m in respect of Rank Xerox companies.

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The Rank Organisation

Notes to the Accounts *continued*

21 Capital and reserves continued

Company	Revaluation £m	Other £m	Total £m
Balances at 31st October 1986	111.2	368.9	480.1
Deficit on profit and loss account for the year	—	(10.7)	(10.7)
Revaluation surplus	4.0	—	4.0
Balances at 31st October 1987	<u>115.2</u>	<u>358.2</u>	<u>473.4(c)</u>

(c) Includes £363.7m 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 1987. The valuation surplus of £4.0m arising thereon in the year has been taken to revaluation reserve.

The directors also consider that a diminution in value has occurred in three subsidiary companies and consequently have made a charge of £13.3m to the profit and loss account of the Company during the year.

The directors have considered the value at 31st October 1987 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 £13.3m charged in arriving at the deficit for the year of £10.7m 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.

22 Contingent liabilities

Group	1987 £m	1986 £m
Guarantees by the company and by subsidiary companies, bills discounted by group companies and uncalled liability in respect of partly paid shares	19.0	18.9
Guarantees of lease commitments of an associated company	17.5	20.5
Guarantees of advances to associated company	—	0.2
Company		
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	5.6	6.9
Others	18.8	15.4
Guarantees of lease commitments of an associated company	17.5	20.5
Guaranteed buyback of redeemable preference shares of a subsidiary	—	32.7
Guarantees of advances to an associated company	—	0.2

No security has been given in respect of any contingent liability.

The Rank Organisation

Notes to the Accounts *continued*

23 Directors and employees

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

	31st October 1987		1st November 1986 or later date of appointment	
	Ordinary shares	Share options	Ordinary shares	Share options
D. V. Atterton	1,000	—	—	—
L. H. Bond	—	50,188	—	31,398
Sir Arthur Bryan	1,000	—	1,000	—
H. A. Crichton-Miller	—	60,000	—	60,000
J. Daly	—	60,000	—	60,000
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	—	8,465	—
The Hon. Angus Ogilvy	2,679	2,418	2,679	2,418
N. V. Turnbull	2,500	39,940	—	—
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 Sir Patrick Meaney also had 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 1987.

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.

	1987 £000	1986 £000
(b) Total emoluments of the directors of The Rank Organisation Plc		
Fees	62	59
Other emoluments	586	534
Contributions to pension schemes	104	202
(c) Emoluments of Chairman	79	78
(d) Emoluments of the highest paid director	166	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	
	1987	1986	1987	1986
1—5,000	2	—		
5,001—10,000	6	6		
20,001—25,000	1	—		
30,001—35,000	—	—	35	29
35,001—40,000	—	—	23	10
40,001—45,000	—	—	12	9
45,001—50,000	—	—	2	5
50,001—55,000	—	—	3	1
55,001—60,000	—	—	2	1
60,001—65,000	—	—	1	1
65,001—70,000	—	—	1	—
70,001—75,000	—	2	—	—
75,001—80,000	2	1	—	—
80,001—85,000	2	—	—	—

(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

Five Year Review

Turnover, Profit, Earnings and Dividend	1987 £m	1986 £m	1985 £m	1984 £m	1983 £m
Turnover	668.4	718.1	630.9	724.7	742.9
Trading profit	100.3	84.4	68.5	59.8	38.2
Associates Interest	118.2 (10.2)	82.7 (3.0)	71.1 (3.6)	65.4 (19.9)	56.7 (25.6)
Profit before tax	208.3	164.1	136.0	105.3	69.3
Tax	(78.3)	(64.0)	(61.1)	(42.1)	(37.8)
Minority interests	(3.9)	(5.5)	(6.2)	(6.6)	(2.0)
Earnings	126.1	94.6	68.7	56.6	29.5
Extraordinary items	16.4	(19.1)	1.5	—	(25.4)
Profit for the financial year	142.5	75.5	70.2	56.6	4.1
Earnings per Ordinary share (before extraordinary items)	58.2p	45.4p	33.7p	27.7p	14.3p
Total dividend per Ordinary share	21.75p	18.0p	15.0p	12.0p	10.0p
Group funds employed					
Fixed assets	354.1	306.5	198.4	280.6	378.3
Investments	340.7	356.3	328.8	357.5	322.8
Net trading assets (liabilities)	64.9	57.6	(7.0)	14.9	48.8
Total funds employed at year end	759.7	720.4	520.2	653.0	749.9
Financed by					
Ordinary share capital and reserves	610.0	562.1	438.8	458.7	465.6
Preference share capital and minority interests	27.0	58.3	53.1	48.2	43.2
	637.0	620.4	491.9	506.9	508.8
Net borrowings	122.7	100.0	28.3	146.1	241.1
	759.7	720.4	520.2	653.0	749.9

Figures for 1983, 1984 and 1985 have been restated for the change in 1986 to an immediate write off basis for goodwill. Figures for 1985 only have been restated for the change made in 1986 by a subsidiary in its basis for depreciating certain tangible fixed assets and by the Rank Xerox companies in their basis of providing deferred taxation.

The Rank Organisation

Notice of Meeting

Notice is hereby given that the fifty-first 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 am on Wednesday 16th March 1988 for the following purposes:

- 1 To receive the Report of the Directors and the audited Accounts for the year ended 31st October 1987 and to declare a final Dividend on the Ordinary Shares.
- 2 To elect Directors:
 - (a) The Hon. Angus Ogilvy
 - (b) Sir Leslie Fletcher
 - (c) Mr. L. H. Bond
 - (d) Mr. N. V. Turnbull
- 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 £16,919,000
- (ii) to allot any equity security of the Company under the authority conferred on them by subparagraph (i) of this Resolution as 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 £2,694,000 being five per cent of the issued Ordinary share capital

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
18th February 1988

6 Connaught Place
London W2 2EZ

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. The appointment of a proxy will not preclude a

member from attending the Meeting and voting in person. 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.

The Rank Organisation

Share Ownership Analysis

at 31st October 1987

	Holdings		Nominal amount held	
	Number	%	£m	%
Ordinary share holdings				
Individuals				
Up to 500 shares	18,529	65.18	0.6	1.11
501 – 2,500 shares	5,788	20.36	1.5	2.79
2,501 – 25,000 shares	518	1.82	0.6	1.11
Over 25,000 shares	8	0.03	0.2	0.37
	<u>24,843</u>	<u>87.39</u>	<u>2.9</u>	<u>5.38</u>
Institutions and other corporate holdings				
Banks and nominee companies	2,679	9.43	29.4	54.54
Insurance companies and pension funds	234	0.82	16.4	30.43
Other corporate holdings	671	2.36	5.2	9.65
	<u>3,584</u>	<u>12.61</u>	<u>51.0</u>	<u>94.62</u>
Total Ordinary share holdings	28,427	100.00	53.9	100.00
Preference share holdings	4,245		12.6	
Total	<u>32,672</u>		<u>66.5</u>	

The Financial Calendar

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