

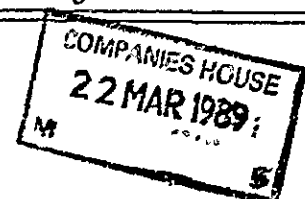


RESULTS AT A GLANCE

	1988	1987
<i>Turnover and Profit</i>	£m	£m
Turnover	824.1	668.4
Trading profit	123.5	100.3
Share of results of associated companies before tax	150.5	118.2
Profit before tax	255.1	208.3
Earnings	156.9	126.1
Profit for the financial year	179.2	142.5
<i>Earnings, Dividend and Assets</i>	pence	pence
Earnings per Ordinary share (before extraordinary items)	72.6	58.2
Total dividend per Ordinary share	26.25	21.75
Net tangible assets per Ordinary share	391	283
<i>Employees</i>		
Group employees at 31st October	20,054	17,679

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BOARD OF DIRECTORS

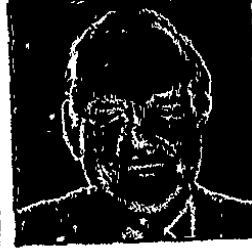
Sir Patrick Meaney
Chairman since 1983 and a Director since 1979. Aged 63, a Deputy Chairman of Midland Bank plc and a Director of Imperial Chemical Industries PLC and MEPC plc.



Michael B. Gifford
Managing Director and Chief Executive since 1983. Aged 53.



David V. Atterton, C.B.E.
A non-executive Director since 1987. Aged 61 and a Director of Barclays Bank PLC, British Coal and Marks and Spencer plc.



Leslie H. Bond
A Director since 1978. Aged 64 and Managing Director of the Leisure Developments Division.



Sir Arthur Bryan
A non-executive Director since 1985. Aged 65 and a Director of Friends Provident Life Office.



Angus Crichton-Miller
A Director since 1982. Aged 49 and Managing Director of the Holidays and Recreation Division.



James Daly
A Director since 1982. Aged 50 and Managing Director of the Film and Television Services Division.



Sir Leslie Fletcher, D.S.C.
A non-executive Director since 1984. Aged 66, Chairman of Westland Group plc, Deputy Chairman of Standard Chartered plc and a Director of RMC Group plc.



Sir Denis Mountain
A non-executive Director since 1988. Aged 59 and a Director of Allied London Properties plc and the Bank of Nova Scotia (Canada) Limited.



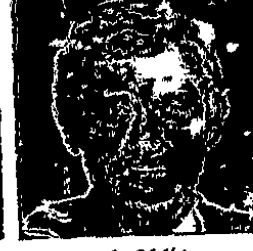
The Hon. Sir Angus Ogilvy, K.C.V.O.
A non-executive Director since 1968. Aged 60 and a Director of Imperial Life (UK) Limited, MEPC plc and Sotheby's.



Anthony W. Steinhilber
A non-executive Director since 1987. Aged 57 and a Managing Director of Bankers Trust Company of New York and a Director of Rothmans International plc.



Nigel V. Turnbull, F.C.A.
Finance Director since 1987. Aged 46.



Douglas M. Yates
A Director since 1982. Aged 45, responsible for Special Projects.

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

CHAIRMAN'S STATEMENT



I am pleased to be able to report that in 1988 Rank again achieved record results. Profit before tax for the year ended 31st October 1988 increased to £255.1 million, a rise of 22% on the 1987 profit before tax of £208.3 million.

Trading profit increased to £123.5 million, compared with £100.3 million in 1987. All operating Divisions, with the exception of Precision Industries, contributed to these improved results.

The Rank Organisation's share of the pre-tax results of Rank Xerox increased to £150.5 million compared with £118.2 million from all associated companies in 1987.

Earnings per Ordinary share increased to a new high level of 72.6 pence compared with 58.2 pence in 1987 and the Board has recommended a final dividend of 17.75 pence per Ordinary share. With the interim dividend of 8.50 pence per Ordinary share declared in July 1988 this will make a total of 26.25 pence

per Ordinary share compared with 21.75 pence per Ordinary share in 1987.

In the first phase of our planned three year cycle of valuing professionally the Organisation's property assets, our hotel properties were valued as at 31st October 1988 and the resulting surplus of £209.2 million has been added to shareholders' funds. Accordingly net tangible assets per share increased from 283 pence to 391 pence. The revaluation of other property assets will take place at the end of 1989 and 1990.

The outstanding Rank preference shares amounting to £12.6 million were repaid in May 1988 thus completing the re-structuring of the Company's balance sheet, simplifying the capital structure and amending the borrowing limits in the Company's Articles. The opportunity was taken during the year to raise £50 million by way of a 20 year Sterling Bond and US\$150 million through a 10 year Private Placement in the USA. These facilities together with the £450 million Multiple Option Facility provide the Group with the necessary facilities to finance its further profitable expansion.

Net borrowings at the year end were £328.1 million an increase of £205.4 million during the year and total funds employed were £1.2 billion an increase of £429 million on 1987. These figures were after investing £193.7 million during the year in acquisitions and £112.6 million on capital expenditure in the profitable development of existing businesses.

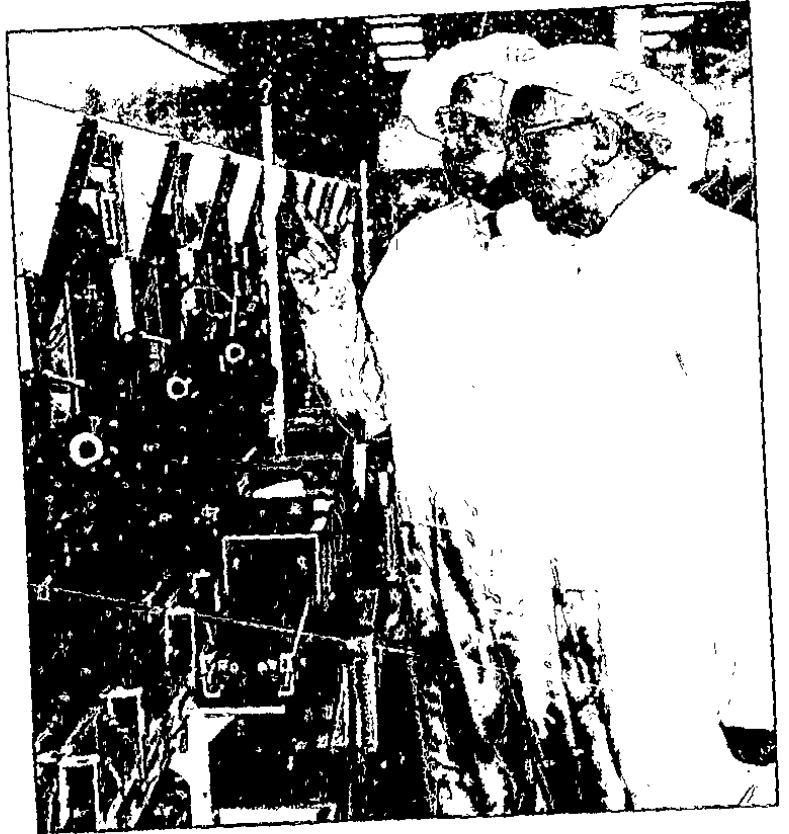
We continued our expansion both in the UK and the USA. New ventures in the UK included the start of construction at the multi-leisure development at the Stoke Festival Park, the opening of the Hilton Park Motor Lodge and the first two Texacana restaurants and new production facilities



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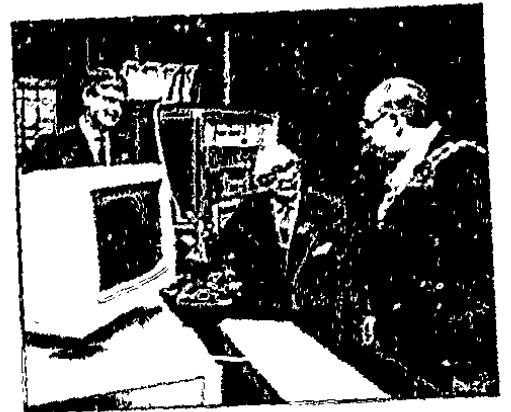
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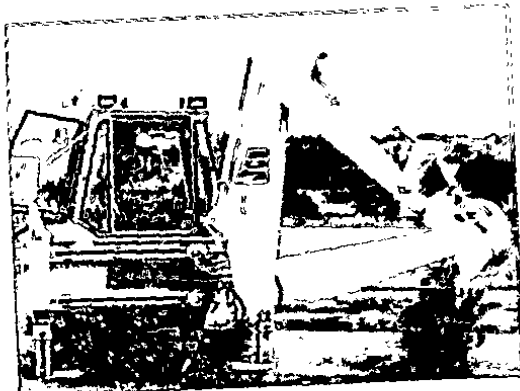
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CHAIRMAN'S STATEMENT

at Rank Brimar. The programme of modernisation and refurbishment continued at Butlin's Holiday Worlds, Haven Leisure, Top Rank Clubs, Odeon Cinemas and Rank Hotels.

New acquisitions, primarily in the USA, included Ahnert Enterprises within Leisure Developments and BHCP Video and Video Technology Services and two small training film businesses, all within Film and Television Services. Rank also acquired the 50% not previously owned of Cal Air, recently renamed Novair, a charter airline within Holidays and Recreation Division.

Disposals during the year of businesses which did not form part of our growth plans included Pullin Controls and the military thermography business of Rank Taylor Hobson from Precision Industries Division.

Since the year end, Rank has announced the acquisition of 49% of the assets of The Film House Group Inc for a consideration of Can\$87.6 million. Film House is a leading Canadian film processing laboratory and a subsidiary of Cineplex Odeon Corporation.

As can be seen from the figures and the Review of Operations in this Report 1988 was a year of high activity and achievement and profit before tax and earnings per share increased by over 20% for the fifth year in succession.

Our operations have been strengthened and expanded where appropriate, we have absorbed rapidly and efficiently the newly acquired businesses and appropriate action has been taken in operations where performance has been less encouraging.

The excellent results could not have been achieved without the enthusiasm and application of our by now over 20,000 employees and on behalf of the Board and shareholders, I offer them our traditional but sincere appreciation and thanks. This appreciation clearly includes our able and hard working management who operate in a professional environment of planned growth targets and business programmes with strong financial control yet in a culture which encourages individual initiative and enterprise throughout.

Leslie Bond will be retiring from the Board and from the Company at the Annual General Meeting on reaching the age of 65 years. We thank him for his considerable services to the Company and wish him well in his retirement.

Rank's prime objective remains the continuing growth of earnings with high operational efficiency and prudent investment as the key factors. We aim to add value and expand our leisure related business activities and to obtain stronger performance from the Precision Industries operations including the necessary recovery at Strand Lighting. We plan to increase our presence in the USA and to examine our prospects elsewhere in the world including Europe.

The Organisation is well placed to continue the profitable expansion of its activities and we have ample opportunities to further develop existing and ancillary activities at home and overseas. Trading has begun well in the current year and we are confident that we shall be able to report another year of progress.

During the year Sir Patrick Meaney visited many of the company's businesses and new operations, including:

1. Rank Pneumo in Keene, USA, greeted by the company's President, John Byrd.
2. Opening the Waterworld at Butlin's Wonderworld in Ayr, Scotland.
3. Rank Video Services America in Chicago, USA, with the company's President, Robert Pfankuch.
4. Opening the first Texicana Restaurant at Borehamwood with the Mayor of Hertsmere.
5. Opening Rank Brimar's factory extension near Manchester, with the Mayor of Oldham and Dr Richard Fenby, Managing Director of Rank Brimar.
6. The site of Rank Leisure's Festival Park Leisure Centre in Stoke-on-Trent at the Commencement of Works Ceremony.
7. Rank Ahnert headquarters at Bushkill, USA, with Rank Directors Leslie Bond and Nigel Turnbull, and Peter Ahnert, President of Rank Ahnert, and his colleagues.

Patrick Meaney

DIRECTORS' REPORT

The Directors submit their Report and Statement of Accounts for the year ended 31st October 1988.

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 metrology instruments, cathode ray tubes and broadcast, 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.

In April the business of Pullin Controls and the military thermography business of Rank Taylor Hobson Limited were sold.

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 £255.1 million (1987 £208.3 million). Profit after tax and minority interests was £156.9 million (1987 £126.1 million).

The Directors recommend a final dividend of 17.75p per Ordinary share which, together with the interim dividend of 8.5p already paid, makes a total for the year of 26.25p per share (1987 21.75p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 6th April 1989 to those shareholders whose names are on the register on 10th March 1989.

The amount which it is proposed should be transferred to reserves is detailed in note 21 to the Accounts on pages 37 and 38.

Fixed Assets

The Group revalued its hotel properties as at 31st October 1988 and the surplus on revaluation of £209.2 million has been taken to reserves.

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

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

Directors

The Directors listed on page 2 were Directors of the Company throughout the year.

Sir Patrick Meaney, Sir Denis Mountain and Mr. D. M. Yates retire by rotation and, being eligible, offer themselves for re-election. Sir Patrick Meaney and Mr. D. M. Yates each have service contracts with the Company which are terminable by either party on not less than three years notice.

Mr. L. H. Bond will retire from the Board at the conclusion of the Annual General Meeting having reached the age of 65.

The beneficial interests of the Directors in shares of the Company are shown in note 23 on page 39.

Share Capital

Cancellation and repayment of the 6 $\frac{1}{4}$ per cent. and 8 per cent. Preference Shares and cancellation of the share premium account were approved by shareholders at General Meetings on 4th February 1988 and subsequently confirmed by the High Court.

During the year 527,960 Ordinary shares were issued on exercise of options under the Executive Share Option Scheme and 17,126 Ordinary shares were also issued on the early exercise of options under the Share Option

DIRECTORS' REPORT

Schemes. 20,447 Ordinary shares were issued during the year on part conversion of the 4¼ per cent. 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 £2,700,000 representing 5% of the issued 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 Ordinary shares were granted to employees under the terms of the Share Option Schemes. Details of options outstanding at 31st October 1988 are given in note 21 on pages 36 and 37.

It is proposed to establish an Executive Share Option Plan for overseas executives which shareholders will be asked to approve at the Annual General Meeting. Particulars of the Plan are set out in the Chairman's Letter to shareholders dated 16th February 1989 which accompanies this Report.

Loan Stocks

On 13th April 1988, the Company repaid the 6 per cent. Unsecured Loan Stock 1983/88 and the early repayment of its remaining three classes of Loan Stock was approved by stockholders at formal meetings on 4th February 1988. Details of these repayments are given in note 17 on page 34.

Significant Shareholdings

At the date of this Report, the Company has not been notified of any holding of 5% or more of its Ordinary share capital.

Personnel

Employee communication and motivation are prime management policies in the Rank Organisation. New information and training aids and systems have enabled a wide range of consultative and development procedures. Employee share ownership is encouraged with "Save As You Earn" Share Save Programmes in the UK.

The Company continues to provide a broad range of employment opportunities, particularly for young people, working closely with various national, local and trade education and training bodies.

The Company encourages the full 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 1988 amounted to £129,981. The Company has contributed £25,000 to the Conservative and Unionist Party.

Close Companies - Income and Corporation Taxes Act 1988

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

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. Gwess
Secretary

26th January 1989

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EDDIE BOOTHMAN'S WINNING QUALITY
100% PURE



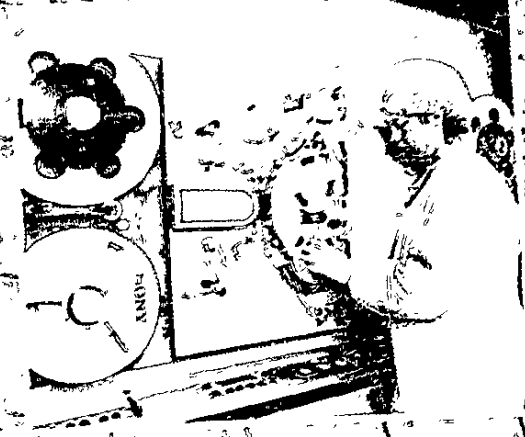
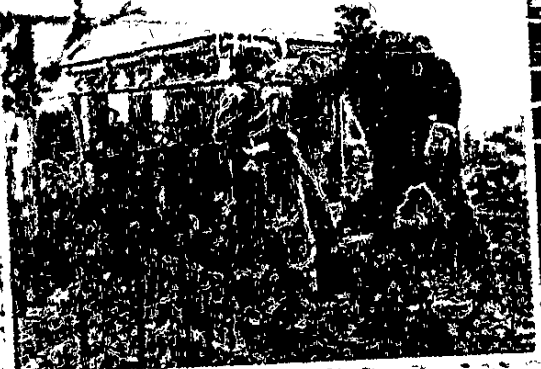
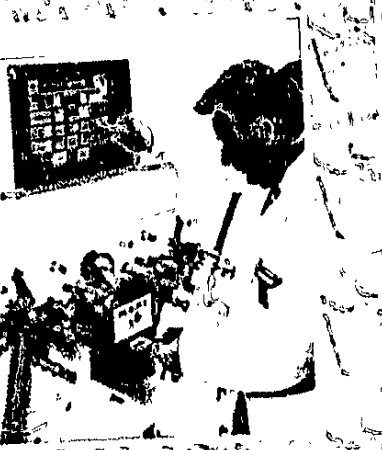
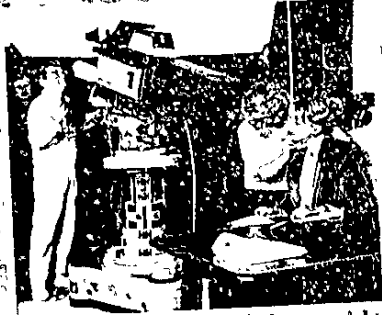
Carling Black Label



PEUGEOT
THE LION OVER FROM STRENGTH
TO RENOWN

SPEEDO

Let it be known



REVIEW OF OPERATIONS

FILM AND TELEVISION SERVICES

Director — James Daly		
	1988	1987
Turnover (£ million)	203.6	129.0
Trading Profit (£ million)	25.7	16.0

Services

Trading profit for the year increased substantially in all businesses with the exception of film processing, which continued to experience reduced volume and margins.

Pinewood Studios' first year as a four-wall operation was successful with 13 films being serviced, including "Batman" for Warner Bros. The Studios have also produced over 180 commercials and have established a strong position in this market sector.

Video Services in the United Kingdom has increased its duplication volume by over 70 per cent, largely based on the continuing expansion in demand for pre-recorded cassettes which can be purchased rather than rented. The company has successfully negotiated long term contracts with its major customers and has increased its capacity.

In May the company acquired the duplicating operations in Los Angeles and Chicago of Bell & Howell Columbia Paramount Video Services (BHCP). In August, Video Technology Services, another Los Angeles based duplicator, was acquired and integrated with BHCP to form Rank Video Services America (RVSA). The video operation in America has a significant customer base which includes Columbia, Paramount and MCA Universal. RVSA has developed Video Channels which is a wholesale distributor servicing over 1,700 retail outlets. Profit from RVSA since its formation was in line with expectations at the time of acquisition.

An agreement was concluded in December to acquire a 49 per cent. interest in the business of The Film House Group Inc., a leading Canadian film laboratory.

Distribution

Profit from all sectors of the distribution business showed satisfactory growth.

Film Distribution achieved another record year with overseas earnings rising by over 50 per cent. The company has acquired international rights to many films for which there is increasing demand from Europe's expanding television and video markets.

Rank Training increased turnover by over 60 per cent, following the acquisition of Roundtable Inc. in California and Millbank Films, the leading UK producer of health and safety films and videos. Rank Training made six new productions during the year including two interactive video programmes and received a Gold Award at the Interactive 88 Exhibition, Brighton, for its programme "Everybody has a Customer."

Exhibition

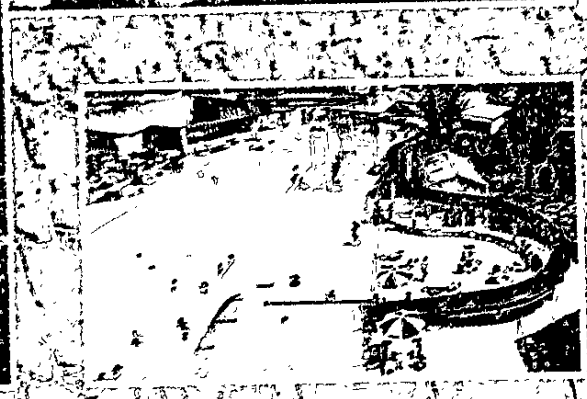
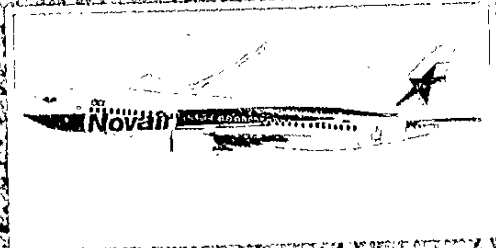
Theatres and Advertising Films again achieved record results with more than 20 per cent. increase in profit.

Odeon cinema admissions were slightly below the previous year which had benefited from particularly strong product. "Three Men and a Baby" and "The Last Emperor" were two of the most successful films during 1988.

An additional 17 screens were opened at 12 locations and new multi-screen cinemas are currently being built at Romford and Stoke-on-Trent. Further investment in new Odeon screens and cinemas is planned over the next three years.

Advertising Films consolidated its position as the leading cinema advertising contractor.

1. Some of the products and services promoted on cinema screens in the UK through Rank Screen Advertising.
2. Rank Theatres' newly modernised London flagship cinema, the Leicester Square Odeon.
3. Rank Training continued to produce new training films and interactive video training programmes during the year.
4. New technology at Rank Film Laboratories includes computer-driven high speed printers with touch screen controls.
5. "Robocop", one of Rank Film Distributors' successful releases in 1988.
6. A new production of "Great Expectations" being made at Pinewood Studios by Primestime Television, with Anthony Hopkins as the convict 'Magwitch' and Martin Harvey as young 'Pip' in the famous graveyard scene.
7. New double speed 'pancake' duplication systems for video cassette production at Rank Video Services America.
8. Rank Video Services UK's ultra high speed video duplication equipment, operating round the clock in a clean air environment.



REVIEW OF OPERATIONS

HOLIDAYS AND RECREATION

Director — Angus Crichton-Miller		
	1988	1987
Turnover (£ million)	275.8	193.9
Trading Profit (£ million)	57.8	43.6

Holidays

The UK holiday market improved despite the third consecutive summer of poor weather and was helped by some decline in overseas package holidays. Both Bullin's and Haven Leisure benefited from the improved market as well as from the continuing large capital investment programmes that each has undertaken, resulting in overall bookings being more than 10 per cent. ahead compared with an estimated market increase of 5 per cent. The major investment at Bullin's Ayr (renamed Wonderwest World) has been successful, with the site being full throughout the summer. Bullin's has experienced an increasing demand for high tariff/de luxe accommodation and a further £25 million is being invested in the Bullin's Holiday Worlds this winter largely on new "village" style accommodation at Minehead, Skegness and Ayr. Southcoast World at Bognor is remaining open all winter for the first time for short break and conference business. The initial demand for both these types of business has been encouraging. Bullin's again achieved record profit.

Haven Leisure's UK holiday bookings and caravan sales were well ahead of the previous year. Caravan sales increased by 45 per cent. on the previous year after excluding the special replacement sales for caravans destroyed in the October 1987 hurricane. Bookings and profit at Haven Abroad caravan parks in France and Spain were disappointing, being below the previous year. The Blue Line boat hire business in France experienced a slight improvement in bookings but not in the level of profit.

In May the 50 per cent. of the successful

charter airline Cal Air International Ltd. not owned by Rank was purchased from British Airways for £10 million. The company is now called Novair International Airways Ltd. Despite experiencing operational difficulties during the summer, due largely to air traffic control problems, the profit was satisfactory. In 1989 two Boeing 737-400s will be delivered to complement the existing fleet of three DC-10s.

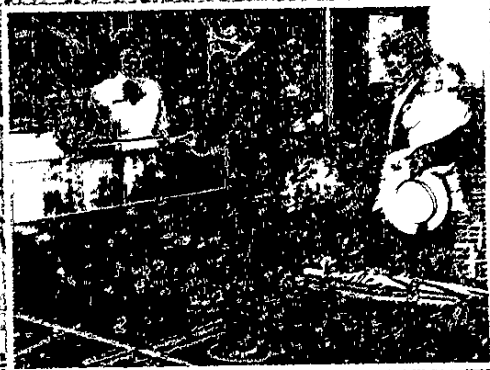
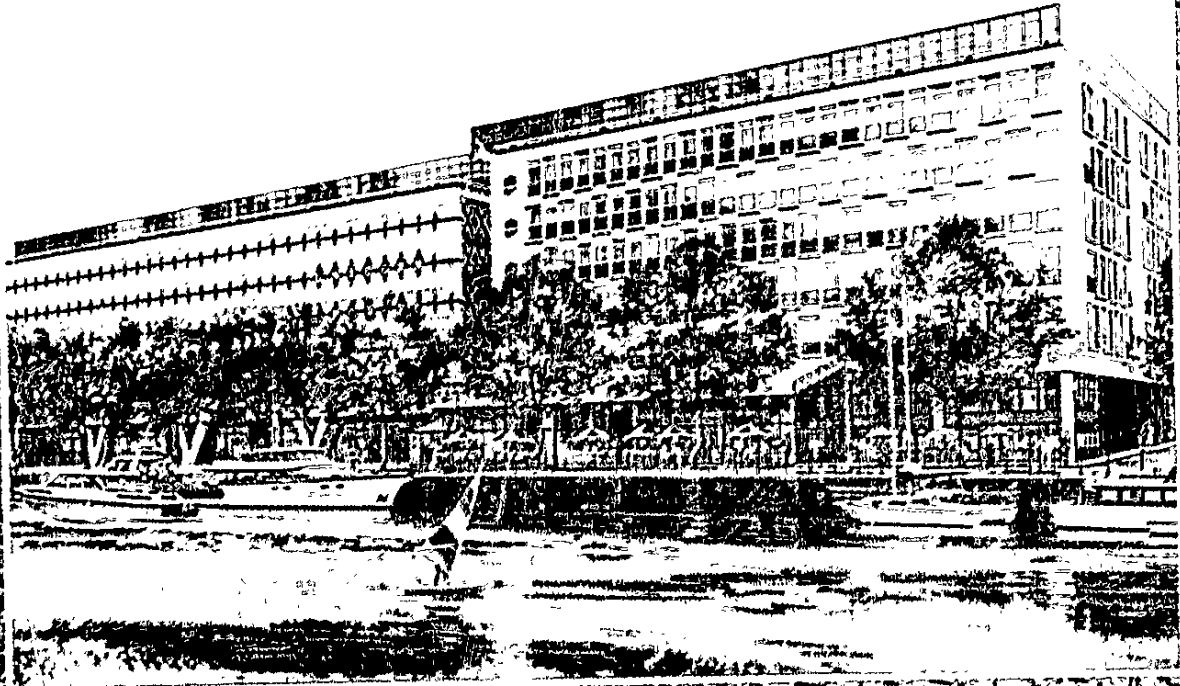
Flight Seekers, a new air seat broking company, was established in November 1988, utilizing the experienced staff who previously operated Wings Aviation, to develop this market and also to sell any spare capacity on Novair International's planes.

Recreation

Top Rank Clubs achieved record trading profit, further consolidating its leading position in the social and bingo club market. During the year an extensive promotional programme was aimed at increasing admissions. A number of new sites for clubs are under review.

Rank Amusements continued its market leadership in amusement centres, with over 100 operations in town centres and at Bullin's Holiday Worlds and the larger Haven Leisure parks. Seven new units were opened in 1988, and particular success has been achieved where prize bingo, amusement machine and catering facilities have been combined.

1. Bullin's three star village style accommodation at Southcoast World, Bognor.
2. The aircraft livery of Novair International pictured on one of the Boeing models to be delivered in 1989.
3. Haven Holidays provides new leisure facilities for all customers, including "Fun Palaces" for its young guests.
4. Rank Amusements continued its refurbishment programme, opened more units and introduced a new uniform for staff.
5. Top Rank Social and Bingo Clubs raised £10,000 for the "Save the Children Fund" through club members and sponsorship of this hot air balloon at a charity gala.
6. Blue Line is the largest canal boat business in Europe, with a self drive fleet of 300 cruisers operating from 11 inland bases in France.
7. One of Haven's 21 holiday centres in France and Spain offering luxury mobile homes and leisure facilities to UK holidaymakers.



REVIEW OF OPERATIONS

HOTELS AND CATERING

Director — Stuart May		
	1988	1987
Turnover (£ million)	129.9	116.2
Trading Profit (£ million)	18.5	16.6

Hotels

Rank Hotels' trading profit increased despite some weakness at the top end of the London market. Occupancy levels were in line with last year but higher room rates were achieved.

The extensive refurbishment programme continued during the year and a major redevelopment of the Royal Lancaster's banqueting facilities is planned for 1989, which will result in one of the largest and most modern banquet and conference facilities in London.

The Unicorn Hotel, Bristol had a successful trading year and is currently undergoing major redevelopment of all bedrooms, public rooms and catering facilities. It is expected that the project will be completed in September 1989.

Rank Hotels North America was established during the year as a professional hotel company managing four and five star independent and franchised hotels in city centres and resorts throughout the USA. It is well positioned to secure additional management contracts.

Catering

The first two Texacana restaurants opened during the year at Borehamwood, Hertfordshire and Northampton. Further units will open in 1989 at Epsom, Newport, Telford and Reading.

The concept has been well received and the restaurants are proving to be popular with the important family market. It is planned that the brand will become more firmly established during 1989.

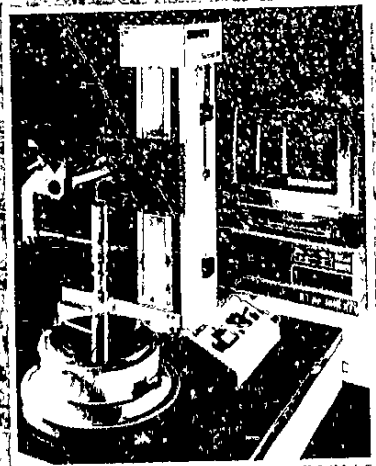
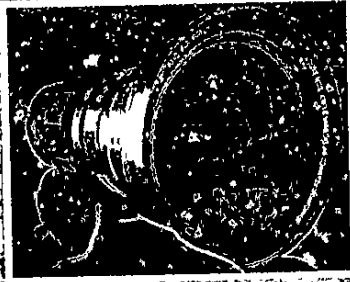
Motorway Services

Rank Motorway Services enjoyed a successful year with increased trading profit in all activities. Fuel sales were buoyant with growth above the national average and catering sales increased by over 18 per cent.

During the year customer facilities continued to be upgraded and the range of services offered to travellers increased. The Rank Motor Lodges at Farthing Corner on the M2 and Hilton Park on the M6 traded profitably and further Lodges are planned to open in 1989 at the Aust (M4), Forton (M6) and Scolch Corner (A1) Service Areas.

Agreement has been reached for Rank to develop and operate a new Service Area at junction 33 on the M4 near Cardiff. Construction has started and the new Service Area is due to open at the end of the year. Further new trunk road sites are currently under review.

1. The Atrium Lobby of the Brown Palace Hotel, Denver, Colorado, USA, one of the luxury hotels operated by Rank Hotels North America.
2. Rank Hotels UK provides special Reserve Club facilities for visiting business executives.
3. The architect's drawing of the quayside Unicorn Hotel in Bristol when its current £63 million expansion and redevelopment programme is completed in 1989.
4. The first two Texacana restaurants opened in 1988, in Borehamwood and Northampton, with more opening in 1989.
5. One of Rank Motorway Services' new Motor Lodges providing accommodation for travellers and business meetings.



REVIEW OF OPERATIONS

PRECISION INDUSTRIES

Director — Peter Blaxtan

	1988	1987
Turnover (£ million)	115.6	112.1
Trading Profit (£ million)	7.4	12.0

The decline in trading profit for the Division was due to inefficiencies at Strand Lighting.

Image Processing

Cintel had another successful year with record turnover, trading profit and order intake.

Satisfactory progress has been made on research into high definition television (HDTV) systems under the Eureka Project and a successful demonstration of the Eureka HDTV Telecine was held at the International Broadcast Convention in September 1988, where the new Advanced Digital System Telecine was also introduced.

Metrology

Rank Taylor Hobson experienced difficult market conditions in the first half of the year with trading profit being affected by lower turnover on a less favourable product mix, plus accelerated expenditure on research and development. However, there has been an increase in order intake largely as a result of improved market conditions in the USA and Japan.

The company completed a £4 million research and development programme for roundness measuring instruments and now has a full range of new Talyrond instruments including the mid-range Talyrond 250 and 210 and the lower range Talyrond 100 based on products manufactured in the USA by Rank Pneumo Inc. The instruments have been well received in their market.

During the year the military thermal imaging business was sold to GEC and the subsequent reorganisation has enabled a

reduction in the number of manufacturing facilities at Leicester.

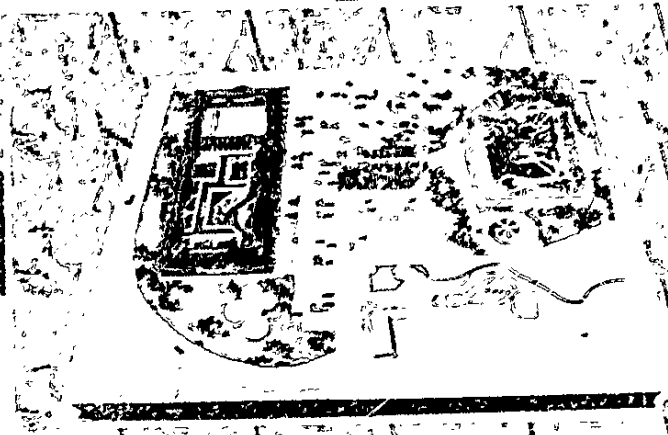
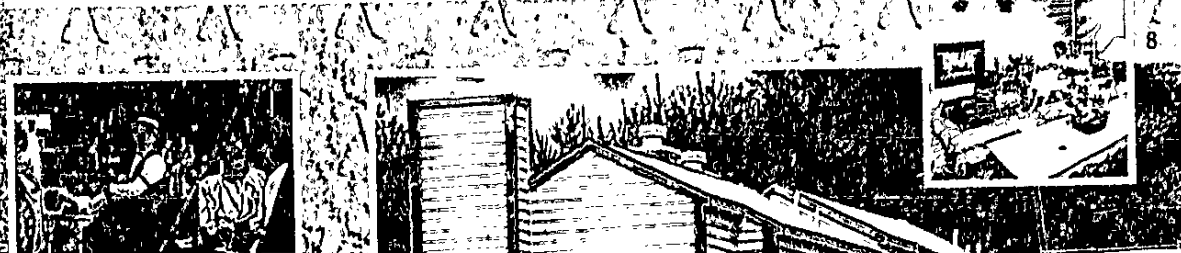
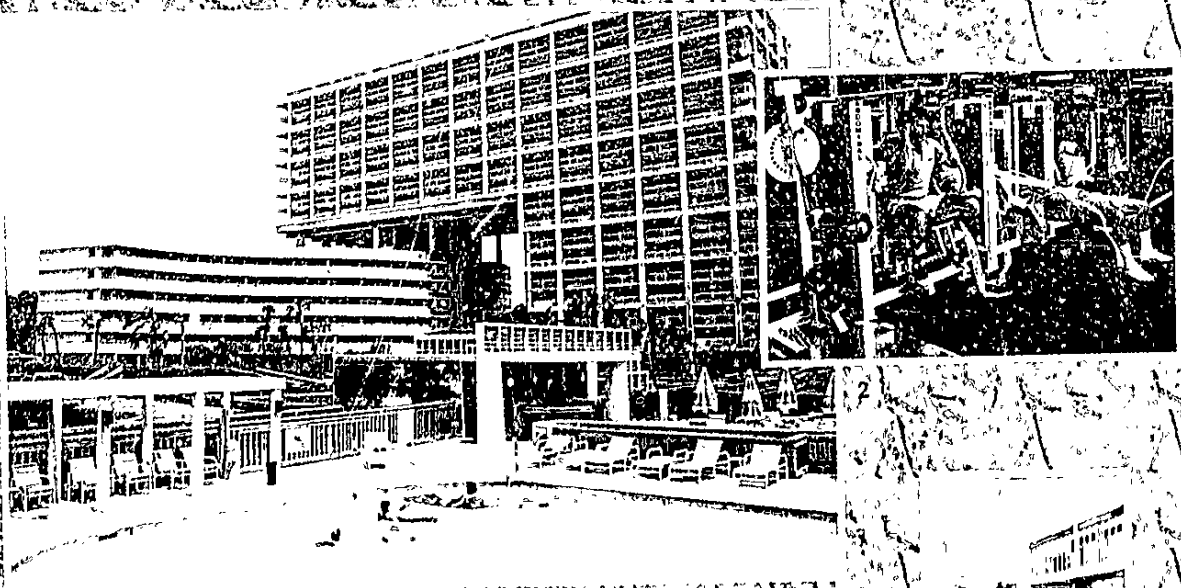
Specialist Displays

Rank Brimar improved its trading profit, sales and order intake. The new factory extension at Middleton of 16,000 square feet has been completed. The transfer of production from the Sidcup site to Middleton is on schedule with many of the cathode ray tubes formerly manufactured at Sidcup now being produced in the more modern facilities at Middleton. These new facilities will allow the company to exploit its technical resources, which are unique in the UK, for development into the leisure and commercial display markets.

Lighting

Strand Lighting declined into loss during the year mainly as a result of management and operating inefficiencies at the main USA plant in Los Angeles. In addition higher marketing and development costs were incurred to meet harshly competitive conditions in the USA and to expand into new products and markets elsewhere in the world. The company has been reorganised under new management and a return to profit is anticipated during 1989.

1. The ASG 2500, developed and marketed in the USA by Rank Pneumo Inc, is an ultra precision machining system for the production of aspheric surfaces.
2. The Cooke wide angle Varotek 14.70mm T3.1 35mm zoom lens, used in film and television production, a new addition to the professional cine lenses produced by Rank Taylor Hobson.
3. Talyrond 250, one of a new range of computer based roundness and form measuring systems developed and marketed by Rank Taylor Hobson.
4. Helmet mounted information display screen for helicopter pilots, designed and manufactured by Rank Brimar.
5. Rank Cine's specialised system for transferring two rolls of negative film simultaneously to one video using two M111c Enhanced Digiscan 4:2:2 telecine machines.
- 6, 7. Strand Lighting designs and manufactures sophisticated computer controlled lighting systems for complexes like this South Coast Plaza Mall in California (6), and entertainment centres and studios like the TV-am Studio in London (7).



REVIEW OF OPERATIONS

LEISURE DEVELOPMENTS

Director — Leslie Bond

	1988	1987
Turnover (£ million)	77.6	20.3
Trading Profit (£ million)	18.0	9.0

The Radisson Resort Hotel made good progress in its first full year of operation under the management of Rank Hotels North America. The Sport and Health Club was opened in June and was well received by home owners, local residents and hotel guests.

USA

In March 1988 Ahnert Enterprises, with headquarters in Pennsylvania, USA, was acquired. Its main business is the operation of 14 high quality private caravan resorts called Outdoor Worlds on the Eastern seaboard of the USA, which provide family holidays with a wide variety of leisure facilities. The sale of resort memberships, the hire of caravans and recreational vehicles and the operation of the resort facilities are the major sources of revenue.

Other businesses within the newly named Rank Ahnert operation include the development of over 2,000 acres of land situated in the Pocono Mountains, 90 miles west of New York, within an existing Ahnert resort. The development will include the sale of plots of land, the construction and sale of town houses and second homes and the construction and sale of timeshare units. The resort offers a wide variety of facilities comprising a 185 room hotel, restaurants, swimming pools, tennis courts, golf courses, horse riding stables, ski slope and natural lakes.

Since acquisition the Ahnert business has been successfully integrated and trading results have exceeded initial expectations. Memberships of Outdoor World have increased to over 35,000, sales of timeshare units were buoyant during the year, and the resort hotel improved its occupancy which also benefited the other facilities.

The development of the 145 acre Kingston Plantation resort at Myrtle Beach in South Carolina continued but general economic circumstances affecting the overall market led to a lower demand for the higher priced units.

1. At Kingston Plantation, South Carolina, USA, this Oceanfront condominium complex offers luxury holiday and second home accommodation.
2. In the new Fitness Room at Kingston Plantation's Sport & Health Club clients use the latest computerised equipment.
- 3, 5, 6. Leisure facilities at Rank Ahnert's 14 Outdoor World caravan parks and other centres in the USA cater for all ages and interests.
4. The famous American bear 'family' entertains customers at Rank Ahnert's 80 Yogi Bear Jellystone Park Resorts in the USA.
7. An attractive second home unit provided by Rank Ahnert in the relaxing Pocono Mountains, ninety miles drive from New York, USA.
8. The living room in a Rank Ahnert timeshare home in the USA incorporating up to six separate self-contained units.
9. A model of Rank Leisure's 23.5 acre Festival Park Leisure Centre at Stoke-on-Trent illustrating the entertainment complex (left) and the Waterworld (right).

UK

Work has commenced on Rank Leisure's 23.5 acre multi-leisure development at Stoke-on-Trent, which is planned to open before the end of 1989. This development will include a large indoor Waterworld with flumes, an eight-screen Odeon cinema, a 30 lane ten pin bowling centre, an amusement arcade, a snooker club, restaurants, licensed bars and a dry ski slope.

Construction has also begun on the multi-leisure development at Romford, Essex, which will include a seven-screen Odeon cinema, a Top Rank Bingo and Social Club, a discotheque and restaurant and it is expected to open in January 1990.

Other opportunities to progress the Organisation's leisure development programme are currently under review.

Planning application delays towards the end of the year reduced the number of surplus property disposals completed during the year.

RANK XEROX

The Rank Organisation's share of the profit before tax of the Rank Xerox companies was £150.5 million compared with £115.7 million the previous year.

Rank Xerox turnover for the year to 31st October 1988 increased by 4 per cent. to £2.3 billion producing a profit before tax, Xerox recharges and Master Agreement adjustments of £415 million compared with £318 million in 1987.

ACCOUNTING POLICIES

(i) Consolidation

The accounts are prepared under the historical cost convention on bases consistent with the previous year except for the revaluation of certain assets as detailed in Note 9. The Group's 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 contracted 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, the value of work carried out on property developments in progress, the sale of campground

memberships and interest receivable on instalment sales.

(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 developments in progress which are stated at cost plus attributable profit less foreseeable losses and are shown net of deposits received.

(vi) Property development projects

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 estimated total costs (including interest and attributable overheads) incurred to date. This percentage is then applied to the estimated profit on units sold in a project.

(vii) Campground memberships

The income from the sale of long term campground memberships is recognised in full on completion with provision being made for all actual and anticipated cancellations. Costs of developing the campgrounds, excluding land, are charged against income in the proportion actual sales bear to total anticipated sales.

(viii) Interest receivable on instalment sales

Campground memberships and certain trading

ACCOUNTING POLICIES

properties are sold on both a cash and an instalment basis. Interest income arising from instalment sales is recognised over the life of the contracts concerned.

(ix) 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.

(x) 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.

(xi) Leased assets

Where assets are financed by leasing arrangements which give rights approximating to ownership ("finance leases") the amount representing the outright purchase price of such assets is included in tangible fixed assets. Depreciation is provided at rates designed to write off this net cost in equal annual amounts over the shorter of the estimated useful lives of the assets (which are the same as those for assets purchased outright) or the period of the leases. The capital element of future rentals is

treated as a liability and the interest element is charged to the profit and loss account over the period of the leases in proportion to the balances outstanding.

Expenditure on leases other than finance leases ("operating leases") is charged to the profit and loss account on a basis representative of the benefit derived from the asset, normally on a straight line basis over the lease period.

(xii) 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. The pension costs relating to the UK Schemes which are of the defined contribution type represent the contributions payable by the company. Overseas Schemes are accounted for in accordance with local conditions and practice such that the costs are charged against profits on a systematic basis over the service lives of the employees.

(xiii) Deferred taxation

Deferred taxation, computed under the liability method, is provided in respect of timing differences to the extent that it is probable that a liability will 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 and on capital gains which might arise from the sale of properties at the values at which they are stated in the Group's balance sheet. The amounts of deferred taxation provided and the relevant potential liability are set out in note 20 on page 36.

GROUP PROFIT & LOSS ACCOUNT

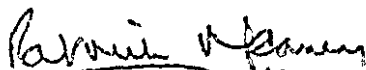
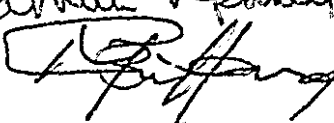
FOR THE YEAR ENDED 31st OCTOBER 1988

	Note	1988 £m	1987 £m
Turnover	1	824.1	668.4
Less costs net of exceptional items	1	<u>700.6</u>	<u>568.1</u>
Trading profit	1	123.5	100.3
Share of results of associated companies	2	150.5	115.7
Rank Xerox companies		—	2.5
Others			
Profit before interest		<u>274.0</u>	<u>218.5</u>
Interest	3	(18.9)	(10.2)
Profit on ordinary activities before tax		<u>255.1</u>	<u>208.3</u>
Tax on profit on ordinary activities	4	(95.1)	(78.3)
Profit on ordinary activities after tax		<u>160.0</u>	<u>130.0</u>
Minority interests		(3.1)	(3.9)
Earnings		<u>156.9</u>	<u>126.1</u>
Extraordinary items	5	22.3	16.4
Profit for the financial year	6	<u>179.2</u>	<u>142.5</u>
Dividends	7	(57.1)	(47.5)
Transfer to reserves	21	<u>122.1</u>	<u>95.0</u>
Earnings per Ordinary share (before extraordinary items)	8	<u>72.6p</u>	<u>58.2p</u>

BALANCE SHEETS

AT 31st OCTOBER 1988

	Note	Group		Company	
		1988 £m	1987 £m	1988 £m	1987 £m
Fixed assets					
Tangible assets	9	689.9	354.1	1.6	1.7
Investments	11	417.1	340.7	1,274.9	1,094.8
		<u>1,107.0</u>	<u>694.8</u>	<u>1,276.5</u>	<u>1,096.5</u>
Current assets					
Stocks	15	107.9	117.3	—	—
Debtors	16	256.3	207.0	113.2	86.4
Cash and deposits	17	37.0	120.1	15.8	14.4
Creditors (amounts falling due within one year)					
Loan capital and borrowings	17	(37.9)	(101.2)	(17.5)	(89.7)
Other	18	(234.3)	(204.4)	(379.4)	(210.9)
Net current assets (liabilities)		<u>129.0</u>	<u>138.8</u>	<u>(267.9)</u>	<u>(199.8)</u>
Total assets less current liabilities		<u>1,236.0</u>	<u>833.6</u>	<u>1,008.6</u>	<u>896.7</u>
Creditors (amounts falling due after more than one year)					
Loan capital and borrowings	17	(327.2)	(141.6)	(236.0)	(131.4)
Other	18	(3.5)	(5.7)	—	(0.8)
Provisions for liabilities and charges					
Deferred taxation	19 & 20	(9.3)	(17.7)	(2.3)	(1.8)
Other provisions	19	(35.2)	(31.6)	(3.5)	(18.0)
		<u>860.8</u>	<u>637.0</u>	<u>766.8</u>	<u>744.7</u>
Capital and reserves					
Called up share capital	21	54.0	66.5	54.0	66.5
Share premium account	21	0.6	204.8	0.6	204.8
Revaluation reserve	21	209.2	—	128.7	115.2
Special reserve	21	11.4	—	204.8	—
Other reserves	21	569.4	351.3	378.7	358.2
		<u>844.6</u>	<u>622.6</u>	<u>766.8</u>	<u>744.7</u>
Minority interests		16.2	14.4	—	—
		<u>860.8</u>	<u>637.0</u>	<u>766.8</u>	<u>744.7</u>

 Patrick Meaney
 M. B. Gifford

Chairman
 Managing Director and
 Chief Executive

Accounts approved by the Board
 on 26th January 1989.

GROUP SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31st OCTOBER 1988

	1988 £m	1987 £m
Generation of funds from operations		
Trading profit	123.5	100.3
Interest	(18.9)	(10.2)
Dividends received from associated companies	48.3	43.8
Extraordinary items before tax	20.6	13.1
Items not requiring (providing) funds		
Depreciation	36.5	25.6
Other items	(28.2)	(29.9)
	181.8	142.7
(Increase) decrease in working capital		
Stocks	0.4	(22.1)
Debtors	(12.6)	(32.3)
Creditors and provisions	(3.0)	1.5
	166.6	89.8
Issue of additional Ordinary shares	2.0	—
Net proceeds from the sale of:		
Tangible fixed assets	17.7	17.4
Net assets and goodwill of subsidiaries	20.3	37.2
Investments	0.2	45.4
	206.8	189.8
Total funds generated		
Application of funds		
New businesses acquired (see below)	193.7	28.2
Investments in associated and other companies	0.3	11.5
Additions to tangible fixed assets	112.6	89.1
Dividends paid	67.3	42.3
Tax paid	29.7	23.0
Redemption of preference shares of the Company	12.3	—
	415.9	194.1
(Increase) in net borrowings	(209.1)	(4.3)
Represented by changes in:		
Preference capital of a subsidiary	—	26.8
Loan capital and borrowings	(114.4)	(15.4)
Cash and short term deposits	(94.7)	(15.7)
	(209.1)	(4.3)
New businesses acquired		
Fixed assets		
Intangible assets	91.6	29.5
Tangible assets	47.8	3.8
Investment in associated companies	4.7	—
Stocks	19.4	2.2
Debtors	84.2	1.1
Creditors	(31.6)	(3.3)
Provisions for liabilities and charges		
Deferred taxation	(2.6)	(0.2)
Other provisions	(19.8)	(4.9)
	193.7	28.2
Discharged by		
Cash	104.9	27.2
Assumption of liability for borrowings	88.8	1.0
	193.7	28.2

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.

NOTES TO THE ACCOUNTS

1 Turnover and trading profit

	1988	1987
	<i>£m</i>	<i>£m</i>
Turnover	824.1	668.4
Cost of sales	(569.3)	(485.3)
Gross profit	254.8	183.1
Distribution costs	(65.7)	(45.9)
Administrative expenses	(67.2)	(44.8)
Other operating income	1.4	0.6
Profit less loss on disposal of properties (of which £4.5m (1987 £6.9m) relates to Leisure Developments)	5.2	7.2
Loss less profit on discontinuing and reorganising activities (Included in Discontinued and unallocated in the analyses below)	(5.0)	0.1
Trading profit	123.5	100.3

Turnover includes £9.4m (1987 £NIL) in respect of interest receivable on instalment sales.

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

Depreciation of tangible fixed assets	(36.3)	(25.6)
Operating lease payments — property	(10.8)	(6.2)
— plant and machinery	(3.8)	(1.7)
Auditors' remuneration (Company £0.1m 1987 £0.1m)	(1.2)	(0.9)
Rents receivable	5.4	4.1

Analysis by Division

	Turnover		Trading profit	
	1988	1987	1988	1987
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Film and Television Services	203.6	129.0	25.7	16.0
Holidays and Recreation	275.2	193.9	57.8	43.6
Hotels and Catering	129.9	116.2	18.5	16.6
Precision Industries	115.6	112.1	7.4	12.0
Leisure Developments	77.6	20.3	18.0	9.0
	802.5	571.5	127.4	97.2
Discontinued and unallocated	21.6	96.9	(3.9)	3.1
	824.1	668.4	123.5	100.3

Analysis by geographical area

United Kingdom	581.7	473.9	103.5	86.1
Rest of Europe	33.6	29.5	4.8	5.0
U.S.A.	169.1	52.0	16.6	3.6
Rest of World	18.1	16.1	2.5	2.5
	602.5	571.5	127.4	97.2
Discontinued and unallocated	21.6	96.9	(3.9)	3.1
	824.1	668.4	123.5	100.3

NOTES TO THE ACCOUNTS

1 Turnover and trading profit continued

	1988	1987
	£m	£m
Employee costs	157.5	134.8
Wages and salaries	12.9	10.9
Social security costs	7.9	6.6
Other pension costs	<u>178.3</u>	<u>152.3</u>

	Number	Number
Employees on average during the year	21,385	19,544
Employees at 31st October	<u>20,054</u>	<u>17,679</u>

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 under defined benefit schemes are fixed by reference to final pay. 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. Benefits under defined contribution schemes depend on the emerging investment performance. There were 5,634 current members, 6,909 pensioners and 5,846 former employees with deferred pension rights at 5th April 1988, the last pension plan year end.

Other countries

Group contributions to schemes for employees in other countries totalled £0.3m (1987 £0.4m).

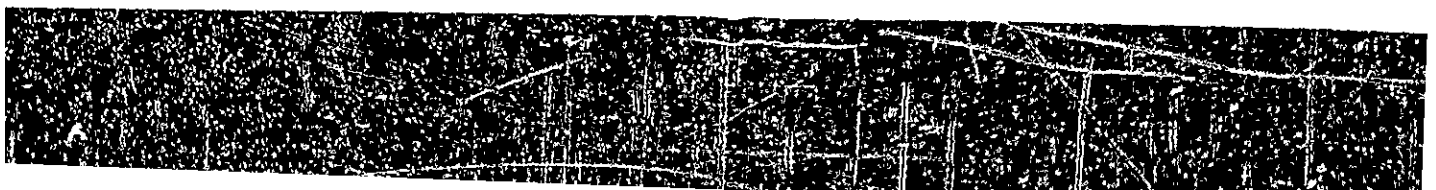
2 Share of results of associated companies

	1988	1987
	£m	£m
Share of profits less losses before taxation	150.5	118.2
Share of taxation (note 4)	(66.3)	(53.5)
Share of extraordinary items (note 5)	—	(1.1)
	<u>84.2</u>	<u>63.6</u>
Dividends receivable by the Group	(8.0)	(34.6)
	<u>76.2</u>	<u>29.0</u>
Profits less losses for the year less dividends receivable	(2.8)	(1.0)
Minority interests	<u>73.4</u>	<u>28.0</u>
Amounts retained attributable to shareholders of the Company	0.2	(11.6)
Adjustment of reserves on disposal of investments	<u>73.6</u>	<u>16.4</u>
Net increase in profits retained	<u>73.6</u>	<u>16.4</u>

3 Interest

	1988	1987
	£m	£m
Interest on bank loans and overdrafts	(24.0)	(19.9)
Interest on other loans fully repayable within 5 years	(2.7)	(2.4)
Interest on other loans not fully repayable within 5 years	(4.3)	(3.3)
Finance charges on finance leases	(0.1)	—
	<u>(31.1)</u>	<u>(25.0)</u>
Interest receivable other than on instalment sales	12.2	15.4
	<u>(18.9)</u>	<u>(10.2)</u>

Interest payable is shown net of £2.3m (1987 £2.9m) interest allocated to property development projects.



NOTES TO THE ACCOUNTS

4 Taxation on profit on ordinary activities

	Company and its subsidiaries	1988 Associated companies		Total
		Rank Xerox companies	Others	
	£m	£m	£m	£m
United Kingdom corporation tax				
Current	25.9	2.0	(0.2)	27.7
Deferred	(0.9)	(18.3)	—	(19.2)
	<u>25.0</u>	<u>(16.3)</u>	<u>(0.2)</u>	<u>8.5</u>
Overseas tax				
Current	4.6	60.5	—	65.1
Deferred	(0.8)	22.3	—	21.5
	<u>3.8</u>	<u>82.8</u>	<u>—</u>	<u>86.6</u>
	<u>28.8</u>	<u>66.5</u>	<u>(0.2)</u>	<u>95.1</u>
	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

United Kingdom corporation tax on profits for the year has been provided at 35% (1987 35%). The United Kingdom tax charge is stated after crediting double tax relief of £1.5m (1987 £1.9m) in respect of income from subsidiaries and £3.4m (1987 £NIL) in respect of dividends from associated companies.

Rank Xerox companies

The charge for United Kingdom corporation tax has been provided at 35% (1987 35%).

NOTES TO THE ACCOUNTS

5 Extraordinary items	1988	1987
	£m	£m
Surplus on disposal of businesses, subsidiaries and associated companies	12.2	32.2
Release of provisions less costs incurred in respect of the termination of activities	8.4	(19.1)
	<u>20.6</u>	<u>13.1</u>
Taxation including relief relating to previous years	1.7	4.4
	<u>22.3</u>	<u>17.5</u>
Share of extraordinary items of associated companies	—	(1.1)
	<u>22.3</u>	<u>16.4</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 £77.6m (1987 £36.8m).

7 Dividends	1988	1987
	£m	£m
<i>Preference shares</i>		
6¼ per cent. Cumulative Preference	0.2	0.4
8 per cent. Second Cumulative Preference	0.1	0.2
	<u>0.3</u>	<u>0.6</u>
<i>Ordinary shares</i>		
Interim of 8.50p per share paid (1987 interim of 7.25p per share)	13.4	15.6
Final of 17.75p per share, proposed (1987 final of 14.50p per share)	38.4	31.3
	<u>56.8</u>	<u>46.9</u>
	<u>57.1</u>	<u>47.5</u>

By virtue of the Finance Acts 1972 and 1976, the dividends payable on the 6¼ per cent. Cumulative Preference Shares and 8 per cent. Second Cumulative Preference Shares were 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 £156.9m from which are deducted Preference dividends totalling £0.3m giving earnings of £156.6m (1987 £125.5m) and on the weighted average number of Ordinary shares in issue during the year of 215,785,000 (1987 215,513,000 shares).

NOTES TO THE ACCOUNTS

9 Tangible assets

Group	Freehold land and buildings £m	Leasehold land and buildings £m	Fixtures fittings tools and equipment £m	Plant and machinery £m	Total £m
Cost at 31st October 1987*	184.5	92.4	180.0	38.2	495.1
Currency translation adjustment	(0.3)	—	(0.2)	(0.3)	(0.8)
New businesses acquired	14.0	2.3	12.5	27.7	56.5
Additions	25.8	19.5	51.0	16.3	112.6
Disposals	(4.4)	(1.4)	(15.2)	(12.3)	(33.3)
Transfers from (to) current assets	14.0	—	(0.7)	3.5	16.8
Revaluation adjustments (Note (a))	69.2	134.8	—	—	204.0
Cost or valuation at 31st October 1988	302.8	247.6	227.4	73.1	850.9
Depreciation at 31st October 1987*	29.6	14.9	72.9	23.6	141.0
Currency translation adjustment	—	—	(0.1)	(0.1)	(0.2)
New businesses acquired	1.9	—	5.6	1.2	8.7
Disposals	(2.8)	(1.2)	(9.9)	(5.0)	(18.9)
Depreciation for year	4.9	3.0	22.3	6.3	36.5
Provision for loss on disposal	(0.2)	(0.1)	—	—	(0.3)
Transfers from (to) current assets	(0.1)	(0.1)	(0.4)	—	(0.6)
Revaluation adjustments (Note (a))	(0.7)	(4.5)	—	—	(5.2)
Depreciation at 31st October 1988	32.6	12.0	90.4	26.0	161.0
Net book amount at 31st October 1987	154.9	77.5	107.1	14.6	354.1
Net book amount at 31st October 1988	270.2	235.6	137.0	47.1	689.9

(a) All the Group's hotel properties, excluding those completed within the previous 3 years, were valued by Messrs Knight Frank and Rutley at 31st October 1988 on the basis of open market value for existing use and the surplus over net book amount as determined under the historical cost accounting rules has been included in these accounts.

(b) The net book amount of land and buildings includes £247.2m (1987 £NIL) in respect of assets carried at valuation. The total amount of land and buildings as determined under the historical cost accounting rules is as follows:

	1988 £m	1987 £m
Cost	355.4	276.9
Depreciation	49.8	44.5
Net book amount	295.6	232.4

(c) Land and buildings with a net book amount of £69.3m (1987 £53.9m) are not depreciated. The net book amount of leasehold land and buildings at 31st October 1988 includes £42.5m (1987 £41.1m) in respect of leases with less than 50 years to run. The net book amount of tangible assets includes £2.1m (1987 £0.8m) interest capitalised.

(d) The net book amount of tangible assets at 31st October 1988 includes £1.8m (1987 £NIL) in respect of assets held under finance leases. Depreciation of £0.2m (1987 £NIL) was charged against these assets during the year.

(e) The net book amount of plant and machinery includes £2.1m (1987 £0.5m) in respect of assets in the course of construction.

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

NOTES TO THE ACCOUNTS

9 Tangible assets
continued

	Freehold land and buildings £m	Leasehold land and buildings £m	Fixtures fittings tools and equipment £m	Total £m
Company				
Cost at 31st October 1987	0.1	1.0	1.1	2.2
Transfers to subsidiaries	(0.1)	—	(0.1)	(0.2)
Additions	—	—	0.4	0.4
Disposals	—	—	(0.1)	(0.1)
Cost at 31st October 1988	—	1.0	1.3	2.3
Depreciation at 31st October 1987	—	0.1	0.4	0.5
Depreciation for year	—	0.1	0.2	0.3
Disposals	—	—	(0.1)	(0.1)
Depreciation at 31st October 1988	—	0.2	0.5	0.7
Net book amount at 31st October 1987	0.1	0.9	0.7	1.7
Net book amount at 31st October 1988	—	0.8	0.8	1.6

The net book amount of leasehold land and buildings at 31st October 1988 includes £0.8m (1987 £0.9m) in respect of leases with less than 50 years to run.

10 Commitments

Future capital expenditure

At 31st October 1988 commitments for capital expenditure amounted to £47.9m (1987 £44.5m) for the Group and £NIL (1987 £0.3m) for the Company. Expenditure authorised by the Directors but not contracted amounted to £56.3m (1987 £24.6m) for the Group and £NIL (1987 £NIL) for the Company.

Property developments in progress (note 15)

Future expenditure authorised by the Directors amounted to £12.8m (1987 £13.0m) of which £2.8m (1987 £12.3m) was contracted at 31st October 1988.

Group rental commitments over periods of leases

The commitment at 31st October 1988 to make payments on operating leases in the year to 31st October 1989 was:

	Properties		Plant and machinery	
	1988 £m	1987 £m	1988 £m	1987 £m
Leases expiring in one year	1.3	0.1	6.9	0.5
Leases expiring in two to five years	1.4	1.5	2.9	1.2
Leases expiring in more than five years	7.2	6.0	—	—
	9.9	7.6	9.8	1.7

Forward foreign exchange contracts

At 31st October 1988 contracts in the ordinary course of business for the Group were £49.3m (1987 £22.7m) and for the Company £NIL (1987 £NIL).

NOTES TO THE ACCOUNTS

11 Investments

	Note	Group		Company	
		1988 £m	1987 £m	1988 £m	1987 £m
Subsidiary companies	12	—	—	1,274.9	1,093.7
Associated companies	13	408.5	331.8	—	1.1
Other	14	8.6	8.9	—	—
		<u>417.1</u>	<u>340.7</u>	<u>1,274.9</u>	<u>1,094.8</u>

12 Investments in subsidiary companies

	Shares at cost or valuation £m	Loans and advances £m	Provisions £m	Net book amount £m
Balances at 31st October 1987	442.0	675.8	(24.1)	1,093.7
Additions	469.7	69.8	—	539.5
Disposals/repayments	(126.8)	(235.1)	—	(361.9)
Increase in provisions	—	—	(4.0)	(4.0)
Reduction of provisions	—	—	1.2	1.2
Transferred from other provisions	—	—	(7.1)	(7.1)
Increase on revaluation	13.5	—	—	13.5
Balances at 31st October 1988	<u>798.4</u>	<u>510.5</u>	<u>(34.0)</u>	<u>1,274.9</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 1988 at £132.0m (1987 £118.5m) 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 £17.5m (1987 £66.2m) has been subordinated to other creditors as an alternative to increasing the share capital of certain subsidiaries.

The principal acquisitions in the year were Ahnert Enterprises, BHCP Video Services (now Rank Video Services America, Inc.) and the 50% not previously owned of Cal Air International Limited (now Novair International Airways Limited). The profit before interest from businesses acquired during the year was £22.2m (1987 £0.3m) after excluding the 50% share of Cal Air International Limited's profits to which the Group was previously entitled.

The principal subsidiaries, whose activities are shown in greater detail in the Review of Operations on pages 8 to 17, are:

	Class of shares owned	Country of incorporation and operation	Percentage of share capital attributable to the Company			
			Directly owned	Through subsidiaries	Total	
Film and Television Services	Pinewood Studios Limited	Ordinary	—	100	100	
	Rank Advertising Films Limited	Ordinary	—	100	100	
	Rank Film Distributors Limited	Ordinary	—	100	100	
	Rank Film Laboratories Limited	Ordinary	—	100	100	
	Rank Theatres Limited	Ordinary	—	100	100	
	Rank Video Services Limited	Ordinary	—	100	100	
	Rank Video Services America, Inc	Deferred Common	U.S.A.	—	100	100

NOTES TO THE ACCOUNTS

12 Investments in subsidiary companies continued

		Class of shares owned	Country of incorporation and operation	Percentage of share capital attributable to the Company		Total	
				Directly owned	Through subsidiaries		
Holidays and Recreation	Butlin's Limited	6% Cumulative Preference	Great Britain	—	100	100	
		Ordinary		—	100	100	
	Haven Leisure Limited	Ordinary	Great Britain	—	100	100	
	Novair International Airways Limited	Ordinary	Great Britain	100	—	100	
		Deferred		100	—	100	
		9½% Cumulative Redeemable Preference		100	—	100	
	Rank Amusements Limited	Ordinary	Great Britain	—	100	100	
	Top Rank Limited	Ordinary	Great Britain	—	100	100	
	Hotels and Catering	Rank Hotels Limited	Ordinary	Great Britain	—	100	100
		Rank Hotels Inc.	Common	U.S.A.	—	100	100
Rank Motorway Services Limited		Ordinary	Great Britain	—	100	100	
Texacana Restaurants Limited		Ordinary	Great Britain	—	100	100	
Precision Industries	Rank Brimar Limited	Ordinary	Great Britain	—	100	100	
	Rank Cintel Limited	Ordinary	Great Britain	—	100	100	
	Rank Taylor Hobson 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 Ahnert Inc.	Common	U.S.A.	—	100	100	
	Rank Development, Inc.	Common	U.S.A.	—	100	100	
	Rank Leisure Limited	Ordinary	Great Britain	100	—	100	
Holding and other companies	A. Kershaw & Sons, Plc (note (a))	8% 'A' Cumulative Preference	Great Britain	78	—	78	
		12½% 'B' Non-Cumulative Preference		85	—	85	
		Ordinary		82	—	82	
	Rank America Inc. (note (b))	Common	U.S.A.	—	100	100	
	Rank Holdings (U.K.) Limited (note (d))	Ordinary	Great Britain	100	—	100	
	Rank Overseas Holdings Limited (note (e))	Ordinary	Great Britain	100	—	100	
	Rank Precision Industries (Holdings) Limited (note (a))	5% Cumulative Preference	Great Britain	57	35	92	
		Ordinary		60	33	93	
	Rank RX Holdings Limited (notes (a) & (c))	Ordinary	Great Britain	50	46	96	

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

(b) Rank America Inc. owns the Group's investment in the operating subsidiaries in the U.S.A.

(c) Rank RX Holdings Limited owns indirectly the whole of the Group's interest in the Rank Xerox companies.

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

(e) Rank Overseas Holdings Limited owns the Group's investment in the principal overseas subsidiary companies.

NOTES TO THE ACCOUNTS

13 Investments in associated companies

	Group			Company
	Shares at cost £m	Share of post acquisition retained profits £m	Total £m	Shares at cost £m
Rank Xerox companies (unlisted)				
Balances at 31st October 1987	20.7	308.3	329.0	—
Currency translation adjustment	—	(2.6)	(2.6)	—
Share of retained profits for the year	—	77.5	77.5	—
Balances at 31st October 1988	20.7	383.2	403.9	—
Other (unlisted)				
Balances at 31st October 1987	1.2	1.6	2.8	1.1
Change in accounting policy	—	(1.5)	(1.5)	—
New businesses acquired	3.9	—	3.9	—
Disposals	(0.3)	—	(0.3)	—
Adjustments on becoming subsidiaries	(1.0)	1.8	0.8	(1.1)
Share of retained profits for the year	—	(1.1)	(1.1)	—
Balances at 31st October 1988	3.8	0.8	4.6	—
Total	24.5	384.0	408.5	—

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	96.4	31.10.88
			'D' Ordinary	96.4	
Rank Xerox Holding B.V.	48.8	Holland	'B' Ordinary	96.4	31.10.88
			'C' Ordinary	96.4	
Rank Xerox Investments Limited					
Rank Xerox Investments Limited	49.0	Bermuda	'B' Ordinary	96.4	31.10.88
R-X Holdings Limited	33.3	Bermuda	'B' Ordinary	96.4	31.10.88

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.

NOTES TO THE ACCOUNTS

13 Investments in associated companies continued

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	1988	1987
	£m	£m
Turnover	2,304	2,219
Less costs	2,028	1,998
Trading profit	276	221
Net interest receivable	31	19
Share of results of associates	108	78
Profit before Xerox Corporation charges	415	318
Xerox Corporation charges	(141)	(95)
Profit before tax	274	223
Tax	(118)	(104)
Profit after tax	156	119
Balance Sheet	1988	1987
	£m	£m
Fixed assets		
Tangible assets	411	407
Investments	359	295
Net current assets	770	702
Total assets less current liabilities	1,569	1,502
Creditors falling due after more than one year	(279)	(324)
Provisions for liabilities and charges	(85)	(101)
Share capital and reserves	1,205	1,077
Minority interests	4	4
	1,205	1,077

14 Other investments

	Group			Total
	Shares at cost	Loans and advances	Provisions	
	£m	£m	£m	£m
Balances at 31st October 1987	8.9	0.5	(0.5)	8.9
Currency translation adjustment	(0.3)	—	—	(0.3)
Balances at 31st October 1988	8.6	0.5	(0.5)	8.6

Other investments include shares with a cost of £8.5m and a market value of £7.9m which became listed during the year.

NOTES TO THE ACCOUNTS

15 Stocks

	Group	
	1988 £m	1987 £m
Raw materials and consumables	22.7	12.0
Work in progress	13.8	14.7
Finished goods and goods for resale	33.1	25.5
Film productions	11.5	11.8
Completed properties for resale	10.2	23.7
Property developments in progress	16.6	29.6
	<u>107.9</u>	<u>117.3</u>
Property developments in progress comprise cost plus attributable profit	18.4	30.6
Less: progress payments	1.8	1.0
	<u>16.6</u>	<u>29.6</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 completed properties for resale and property developments in progress amounted to £1.8m (1987 £2.9m).

16 Debtors

	Group		Company	
	1988 £m	1987 £m	1988 £m	1987 £m
Amounts falling due within one year				
Trade debtors	106.5	72.1	0.1	0.4
Amounts owed by group companies	—	—	76.3	56.6
Other debtors	19.8	35.5	1.8	1.7
Fixed assets held for disposal	1.3	2.9	—	—
Prepayments and accrued income	16.1	15.3	0.5	0.5
Instalment sale debtors	14.9	—	—	—
Dividends receivable from associated companies	13.9	34.2	—	—
	<u>172.5</u>	<u>160.0</u>	<u>78.7</u>	<u>59.2</u>
Amounts falling due after more than one year				
Trade debtors	5.0	4.7	—	—
Other debtors	3.2	3.5	0.7	0.1
Fixed assets held for disposal	0.1	0.1	—	—
Prepayments and accrued income	0.8	0.8	—	—
Instalment sale debtors	61.6	—	—	—
Advance corporation tax recoverable	13.1	17.9	33.8	27.1
Dividends receivable from associated company	—	20.0	—	—
	<u>83.8</u>	<u>47.0</u>	<u>34.5</u>	<u>27.2</u>
Total	<u>256.3</u>	<u>207.0</u>	<u>113.2</u>	<u>86.4</u>

NOTES TO THE ACCOUNTS

17 Loan capital,
borrowings, short term
deposits and cash

	Group		Company	
	1988 £m	1987 £m	1988 £m	1987 £m
Bank overdrafts	9.9	15.3	2.3	9.3
Bank loans				
Amounts repayable				
Within one year or on demand	22.7	76.4	10.2	72.4
Between one and two years	—	49.6	—	44.4
Between two and five years	211.0	—	211.0	—
In five years or more	—	40.6	—	40.6
	<u>233.7</u>	<u>166.6</u>	<u>221.2</u>	<u>157.4</u>
Other borrowings				
4½ per cent. Convertible Loan 1993	—	20.2	—	20.2
Remaining amounts repayable				
Within one year	5.3	9.5	5.0	8.0
Between one and two years	0.4	0.3	—	0.1
Between two and five years	2.8	2.1	—	—
Between five and fifteen years	88.0	28.8	—	26.1
In fifteen years or more	25.0	—	25.0	—
	<u>121.5</u>	<u>60.9</u>	<u>30.0</u>	<u>54.4</u>
Total	<u>365.1</u>	<u>242.8</u>	<u>253.5</u>	<u>221.1</u>
Secured	6.8	27.0	—	20.2
Unsecured	358.3	215.8	253.5	200.9
Total as above	<u>365.1</u>	<u>242.8</u>	<u>253.5</u>	<u>221.1</u>
Amounts falling due within one year or on demand	37.9	101.2	17.5	89.7
Amounts falling due after more than one year	327.2	141.6	236.0	131.4
Loan capital	<u>365.1</u>	<u>242.8</u>	<u>253.5</u>	<u>221.1</u>
Security deposits	—	21.2	—	—
Other cash deposits	20.9	87.2	15.0	13.7
Cash at bank and in hand	16.1	11.7	0.8	0.7
Total cash and deposits	<u>37.0</u>	<u>120.1</u>	<u>15.8</u>	<u>14.4</u>
Net borrowings	<u>328.1</u>	<u>122.7</u>	<u>237.7</u>	<u>206.7</u>

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 per cent. Unsecured Loan Stock 1983/88 and proposed early repayment terms to the holders of 5½ per cent. Unsecured Loan Stock 1990/95, 8 per cent. Unsecured Loan Stock 1988/93 and 10½ per cent. Unsecured Loan Stock 1997/2002. The terms of repayment were agreed at individual meetings of the holders of each Loan Stock held on 4th February 1988. Approval of these terms by Loan Stockholders resulted in early repayment of a total of £26.2m nominal of Loan Stock at a cost of £26.8m. The 4½ per cent. Convertible Loan 1993 was redeemed at par on 5th May 1988.

Sterling borrowings of £4.9m (1987 £6.3m) are secured by either fixed or floating charges on various assets and undertakings of certain subsidiaries. The remainder of other borrowings shown above includes (a) borrowings not fully repayable within five years totalling £88.0m (1987 £29.1m) for the Group and £NIL (1987 £26.0m) for the Company which are repayable at par in part by annual sinking funds or by instalments with an average rate of interest payable of 10.3% (1987 9.3%) for the Group and 11.9% (1987 9.5%) for the Company and (b) £25m (1987 £NIL) for both the Group and the Company in respect of a 10½% Eurosterling bond redeemable at par in 2008.

NOTES TO THE ACCOUNTS

18 Other creditors

	Group		Company	
	1988 £m	1987 £m	1988 £m	1987 £m
Amounts falling due within one year				
Obligations under finance leases	0.5	—	—	—
Payments received on account	3.0	8.8	—	—
Trade creditors	93.0	64.8	0.5	0.5
Interest payable to group companies	—	—	2.9	2.8
Amounts owed to group companies	—	—	315.5	133.7
United Kingdom corporation tax	12.8	8.0	1.8	1.8
Overseas taxation	3.7	1.1	—	—
Advance corporation tax	13.1	17.9	13.1	17.9
Other tax and social security	6.5	5.8	2.5	2.5
Other creditors	22.0	17.1	1.2	2.5
Accruals and deferred income	40.3	32.7	3.5	2.1
Dividends				
Accrued on preference shares	—	0.2	—	0.2
Payable and proposed on ordinary shares	38.4	46.9	38.4	46.9
Minority shareholders of subsidiaries	1.0	1.1	—	—
	<u>234.3</u>	<u>204.4</u>	<u>379.4</u>	<u>210.9</u>
Amounts falling due after more than one year				
Obligations under finance leases	1.0	—	—	—
Payments received on account	0.2	0.3	—	—
United Kingdom corporation tax	1.7	3.5	—	—
Other creditors	0.6	1.9	—	0.8
	<u>3.5</u>	<u>5.7</u>	<u>—</u>	<u>0.8</u>

All obligations under finance leases are payable within 5 years.

19 Provisions for liabilities and charges

	Deferred taxation	Acquisition	Other Provisions		Total
	£m		£m	£m	
Group					
Balances at 31st October 1987	17.7	9.9	21.6		31.5
Currency translation adjustment	(0.1)	(0.2)	0.3		0.1
Arising in the year	—	—	3.2		3.2
Arising on the acquisition of subsidiaries	2.6	20.7	—		20.7
Released to the profit and loss account in the year	(2.0)	—	(6.6)		(6.6)
Advance corporation tax recoverable	(5.1)	—	—		—
Overprovision in respect of a property development	(3.8)	—	—		—
Utilised during the year	—	(5.5)	(8.2)		(13.7)
Balances at 31st October 1988	<u>9.3</u>	<u>24.9</u>	<u>10.3</u>		<u>35.2</u>
Company					
Balances at 31st October 1987	1.8	—	18.0		18.0
Advance corporation tax recoverable	0.5	—	—		—
Transferred to investments	—	—	(7.1)		(7.1)
Released to the profit and loss account in the year	—	—	(7.4)		(7.4)
Balances at 31st October 1988	<u>2.3</u>	<u>—</u>	<u>3.5</u>		<u>3.5</u>

Other provisions of £10.3m are principally represented by closure costs in respect of the termination of activities.

NOTES TO THE ACCOUNTS

20 Deferred taxation

	Provided				Not provided			
	Group		Company		Group		Company	
	1988	1987	1988	1987	1988	1987	1988	1987
	£m	£m	£m	£m	£m	£m	£m	£m
Capital allowances	10.7	11.3	7.9	7.9	14.4	12.5	—	—
Other timing differences	3.7	6.4	—	—	(4.7)	(4.9)	—	—
Advance corporation tax	(5.1)	—	(5.6)	(6.1)	—	—	—	—
	<u>9.3</u>	<u>17.7</u>	<u>2.3</u>	<u>1.8</u>	<u>9.7</u>	<u>7.6</u>	<u>—</u>	<u>—</u>

The above figures exclude taxation payable:

- (a) in the event of profits of certain overseas subsidiary companies being distributed
- (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 and
- (c) estimated at £55m on capital gains which might arise from the sale of land and buildings revalued during the year at the amounts at which they are carried in the Group's balance sheet.

21 Capital and reserves

Share capital

	1988		1987	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
	£000	£000	£000	£000
6½ per cent. Cumulative Preference shares of £1 each	—	—	10,000	9,996
8 per cent. Second Cumulative Preference shares of £1 each	—	—	3,000	2,602
Ordinary shares of 25p each	83,800	54,021	70,800	53,880
	<u>83,800</u>	<u>54,021</u>	<u>83,800</u>	<u>66,478</u>

On 4th February 1988 the holders of the Ordinary shares and the holders of the Preference shares approved proposals to repay the 6½ per cent. and 8 per cent. Preference shares and to cancel the share premium account and create a special reserve. These proposals were subject to the approval of the High Court which was granted on 6th May 1988. The Preference shares were repaid on 13th May 1988.

During the year, 545,086 Ordinary shares were issued on the exercise of options by employees and 20,447 Ordinary shares were issued on part conversion of the 4½ per cent. Convertible Loan 1993. At 31st October 1988, of the unissued Ordinary shares, 3,673,514 were reserved 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	242,802	306p
	7th March 1986	94,800	454p
	6th March 1987	63,041	566p
	4th March 1988	101,121	564p
Executive Share Option Scheme	3rd March 1986	364,020	504p
	21st August 1986	1,814,600	490p
	6th March 1987	94,790	628p
	20th August 1987	276,330	751p
	17th August 1988	622,010	715p
		<u>3,673,514</u>	

NOTES TO THE ACCOUNTS

21 Capital and reserves
continued

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.

Reserves	Group		Company	
	1988 £m	1987 £m	1988 £m	1987 £m
Share premium account	0.6	204.8	0.6	204.8
Revaluation reserve	209.2	—	128.7	115.2
Special reserve	11.4	—	204.8	—
Other reserves	569.4	351.3	378.7	358.2
	<u>790.6</u>	<u>556.1</u>	<u>712.8</u>	<u>678.2</u>

Movements in share capital and share premium account	Preference share capital £m	Ordinary share capital £m	Share premium account £m
Balances at 31st October 1987	12.6	53.9	204.8
Redemption of preference shares	(12.6)	—	—
Creation of special reserve	—	—	(204.8)
Issue of shares in the year	—	0.1	1.9
Expenses of bond issue	—	—	(1.3)
Balances at 31st October 1988	<u>—</u>	<u>54.0</u>	<u>0.6</u>

Movement in special reserve	Group £m	Company £m
Balances at 31st October 1987	—	—
Creation of special reserve	204.8	204.8
Transfer of goodwill written off at 31st October 1987 from other reserves	(103.2)	—
Currency translation adjustments	0.5	—
Write off of goodwill arising in year (see below)	(91.7)	—
Transfer from other reserves	1.0	—
Balances at 31st October 1988	<u>11.4</u>	<u>204.8</u>

The write off of goodwill in the year related principally to the acquisitions of Ahnert Enterprises, BHCP Video Services and the 50% not previously owned of Cal Air International Limited.

NOTES TO THE ACCOUNTS

21 Capital and reserves continued

Movements in revaluation and other reserves	Revaluation	Other		Total
		Company and its subsidiaries	Associated companies	
Group	£m	£m	£m	£m
Balances at 31st October 1987	—	53.0	298.3	351.3
Currency translation adjustments	—	(2.1)(a)	(2.6)	(4.7)
Surplus on revaluation of fixed assets	209.2	—	—	209.2
Surplus on profit and loss account for the year	—	48.5	73.6	122.1
Change in accounting policy	—	—	(1.5)	(1.5)
Transfer on associate becoming subsidiary	—	(1.8)	1.8	—
Transfer to special reserve	—	(1.0)	—	(1.0)
Transfer of goodwill written off at 31st October 1987 to special reserve	—	103.2	—	103.2
Balances at 31st October 1988	209.2	199.8	369.6(b)	778.6

(a) After offsetting £21.1m of net exchange losses arising on foreign currency borrowings less deposits.
 (b) Includes £368.9m in respect of Rank Xerox companies.

Company	Revaluation	Other	Total
	£m	£m	£m
Balances at 31st October 1987	115.2	358.2	473.4
Surplus on profit and loss account for the year	—	20.5	20.5
Revaluation surplus	13.5	—	13.5
Balances at 31st October 1988	128.7	378.7(c)	507.4

(c) Other reserves are regarded as entirely 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 1988. The valuation surplus of £13.5m arising thereon in the year has been taken to revaluation reserve.

The directors also consider that a diminution in value has occurred in a subsidiary company and consequently have made a charge of £4.0m to the profit and loss account of the Company during the year.

The directors have considered the value at 31st October 1988 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 £4.0m charged in arriving at the profit for the year of £20.5m 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.

NOTES TO THE ACCOUNTS

22 Contingent liabilities

	1988	1987
	£m	£m
Group		
Guarantees by the Company and by subsidiary companies, bills discounted by group companies and uncalled liability in respect of partly paid shares	4.2	19.0
Guarantees of lease commitments of an associated company	—	17.5
 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	91.9	5.6
Others	5.4	18.8
Guarantees of lease commitments of an associated company	—	17.5

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

23 Directors and employees

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

	31st October 1988		1st November 1987	
	Ordinary shares	Share options	Ordinary shares	Share options
D. V. Atterton	1,000	1,276	1,000	—
L. H. Bond	12,477	47,168	—	50,188
Sir Arthur Bryan	1,000	—	1,000	—
H. A. Crichton-Miller	15,000	44,750	—	60,000
J. Daly	1,500	46,026	—	60,000
Sir Leslie Fletcher	1,100	2,418	1,000	2,418
M. B. Gifford	30,000	105,918	500	152,418
Sir Patrick Meaney	5,016	61,158	1,016	62,418
Sir Denis Mountain	8,465	—	8,465	—
Sir Angus Ogilvy	2,679	2,418	2,679	2,418
N. V. Turnbull	2,500	41,216	2,500	39,940
D. M. Yates	5,650	47,168	50	62,418

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

Following the repayment on 8th February 1988 of the 10½ per cent. Unsecured Loan Stock Sir Patrick Meaney ceased to hold a beneficial interest in £76 of that Stock, which he held on 1st November 1987.

Following the repayment on 13th May 1988 of the 6½ per cent. Cumulative Preference shares Sir Denis Mountain ceased to hold a beneficial interest in 1,000 of those shares, which he held on 1st November 1987.

As at 31st October 1988 Mr. N. V. Turnbull had a beneficial interest in 1,000 Ordinary shares of 5p each in A. Kershaw & Sons, Plc, which were acquired during the year.

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 1988.

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.

NOTES TO THE ACCOUNTS

23 Directors and employees continued

	1988 £000	1987 £000
(b) Total emoluments of the directors of The Rank Organisation Plc		
Fees	60	62
Other emoluments	776	586
Contributions to pension schemes	190	104
(c) Emoluments of Chairman	109	79
(d) Emoluments of highest paid director	228	166
(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	
	1988	1987	1988	1987
1— 5,000	—	2		
5,001— 10,000	6	6		
10,001— 25,000	—	1		
25,001— 35,000	—	—	38	35
35,001— 40,000	—	—	22	23
40,001— 45,000	—	—	18	12
45,001— 50,000	—	—	7	2
50,001— 55,000	—	—	5	3
55,001— 60,000	—	—	5	2
60,001— 65,000	—	—	2	1
65,001— 70,000	—	—	—	1
70,001— 75,000	—	—	1	—
75,001— 80,000	—	2	—	—
80,001— 85,000	3	2	1	—
85,001— 90,000	1	—	—	—
90,001— 95,000	1	—	—	—
95,001— 100,000	—	—	—	—

(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.

24 Post balance sheet event

A definitive agreement has been reached under which the Group will acquire a 49% interest in the assets of The Film House Group Inc. for a cash consideration of Can \$87.6m. Closing of this transaction is planned to take place by 31st January 1989.

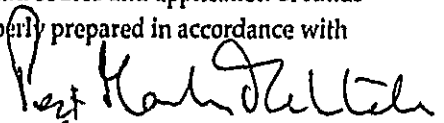
REPORT OF THE AUDITORS

TO THE MEMBERS OF THE RANK ORGANISATION PLC

We have audited the accounts on pages 18 to 40 in accordance with 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 1988 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
26th January 1989


PEAT MARWICK McLINTOCK
Chartered Accountants

FIVE YEAR REVIEW

Turnover, Profit, Earnings and Dividend	1988 £m	1987 £m	1986 £m	1985 £m	1984 £m
Turnover	<u>824.1</u>	<u>668.4</u>	<u>718.1</u>	<u>630.9</u>	<u>724.7</u>
Trading profit	123.5	100.3	84.4	68.5	59.8
Associates Interest	150.5 (18.9)	118.2 (10.2)	82.7 (3.0)	71.1 (3.6)	65.4 (19.9)
Profit before tax	<u>255.1</u>	<u>208.3</u>	<u>164.1</u>	<u>136.0</u>	<u>105.3</u>
Tax	(95.1)	(78.3)	(64.0)	(61.1)	(42.1)
Minority interests	(3.1)	(3.9)	(5.5)	(6.2)	(6.6)
Earnings	<u>156.9</u>	<u>126.1</u>	<u>94.6</u>	<u>68.7</u>	<u>56.6</u>
Extraordinary items	22.3	16.4	(19.1)	1.5	—
Profit for the financial year	<u>179.2</u>	<u>142.5</u>	<u>75.5</u>	<u>70.2</u>	<u>56.6</u>
Earnings per Ordinary share (before extraordinary items)	<u>72.6p</u>	<u>58.2p</u>	<u>45.4p</u>	<u>33.7p</u>	<u>27.7p</u>
Total dividend per Ordinary share	<u>26.25p</u>	<u>21.75p</u>	<u>18.0p</u>	<u>15.0p</u>	<u>12.0p</u>
Group funds employed					
Fixed assets	689.9	354.1	306.5	198.4	280.6
Investments	417.1	340.7	356.3	328.8	357.5
Net trading assets (liabilities)	81.9	64.9	57.6	(7.0)	14.9
Total funds employed at year end	<u>1,188.9</u>	<u>759.7</u>	<u>720.4</u>	<u>520.2</u>	<u>653.0</u>
Financed by					
Ordinary share capital and reserves	844.6	610.0	562.1	438.8	458.7
Preference share capital and minority interests	16.2	27.0	58.3	53.1	48.2
	<u>860.8</u>	<u>637.0</u>	<u>620.4</u>	<u>491.9</u>	<u>506.9</u>
Net borrowings	<u>328.1</u>	<u>122.7</u>	<u>100.0</u>	<u>28.3</u>	<u>146.1</u>
	<u>1,188.9</u>	<u>759.7</u>	<u>720.4</u>	<u>520.2</u>	<u>653.0</u>

Figures for 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.

SHARE OWNERSHIP ANALYSIS

AS AT 31st OCTOBER 1988

	Holdings		Nominal amount held	
	Number	%	£m	%
Ordinary share holdings				
Individuals				
Up to 500 shares	18,307	59.43	0.6	1.11
501-2,500 shares	5,932	19.26	1.5	2.78
2,501-25,000 shares	514	1.67	0.6	1.11
Over 25,000 shares	8	0.02	0.1	0.19
	<u>24,761</u>	<u>80.38</u>	<u>2.8</u>	<u>5.19</u>
Institutions and other corporate holdings				
Banks and nominee companies	4,895	15.89	32.4	60.00
Insurance companies and pension funds	287	0.93	14.6	27.03
Other corporate holdings	863	2.80	4.2	7.78
	<u>6,045</u>	<u>19.62</u>	<u>51.2</u>	<u>94.81</u>
Total Ordinary share holdings	<u>30,806</u>	<u>100.00</u>	<u>54.0</u>	<u>100.00</u>

THE FINANCIAL CALENDAR

Half Year Results: Announced July

Interim Dividend on Ordinary Shares: Paid in September

Full Year Results: Announced January

Final Dividend on Ordinary Shares: Paid in April

Annual Report: Posted to shareholders in February

Annual General Meeting: Held in March

NOTICE OF MEETING

Notice is hereby given that the fifty-second 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, 15th March 1989 for the following purposes:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31st October 1988 and to declare a final Dividend on the Ordinary Shares.
2. To elect Directors:
 - (a) Sir Patrick Meaney
 - (b) Sir Denis Mountain
 - (c) Mr. D. M. Yates
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 Resolutions, of which Resolution no. 4 will be proposed as an Ordinary Resolution and no. 5 as a Special Resolution:

4. "That the Rank Organisation Overseas Executive Share Option Plan in the form contained in the draft rules laid before the meeting and initialled for the purpose of identification by the Chairman thereof, the provisions of which are set out in the Chairman's letter to Shareholders of 16th February 1989, be and is hereby approved and that the Directors be and they are hereby authorised:

- (a) to cause such rules to be adopted in the form of such draft, subject to any amendment which the Directors consider desirable or expedient; and

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

- (b) to do all acts and things which they may consider necessary or expedient for implementing and giving effect to the same."

5. "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 £18,000,000.

- (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 allotment 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 £2,700,000 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
 16th February 1989

6 Connaught Place
 London W2 2EZ

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.