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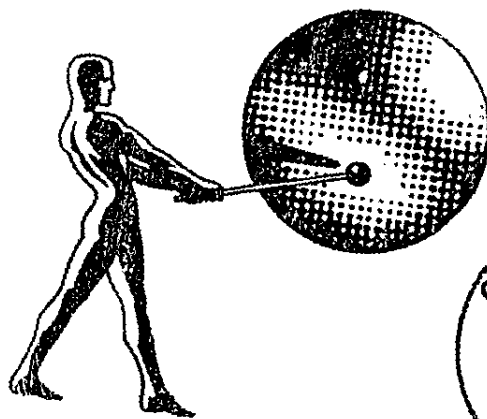
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The Rank Organisation

Directors' Report and Accounts 1993



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The Rank Organisation

Directors' Report and Accounts 1993

Directors' Report

The Directors submit their Report and Statement of Accounts for the year ended 31st October 1993.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Rank Organisation is engaged in the supply of products and services to the film and television industries, owns holiday businesses and operates organised recreation and leisure facilities in the United Kingdom and overseas. Rank has a major investment in the Rank Xerox companies, owned jointly with Xerox Corporation, and an equal investment with MCA in the Universal Studios motion picture theme park at Orlando, Florida.

Acquisitions and disposals of businesses and assets during the year are detailed in the Operating and Financial Review.

An analysis of turnover, profit, year end operating assets and net cash flow by business activity is given on page 10 and the Group's continuing activities and businesses are reported on in the Review and Financial Summary.

PROFIT AND DIVIDENDS

Profit before tax for the year was £276.6 million (1992 £125.8 million). Profit for the financial year was £168.2 million (1992 £40.1 million).

A special interim dividend of 31.0p per Ordinary share was declared on 15th July 1993 subject to shareholders' approval of the Enhanced Share Alternative, which was announced with the interim results and subsequently approved at an Extraordinary General Meeting on 3rd September 1993. The special interim dividend was the total amount the Directors expected to recommend in respect of the financial year and accordingly they are not recommending a final dividend for the year.

The amount which it is proposed should be transferred to reserves is detailed in note 20 on page 21 to the Accounts.

FIXED ASSETS

Social and bingo clubs, Butlin's and HavenWarner properties and the Group's industrial properties were professionally revalued resulting in a net reduction of £18.8 million in revaluation surpluses. After taking into account the disposals in the year, the overall revaluation surplus now stands at £172.8 million.

Changes in tangible fixed assets during the year are shown in note 9 on pages 13 and 14.

SHARE CAPITAL

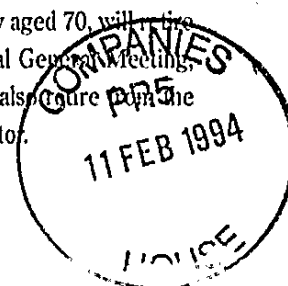
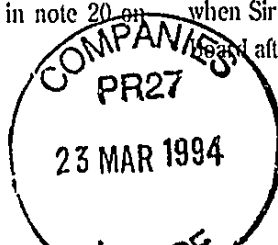
Details of new Ordinary shares issued pursuant to the Enhanced Share Alternative, the conversion of Convertible Preference shares and the exercise of options under the Company's share option schemes are set out in note 20 on page 20.

DIRECTORS

With the exception of Mr J. F. Garrett and Mr J. A. Harmon, the Directors listed on page 18 of the Review and Financial Summary were Directors of the Company throughout the year. The Hon. Sir Angus Ogilvy was a Director during the year until his retirement from the Board on 8th September 1993. Mr J. F. Garrett was appointed a Director on 11th November 1992. Mr J. A. Harmon was appointed a Director on 14th June 1993. He retires at the Annual General Meeting and, being eligible, offers himself for election.

Dr D. V. Atterton, Mr J. Daly and Mr T. H. North retire by rotation and, being eligible, offer themselves for re-election. Mr J. Daly and Mr T. H. North have service contracts with the Company which are terminable by either party on not less than three years' notice.

Sir Arthur Bryan, who is now aged 70, will retire at the conclusion of the Annual General Meeting, when Sir Denis Mountain will also retire from the Board after 25 years as a Director.



DIRECTORS' REPORT



Directors' Report

The interests of the Directors in shares of the Company and their share options together with their remuneration are shown in note 29 on pages 24 and 25.

The Company maintains Directors' and Officers' liability insurance which provides insurance cover for Directors and other Officers of Group companies, including those of the Company.

PERSONNEL

The Company continues to recognise the crucial role played by its employees in the success of the business. Investment in our people is an integral part of the Company's development and future growth. During the last 12 months the Company has launched a worldwide management development programme in conjunction with leading colleges in the UK and USA. This training initiative complements the Company's well established and successful policy of promotion from within.

The Company continues to communicate regularly with its employees and involve them in the ongoing development of the business. A recent initiative, "The Enterprise and Innovation Awards Scheme" encourages our employees to contribute creative ideas which foster improvements in overall company performance. During 1993 nearly 600 ideas were submitted and valuable prizes have been awarded to certain employees in recognition of their meritorious contribution.

To further the Company's commitment to internal communication, a new Corporate video was produced and circulated worldwide. A video was also produced internally for the British Executive Service Overseas, a registered charity supported by H.R.H. The Princess Royal. This video will be used to recruit unpaid volunteers to assist Third World countries in tackling a wide range of business and social issues. The Company continues to encourage its employees to become involved in community issues via organisations such as "Business in the Community", the Action Resource Centre and The Prince's Trust's homeless project.

The Company remains committed to pursuing a

policy of equality of opportunity for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age or disability. The Company's membership of the Employers Forum on Disability has led to further initiatives being taken in the recruitment and training of people with disabilities.

SIGNIFICANT SHAREHOLDINGS

At the date of this Report the Company is aware or has been notified of holdings of more than 3% of the Company's issued share capital by Prudential Portfolio Managers Limited (14,336,425 — 4.4%), Nutraco Nominees Limited (13,443,269 shares — 4.1%) and Guardian Royal Exchange plc (13,161,520 — 4.0%).

The Company is not aware of any other person who is interested whether directly or indirectly in 3% or more of the issued Ordinary share capital of the Company.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made during the year ended 31st October 1993 amounted to £278,344. The Company has contributed £25,000 to the Conservative and Unionist Party.

CLOSE COMPANIES — INCOME AND CORPORATION TAXES ACT 1988

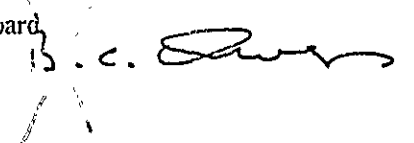
The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

AUDITORS

KPMG Peat Marwick have signified their willingness to continue in office as Auditors. A resolution for their reappointment will be proposed at the Annual General Meeting.

By Order of the Board
Brian C. Gwers
Secretary

12th January 1994



Directors' Responsibilities in Relation to Accounts

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing the accounts the Directors are required to select appropriate accounting policies and apply them consistently, to make reasonable and prudent judgements and estimates, and to state that all accounting standards which they consider to be applicable have been followed, save as disclosed in the notes to the accounts. The Directors are also required to prepare the accounts on the going concern basis unless it is inappropriate to do so.

The Directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the accounts comply with the Companies Act 1985. The Directors also have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors, KPMG Peat Marwick

TO THE MEMBERS OF THE RANK ORGANISATION PLC

We have audited the accounts set out on pages 4 to 30.

Respective responsibilities of Directors and auditors

As described above, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

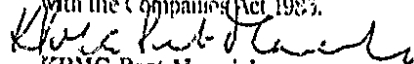
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the affairs of the Company and the Group as at 31st October 1993 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Peat Marwick
Chartered Accountants
Registered Auditors
London

12th January 1994

DIRECTORS' RESPONSIBILITIES/AUDITORS' REPORT



Group Profit & Loss Account

For the year ended 31st October 1993

	Note	1993 £m	1992 £m (restated)
Turnover			
Continuing operations		2,106.8	1,983.3
Discontinued operations		—	29.1
	2	<u>2,106.8</u>	<u>2,012.4</u>
Operating profit			
Continuing operations		200.4	174.4
Discontinued operations		—	2.2
	2	<u>200.4</u>	<u>176.6</u>
Non-operating items			
Profit less loss on disposal of properties		9.0	(5.8)
Profit less loss including provision for loss on disposal of continuing operations		(7.7)	(98.0)
Profit less loss including provision for loss on disposal of discontinued operations		0.7	(4.6)
	3	<u>2.0</u>	<u>(108.4)</u>
Income from interests in associated undertakings			
Rank Xerox companies	13	151.2	137.3
Others	13	<u>11.5</u>	<u>7.5</u>
Profit before interest			
Interest (net)	4	<u>(88.5)</u>	<u>(87.2)</u>
Profit on ordinary activities before tax			
Tax on profit on ordinary activities	5	<u>(103.6)</u>	<u>(81.2)</u>
Profit on ordinary activities after tax			
Minority interests (including non-equity interests)	21	<u>(4.8)</u>	<u>(4.5)</u>
Profit for the financial year			
Dividends and other appropriations		168.2	40.1
Preference	7	(20.9)	(20.9)
Ordinary*	7	<u>(5.9)</u>	<u>(95.9)</u>
Transfer to (from) reserves			
	20	<u>141.4</u>	<u>(76.7)</u>
Earnings per Ordinary share			
Headline earnings per Ordinary share	8	<u>46.5p</u>	<u>6.1p</u>
	8	<u>46.2p</u>	<u>38.0p</u>

*Excludes Enhanced Share Alternative



Group Statement of Total Recognised Gains & Losses

For the year ended 31st October 1993	1993 £m	1992 £m (restated)
Profit for the financial year	168.2	40.1
Net reduction in valuation of properties	(18.8)	(28.2)
Tax provided against revaluation reserve	(1.6)	(28.0)
Currency translation differences on foreign currency net investments	(31.2)	21.9
	(51.6)	(34.3)
Total recognised gains & losses for the year	116.6	5.8

Note of Group Historical Cost Profits & Losses

For the year ended 31st October 1993	1993 £m	1992 £m (restated)
Profit on ordinary activities before tax	276.6	125.8
Realisation of property revaluation gains of previous years	62.7	109.2
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	0.9	1.1
Historical cost profit on ordinary activities before tax	340.2	236.1
Historical cost profit retained after tax, minority interests and dividends	195.8	16.8

Reconciliation of Movements in Shareholders' Funds

For the year ended 31st October 1993	Group		Company	
	1993 £m	1992 £m (restated)	1993 £m	1992 £m (restated)
Profit for the financial year	168.2	40.1	(27.8)	1.9
Dividends payable	(24.7)	(114.7)	(24.7)	(114.7)
Other recognised gains & losses (net)	(51.6)	(34.3)	—	—
Issue of ordinary share capital	0.1	0.3	0.1	0.3
Goodwill realised on disposal	12.6	8.4	—	—
Elimination of goodwill arising in the year	(1.8)	(10.1)	—	—
Other movements	0.2	(1.1)	—	—
Net movement in shareholders' funds	103.0	(111.4)	(52.4)	(112.5)
Shareholders' funds at 31st October 1992	1,382.7	1,494.1	1,511.2	1,623.7
Shareholders' funds at 31st October 1993	1,485.7	1,382.7	1,458.8	1,511.2



Balance Sheets

At 31st October 1993

	Note	Group		Company	
		1993 £m	1992 £m	1993 £m	1992 £m
Fixed assets					
Tangible assets			(restated)		(restated)
Investments	9	1,523.1	1,620.3	2.2	2.3
	11	812.8	765.7	3,226.4	3,321.7
		<u>2,335.9</u>	<u>2,386.0</u>	<u>3,228.6</u>	<u>3,324.0</u>
Current assets					
Stocks					
Debtors (amounts falling due within one year)	14	151.7	155.5	—	—
Debtors (amounts falling due after more than one year)	15	284.1	284.9	53.6	38.6
Cash and deposits	15	153.1	155.0	36.9	71.2
	16	43.0	80.1	4.2	34.3
Creditors (amounts falling due within one year)					
Loan capital and borrowings					
Other	16	(49.3)	(19.3)	(36.8)	(7.4)
	17	(385.4)	(489.9)	(1,452.2)	(1,444.7)
		<u>197.2</u>	<u>166.3</u>	<u>(1,394.3)</u>	<u>(1,308.0)</u>
Net current assets (liabilities)					
		<u>2,533.1</u>	<u>2,552.3</u>	<u>1,834.8</u>	<u>2,016.0</u>
Total assets less current liabilities					
Creditors (amounts falling due after more than one year)					
Loan capital and borrowings					
Other	16	(949.0)	(1,062.6)	(357.7)	(494.1)
	17	(13.6)	(4.7)	(9.9)	(0.4)
Provisions for liabilities and charges					
	18	(37.7)	(56.8)	(7.9)	(10.3)
		<u>1,532.8</u>	<u>1,428.2</u>	<u>1,458.8</u>	<u>1,511.2</u>
Capital and reserves					
Called up share capital	20	127.3	122.9	127.3	122.9
Share premium account	20	483.3	487.6	483.3	487.6
Capital redemption reserve	20	1.3	1.3	1.3	1.3
Revaluation reserves	20	172.8	245.4	152.0	152.0
Other reserves	20	701.0	525.5	694.9	747.4
		<u>1,485.7</u>	<u>1,382.7</u>	<u>1,458.8</u>	<u>1,511.2</u>
Shareholders' funds					
Equity interests		1,278.5	1,177.6	1,251.6	1,306.1
Non-equity interests		207.2	205.1	207.2	205.1
Minority interests (including non-equity interests)	21	47.1	45.5	—	—
		<u>1,532.8</u>	<u>1,428.2</u>	<u>1,458.8</u>	<u>1,511.2</u>

These accounts were approved by the Board on 12th January 1994 and signed on its behalf by:

Sir Leslie Fletcher *Chairman*

M.B. Cifford

Managing Director and Chief Executive

Group Cash Flow Statement

For the year ended 31st October 1993

	Note	1993 £m	1992 £m (restated)
Net cash inflow from operating activities	22	<u>276.1</u>	<u>292.0</u>
Returns on investment and servicing of finance			
Interest received		13.2	6.4
Interest paid		(70.5)	(91.2)
Distributions from associated undertakings		96.5	73.7
Dividends paid to shareholders of the Company		(89.1)	(114.7)
Dividends paid to minority shareholders in subsidiary undertakings		(3.5)	(3.5)
Net cash outflow from returns on investment and servicing of finance		<u>(53.4)</u>	<u>(129.3)</u>
Tax paid (net)		<u>(42.5)</u>	<u>(48.7)</u>
Investing activities			
Purchase of tangible fixed assets		(163.7)	(158.5)
Purchase of investments	27	(19.7)	(4.1)
Purchase of subsidiaries and minorities		(0.7)	(0.1)
Utilisation of accruals and provisions		(44.5)	(26.8)
Other expenditure on terminated activities		—	(4.4)
Sale of fixed assets and assets held for disposal		30.3	32.2
Sale of businesses	28	142.3	122.5
Net cash outflow from investing activities		<u>(56.0)</u>	<u>(39.2)</u>
Net cash inflow before financing		<u>124.2</u>	<u>74.8</u>
Financing			
Issue of ordinary share capital		(0.1)	(0.3)
Repayment of loans		187.1	46.8
Capital element of finance lease rental payments		4.5	1.2
Decrease in loans and finance lease obligations		191.6	48.0
Net cash outflow from financing		<u>(67.3)</u>	<u>27.1</u>
(Decrease) increase in cash and cash equivalents	24	<u>124.2</u>	<u>74.8</u>

GROUP CASH FLOW STATEMENT

Accounting Policies

I BASES OF PREPARATION

The accounts are prepared under the historical cost convention, modified by the rolling, triennial revaluation of land and buildings, and comply with applicable accounting standards on a basis consistent with the previous year except as detailed in II below. The Group's profit and loss account and balance sheet include the accounts of the Company and its subsidiary undertakings, and the Group's share of profits or losses and reserves of its associated undertakings. The profits or losses of subsidiary undertakings acquired or sold during the year are included as from or up to the dates on which control passes.

II CHANGES TO ACCOUNTING POLICIES

The Group's accounting policies have changed compared with the 1992 Report and Accounts and the prior year figures have been restated as a result of the adoption of Financial Reporting Standards 3 and 4 (FRS3 and FRS4) and the inclusion of the revenues, costs and cash flows of overseas undertakings at average rates of exchange rather than closing rates as hitherto. The Directors are of the opinion that average rates give a fairer representation of the Group's results and cash flows as they arise during the course of an accounting period.

The principal changes in policy arising from FRSs 3 and 4 are:

- (1) items which were previously reported as extraordinary have been reclassified as exceptional, non-operating;
- (2) the profit or loss on the disposal or permanent diminution in the value of a property is now determined by reference to the property's carrying amount as opposed to its historical cost book amount;
- (3) finance costs for both borrowings and non-equity shares are allocated to accounting periods in proportion to the carrying amounts. The carrying amounts have been restated to include finance costs net of payments made.

The effect of the above changes is set out in the Operating and Financial Review.

III FOREIGN CURRENCY

Revenues, costs and cash flows of overseas undertakings are included in the Group profit and loss account at average 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 and results for the year of foreign subsidiary undertakings 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.

The principal exchange rates affecting the Group, including associated undertakings, were:

	1993		1992	
	Year end	Average	Year end	Average
US dollar	1.49	1.52	1.57	1.81
Japanese yen	161	172	193	239
French franc	8.72	8.43	8.21	9.60
German mark	2.49	2.47	2.41	2.83
Dutch guilder	2.80	2.77	2.72	3.18

IV INCOME RECOGNITION

(a) Turnover

Turnover consists of sales of goods and services, including the value of work carried out on property developments in progress, and interest receivable on instalment sales. Turnover for casinos includes the value of gaming chips sold.

(b) Campground memberships

The income from the sale of long term campground memberships is recognised in full on completion with provision being made for 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.

(c) Interest receivable on instalment sales

Interest income arising from instalment sales is recognised over the life of the contracts concerned.

Accounting Policies

V DEFERRED EXPENDITURE

Deferred expenditure comprises (a) those costs, including interest, incurred prior to the commencement of trading which are regarded as a prepayment against future profits to be earned, (b) other intangible assets including rights acquired and (c) advance payments on supply contracts. The expenditure is included in the balance sheet as a prepayment and is written off over periods of three to eight years, the period over which the related benefits are expected to arise.

VI GOODWILL

Goodwill arising on acquisition is eliminated against reserves in the year that it arises. The profit or loss on the disposal or termination of a business includes any goodwill previously eliminated against reserves.

VII STOCKS

Stocks include work in progress and are valued at the lower of cost (including an appropriate proportion of overhead) and net realisable value. Profits recognised on property developments completed or in progress have regard to the stage of development and the anticipated profit on the project.

VIII RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure incurred in the year (net of recoveries) is charged against trading profit.

IX DEPRECIATION

No depreciation is provided on freehold land or on certain properties, which are freehold or held on lease for term exceeding 20 years unexpired, where the Directors are of the opinion that the properties concerned are currently sufficiently well maintained to ensure that the residual values of such properties, based on prices prevailing at the time of acquisition or subsequent valuation, are not less than cost or valuation.

Other freehold properties are depreciated on a straight line basis over 100 years or remaining life, if less. Other leasehold properties are depreciated over the lesser of 100 years, their useful life or the term of the lease. Expenditure on major refurbishment of properties is amortised over periods of between three and 15 years. Other fixed assets are depreciated mainly at rates between 5% and 25% per annum on a straight line basis.

X LEASED ASSETS

Assets acquired under finance leases are included in tangible fixed assets. Depreciation is provided at rates designed to write off the 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.

Operating lease payments are charged to the profit and loss account as incurred.

No provision is made for future costs on vacant leasehold properties. Such costs are expensed as incurred.

XI 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 Group. 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.

XII TAXATION

Current taxation is applied to taxable profits at the rates ruling in the relevant country. Deferred taxation, computed under the liability method, is provided in respect of timing differences, including revaluation surpluses, to the extent that it is probable that a liability will arise in the foreseeable future. Advance Corporation Tax on dividends paid is set off against United Kingdom current tax liabilities and deferred tax provisions to the extent that it is considered recoverable. Irrecoverable Advance Corporation Tax is written off as part of the tax charge for the year. Tax attributed to non-operating items represents the incremental effect of those items on the tax charge for the year.



Notes to the Accounts

1 SEGMENTAL INFORMATION Analysis by division

	Turnover		Profit before tax		Year end net assets		Net cash flow	
	1993 £m	1992 £m	1993 £m	1992 £m	1993 £m	1992 £m	1993 £m	1992 £m
Film and Television	630.5	561.4	35.7	22.0	383.3	383.3	22.8	11.1
Holidays	425.9	405.1	51.0	42.5	463.0	509.3	46.7	40.8
Recreation	692.1	664.3	63.0	57.3	493.4	431.2	53.6	38.3
Leisure	269.4	222.8	50.4	33.6	313.8	270.9	14.4	22.5
Other	88.9	129.7	0.3	19.0	103.7	227.7	116.6	33.6
Discontinued	2,106.8	1,983.3	200.4	174.4	1,757.2	1,822.4	254.1	151.3
	—	29.1	—	2.2	—	—	(14.3)	105.6
	2,106.8	2,012.4	200.4	176.6	1,757.2	1,822.4	239.8	256.9
Share of associated undertakings:								
Rank Xerox			151.2	137.3	586.5	555.8	72.1	61.3
Universal Studios Florida			13.0	8.6	199.9	202.1	24.4	12.4
Other			(1.5)	(1.1)	26.4	7.8	(19.7)	(4.1)
			162.7	144.8	812.8	765.7	76.8	69.6
Non-operating items			363.1	321.4	2,570.0	2,588.1	316.6	326.5
Interest			2.0	(108.4)				
Profit before tax			(88.5)	(87.2)			(57.3)	(84.8)
			276.6	125.8				
Tax and dividends					(17.0)	(79.5)	(135.1)	(166.9)
Other non-operating liabilities (net)					(64.9)	(78.6)		
Net borrowings					(955.3)	(1,001.8)		
					1,532.8	1,428.2	124.2	74.8

Analysis by geographical area

	Turnover by origin		Operating profit by origin		Year end net operating assets		Turnover by destination	
	1993 £m	1992 £m	1993 £m	1992 £m	1993 £m	1992 £m	1993 £m	1992 £m
United Kingdom	1,453.9	1,421.7	140.2	135.0	1,307.9	1,423.8	1,408.5	1,396.7
Rest of Europe	58.2	62.0	7.8	6.7	43.5	40.2	80.1	69.2
USA	525.2	441.7	49.0	22.3	380.3	333.7	564.1	470.9
Rest of the World	69.5	57.9	12.4	10.4	25.5	24.7	51.1	46.5
Discontinued	2,106.8	1,983.3	200.4	174.4	1,757.2	1,822.4	2,106.8	1,983.3
	—	29.1	—	2.2	—	—	—	29.1
	2,106.8	2,012.4	200.4	176.6	1,757.2	1,822.4	2,106.8	2,012.4

Note: Inter-segmental turnover is not material.

Further details of the results of associated undertakings are given on pages 29 and 30. No further segmental analysis of Rank Xerox's results is available since Rank Xerox does not publish such information.

The 1992 results for Other have been restated to include UK hotels and restaurants.

NOTES TO THE ACCOUNTS



Notes to the Accounts

2 TURNOVER AND OPERATING PROFIT

	1993			1992		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£m	£m	£m	£m	£m	£m
Turnover	2,106.8	—	2,106.8	1,983.3	29.1	2,012.4
Cost of sales	(1,603.8)	—	(1,603.8)	(1,528.7)	(21.8)	(1,550.5)
Gross profit	503.0	—	503.0	454.6	7.3	461.9
Distribution costs	(131.8)	—	(131.8)	(124.1)	(3.1)	(127.2)
Administrative expenses	(174.4)	—	(174.4)	(161.8)	(2.0)	(163.8)
Other operating income	3.6	—	3.6	5.7	—	5.7
Operating profit	200.4	—	200.4	174.4	2.2	176.6

Turnover includes £17.7m (1992 £16.5m) in respect of interest receivable on instalment sales.

	1993 £m	1992 £m
Operating profit is stated after charging the following items:		
Depreciation of tangible fixed assets	110.1	108.3
Operating lease payments — land and buildings	32.6	29.3
Operating lease payments — plant and machinery	6.0	6.3
Research and development expenditure (net of recoveries)	7.9	10.3
Auditors' remuneration — audit (Company £0.2m (1992 £0.3m))	1.9	2.3
Auditors' total remuneration — non-audit: Company and UK subsidiaries	0.4	0.1

3 NON-OPERATING ITEMS

	1993 £m	1992 £m
Profit less loss on disposal of properties	9.0	(5.8)
Profit less loss including provision for loss on disposal of continuing operations (net of goodwill of £NIL (1992 £7.4m))	(7.7)	(98.0)
Profit less loss including provision for loss on disposal of discontinued operations (net of goodwill of £12.6m (1992 £1.0m))	0.7	(4.6)
Non-operating items before tax	2.0	(108.4)
Tax (included within taxation on ordinary activities)	(0.5)	8.3
Non-operating items after tax	1.5	(100.1)

The net loss on disposal of continuing operations in 1992 principally relates to the writedown from the previous valuation of UK hotels being sold.

NOTES TO THE ACCOUNTS



Notes to the Accounts

4 INTEREST	1993	1992
	£m	£m
Interest payable on bank loans and overdrafts	(41.1)	(50.5)
Interest payable on other loans fully repayable within five years	(20.8)	(12.2)
Interest payable on other loans not fully repayable within five years	(37.0)	(32.1)
Finance charges on finance leases	(1.4)	(0.7)
	<u>(100.3)</u>	<u>(95.5)</u>
Interest receivable other than on instalment sales	13.2	9.4
Amortisation of interest capitalised (note 13)	(1.4)	(1.1)
	<u>(88.5)</u>	<u>(87.2)</u>

Interest payable is shown net of £0.4m (1992 £1.1m) interest capitalised.

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1993				1992			
	Associated undertakings				Associated undertakings			
	Company and its subsidiaries	Rank Xerox companies	Others	Total	Company and its subsidiaries	Rank Xerox companies	Others	Total
	£m	£m	£m	£m	£m	£m	£m	£m
United Kingdom corporation tax								
Current	25.5	(0.9)	—	24.6	7.7	(8.8)	—	(1.1)
Deferred	(6.5)	28.9	—	22.4	10.0	8.7	—	18.7
ACT written off	13.6	—	—	13.6	3.3	—	—	3.3
	<u>32.6</u>	<u>28.0</u>	<u>—</u>	<u>60.6</u>	<u>21.0</u>	<u>(0.1)</u>	<u>—</u>	<u>20.9</u>
Overseas tax								
Current	4.5	57.8	—	62.3	4.6	51.4	—	56.0
Deferred	1.6	(20.9)	—	(19.3)	0.2	4.1	—	4.3
	<u>6.1</u>	<u>36.9</u>	<u>—</u>	<u>43.0</u>	<u>4.8</u>	<u>55.5</u>	<u>—</u>	<u>60.3</u>
	<u>38.7</u>	<u>64.9</u>	<u>—</u>	<u>103.6</u>	<u>25.8</u>	<u>55.4</u>	<u>—</u>	<u>81.2</u>

Company and its subsidiaries

United Kingdom corporation tax on profits for the year has been provided at 33.0% (1992 33.0%). The United Kingdom tax charge is stated after crediting double tax relief of £0.3m (1992 £0.5m) in respect of income of subsidiary undertakings.

Rank Xerox companies

The charge for United Kingdom corporation tax has been provided at 33.0% (1992 33.0%).

6 PROFIT ATTRIBUTABLE TO THE RANK ORGANISATION Plc

The loss for the financial year dealt with in the accounts of The Rank Organisation Plc was £27.8m (1992 profit £1.9m). As provided for by Section 230 of the Companies Act 1985, no profit and loss account is presented in respect of The Rank Organisation Plc.

Notes to the Accounts

7 DIVIDENDS

	1993 £m	1992 £m
Convertible redeemable preference shares		
Dividends payable for the year	18.8	18.8
Provision for redemption premium	2.1	2.1
	<u>20.9</u>	<u>20.9</u>
Ordinary shares		
Interim of NIL per share paid (1992 interim of 10.25p per share)	—	31.6
Special interim dividend of 31.0p per share paid	5.9	—
Final of NIL per share proposed (1992 final of 20.75p per share)	—	64.3
	<u>5.9</u>	<u>95.9</u>
	<u>26.8</u>	<u>116.8</u>

At an Extraordinary General Meeting held on 3rd September 1993, shareholders approved payment of a special interim dividend together with an Enhanced Share Alternative. The special interim dividend amounted to 31.0p per share cash while the alternative comprised the issue of new Ordinary shares with a market value of 46.5p per existing Ordinary share. Holders of 93.8% of shares elected for the Enhanced Share Alternative which has entirely been accounted for as a bonus issue (note 20). Holders of the remaining 6.2% of shares received the special interim dividend of 31.0p resulting in the payment of a dividend of £5.9m.

8 EARNINGS PER ORDINARY SHARE

The calculation of earnings per Ordinary share is based upon profit for the financial year of £168.2m from which are deducted Preference dividends totalling £20.9m giving earnings of £147.3m (1992 £19.2m) and on the weighted average number of Ordinary shares in issue during the year of 316,697,000 (1992 315,111,000 shares). Headline earnings per Ordinary share are based on earnings of £146.3m (1992 £119.7m) which have been calculated in accordance with the Institute of Investment Management and Research's definition. The reconciliation of the two earnings figures is set out in the Operating and Financial Review. The earnings per share would not be lower if calculated on a fully diluted basis. The 1992 comparatives have been restated to reflect changes in accounting policies (see page 8) and for the bonus element of the Enhanced Share Alternative.

9 TANGIBLE ASSETS

Company	Leasehold	Fixtures	Total
	land and buildings	fittings tools and equipment	
	£m	£m	£m
Cost at 31st October 1992	1.4	2.9	4.3
Additions	—	0.6	0.6
Disposals	—	(0.4)	(0.4)
Cost at 31st October 1993	<u>1.4</u>	<u>3.1</u>	<u>4.5</u>
Depreciation at 31st October 1992	0.4	1.6	2.0
Depreciation for year	0.2	0.1	0.6
Disposals	—	(0.3)	(0.3)
Depreciation at 31st October 1993	<u>0.6</u>	<u>1.7</u>	<u>2.3</u>
Net book amount at 31st October 1993	<u>0.8</u>	<u>1.4</u>	<u>2.2</u>
Net book amount at 31st October 1992	<u>1.0</u>	<u>1.3</u>	<u>2.3</u>

The net book amount of leasehold land and buildings at 31st October 1993 includes £0.8m (1992 £1.0m) in respect of leases with less than 50 years to run.



Notes to the Accounts

9 TANGIBLE ASSETS continued

Group	Freehold	Leasehold	Fixtures	Plant	Total
	land and buildings	land and buildings	tools and equipments	and machinery	
	£m	£m	£m	£m	£m
Cost or valuation at 31st October 1992*	855.5	377.7	637.2	164.1	2,034.5
Currency translation adjustment	2.6	0.8	0.9	3.8	8.1
Additions	28.0	16.9	80.2	45.9	171.0
Disposals	(90.3)	(33.1)	(84.9)	(14.9)	(223.2)
Transfers including from current assets	12.5	3.8	15.0	(16.9)	14.4
Revaluation adjustments (Note (a))	(44.7)	15.3	—	—	(29.4)
Cost or valuation at 31st October 1993	763.6	381.4	648.4	182.0	1,975.4
At cost	105.9	97.4	648.4	182.0	1,033.7
At valuation in 1991	31.3	4.3	—	—	35.6
At valuation in 1992	130.5	121.4	—	—	251.9
At valuation in 1993	495.9	158.3	—	—	654.2
Cost or valuation 31st October 1993	763.6	381.4	648.4	182.0	1,975.4
Depreciation at 31st October 1992*	23.5	21.3	290.1	79.3	414.2
Currency translation adjustment	0.1	0.3	0.5	1.9	2.8
Disposals	(2.3)	(3.8)	(53.7)	(13.3)	(73.1)
Depreciation for year	6.1	5.7	77.0	21.3	110.1
Provision for loss on disposal	0.7	0.5	0.5	—	1.7
Transfers including from current assets	0.6	(0.2)	5.6	—	6.0
Revaluation adjustments (Note (a))	(8.1)	(1.3)	—	—	(9.4)
Depreciation at 31st October 1993	20.6	22.5	320.0	89.2	452.3
Net book amount at 31st October 1993	743.0	358.9	328.4	92.8	1,523.1
Net book amount at 31st October 1992	832.0	356.4	347.1	84.8	1,620.3

(a) The property valuation at 31st October 1993 was made by Messrs Knight Frank and Rutley on the basis of open market value for existing use and assumed where applicable the continued benefit of licences and permits. Of the net revaluation adjustments of £20.0m, £18.8m has been taken to revaluation reserve and £1.2m to profit and loss account.

(b) The net book amount of land and buildings includes £926.8m (1992 £802.0m) in respect of assets carried at valuation. The total amount of land and buildings as determined under the historical cost accounting rules was cost £1,047.7m (1992 £1,074.1m), accumulated depreciation £93.6m (1992 £92.2m) and net book amount £954.1m (1992 £981.9m).

(c) Land and buildings with a net book amount of £926.8m (1992 £999.5m) are not depreciated. The net book amount of leasehold land and buildings at 31st October 1993 includes £158.0m (1992 £148.4m) in respect of leases with less than 50 years to run. The net book amount of tangible assets includes £6.3m (1992 £6.7m) in respect of assets held under finance leases.

(d) The net book amount of plant and machinery includes £5.4m (1992 £10.6m) in respect of assets in the course of construction.

(e) The net book amount of plant and machinery includes £18.3m (1992 £12.7m) in respect of assets held under finance leases. The depreciation charge in respect of these assets was £1.7m (1992 £1.0m).

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

Notes to the Accounts

10 COMMITMENTS

Future capital expenditure

At 31st October 1993 commitments for capital expenditure amounted to £31.4m (1992 £20.7m) for the Group and £0.2m (1992 £0.1m) for the Company. Expenditure authorised by the Directors but not contracted amounted to £77.3m (1992 £71.3m) for the Group and £0.2m (1992 £0.1m) for the Company.

Group rental commitments over periods of leases

The commitment at 31st October 1993 to make payments on operating leases in the following year was:

	Land and buildings		Plant and machinery	
	1993	1992	1993	1992
	£m	£m	£m	£m
Leases expiring in one year	0.9	1.2	1.3	1.0
Leases expiring in two to five years	6.4	3.1	3.5	4.6
Leases expiring in more than five years	24.1	25.0	0.1	0.1
	<u>31.4</u>	<u>29.3</u>	<u>4.9</u>	<u>5.7</u>

Forward foreign exchange contracts

At 31st October 1993 contracts in the ordinary course of business for the Group were £72.5m (1992 £57.3m) and for the Company £NIL (1992 £NIL).

11 INVESTMENTS

	Note	Group		Company	
		1993	1992	1993	1992
		£m	£m	£m	£m
Subsidiary undertakings	12	—	—	3,226.4	3,321.7
Associated undertakings	13	812.8	765.7	—	—
		<u>812.8</u>	<u>765.7</u>	<u>3,226.4</u>	<u>3,321.7</u>

12 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares at valuation	Shares at cost	Loans and advances	Provisions	Net book amount
	£m	£m	£m	£m	£m
Balances at 31st October 1992	155.3	2,043.7	1,206.5	(83.8)	3,321.7
Additions	—	0.3	121.3	(53.5)	66.1
Disposals/repayments	—	(0.4)	(167.2)	4.2	(163.4)
Balances at 31st October 1993	<u>155.3</u>	<u>2,043.6</u>	<u>1,160.6</u>	<u>(133.1)</u>	<u>3,226.4</u>

(a) The shares shown at valuation were valued by the Directors in 1990. The historic cost of such shares is £3.3m.

(b) Of the loans and advances to subsidiary undertakings £16.0m (1992 £52.1m) has been subordinated to other creditors as an alternative to increasing the share capital of certain subsidiary undertakings.

(c) Details of principal subsidiary undertakings are given on pages 27 and 28.

Notes to the Accounts

13 INTERESTS IN ASSOCIATED UNDERTAKINGS

	Participating	Group share	Total
	interests	of post	
	at cost	acquisition	
	£m	reserves	£m
Rank Xerox companies (unlisted)			
Balances at 31st October 1992	24.5	531.3	555.8
Currency translation adjustment	—	12.6	12.6
Profits less losses for the year less dividends receivable (see below)	—	18.1	18.1
Balances at 31st October 1993	24.5	562.0	586.5
Other (unlisted)	178.0	31.9	209.9
Balances at 31st October 1992	9.3	1.7	11.0
Currency translation adjustment	19.7	—	19.7
Additions	(12.0)	—	(12.0)
Capital distributions	(1.4)	—	(1.4)
Amortisation of interest capitalised	—	(0.9)	(0.9)
Profits less losses for the year less dividends receivable (see below)	193.6	32.7	226.3
Balances at 31st October 1993	218.1	594.7	812.8
Net book amount at 31st October 1993	202.5	563.2	765.7
Net book amount at 31st October 1992			

Other associated undertakings are principally represented by the Group's interest in Universal Studios Florida. Included in other associates' participating interests is £223.5m (1992 £206.1m) in respect of interests in partnerships including £14.1m (1992 £14.7m) interest capitalised.

	Rank Xerox companies		Others	
	1993	1992	1993	1992
	£m	£m	£m	£m
Share of retained profit for the year				
Share of profits less losses before taxation	151.2	137.3	11.5	7.5
Share of taxation (note 5)	(64.9)	(55.4)	—	—
	86.3	81.9	11.5	7.5
Dividends receivable by the Group	(68.2)	(64.9)	—	—
Group share of partnership (profits)	—	—	(12.4)	(8.0)
Profits less losses for the year less dividends receivable	18.1	17.0	(0.9)	(0.5)
Minority interests	(0.5)	(0.4)	—	—
Amounts retained attributable to shareholders of the Company	17.6	16.6	(0.9)	(0.5)

Details of principal associated undertakings are given on pages 29 and 30.



Notes to the Accounts

14 STOCKS

	Group	
	1993	1992
	£m	£m
Raw materials	24.4	31.9
Work in progress	14.9	10.9
Finished goods and goods for resale	67.9	72.4
Film productions	13.1	12.2
Completed properties for resale	10.8	11.5
Property developments in progress	20.6	16.6
	<u>151.7</u>	<u>155.5</u>

Interest capitalised included in completed properties for resale and property developments in progress amounted to £0.8m (1992 £0.8m).

15 DEBTORS

	Group		Company	
	1993	1992	1993	1992
	£m	£m	£m	£m
Amounts falling due within one year				
Trade debtors	167.6	164.1	0.6	0.5
Amounts owed by subsidiary undertakings	—	—	51.5	36.2
Other debtors	32.9	27.2	0.7	1.3
Assets held for disposal	10.2	23.8	—	—
Prepayments and accrued income	55.5	51.7	0.8	0.6
Instalment sale debtors	10.1	8.8	—	—
Notes receivable	7.8	5.7	—	—
Dividends receivable from associated undertakings	—	3.6	—	—
	<u>284.1</u>	<u>284.9</u>	<u>53.6</u>	<u>38.6</u>
Amounts falling due after more than one year				
Trade debtors	4.5	2.6	—	—
Other debtors	14.7	5.1	—	—
Prepayments and accrued income	25.6	38.0	—	—
Instalment sale debtors	55.0	47.9	—	—
Notes receivable	51.0	37.9	—	—
Advance Corporation Tax recoverable	2.3	23.5	36.9	71.2
	<u>153.1</u>	<u>155.0</u>	<u>36.9</u>	<u>71.2</u>

NOTES TO THE ACCOUNTS



Notes to the Accounts

16 LOAN CAPITAL, BORROWINGS, SHORT TERM DEPOSITS AND CASH

	Group		Company	
	1993	1992	1993	1992
	£m	£m	£m	£m
Bank overdrafts	29.7	15.4	21.8	7.4
Bank loans:				
Amounts repayable				
Within one year or on demand	15.0	—	15.0	—
Between one and two years	50.4	—	50.4	—
Between two and five years	244.1	533.2	209.0	494.1
	<u>309.5</u>	<u>533.2</u>	<u>274.4</u>	<u>494.1</u>
Other borrowings:				
Amounts repayable				
Within one year	4.6	3.9	—	—
Between one and two years	6.3	2.2	—	—
Between two and five years	218.0	146.6	—	—
In five years or more	430.2	380.6	98.3	—
	<u>659.1</u>	<u>533.3</u>	<u>98.3</u>	<u>—</u>
Total	<u>998.3</u>	<u>1,081.9</u>	<u>394.5</u>	<u>501.5</u>
Secured	3.9	8.2	—	—
Unsecured	977.9	1,061.3	394.5	501.5
Obligations under finance leases	16.5	12.4	—	—
Total as above	<u>998.3</u>	<u>1,081.9</u>	<u>394.5</u>	<u>501.5</u>
Amounts due within one year or on demand	49.3	19.3	36.8	7.4
Amounts due after more than one year	949.0	1,062.6	357.7	494.1
Loan capital and borrowings	<u>998.3</u>	<u>1,081.9</u>	<u>394.5</u>	<u>501.5</u>
Short term deposits	7.2	35.0	—	30.4
Cash at bank and in hand	35.8	45.1	4.2	3.9
Cash and deposits	<u>43.0</u>	<u>80.1</u>	<u>4.2</u>	<u>34.3</u>
Net borrowings	<u>955.3</u>	<u>1,001.8</u>	<u>390.3</u>	<u>467.2</u>

Borrowings of £3.9m (1992 £8.2m) are secured by either fixed or floating charges on various assets and undertakings of certain subsidiary undertakings.

Borrowings shown above include:

(a) borrowings not fully repayable within five years totalling £541.1m (1992 £515.4m) for the Group and £NIL (1992 £NIL) 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 8.0% (1992 9.3%),

(b) £98.3m (1992 £NIL) for both the Group and the Company in respect of a 8% Eurosterling bond redeemable at par in 2000, and

(c) bank loans repayable between one and five years of £286.0m for the Group and £252.2m for the Company drawn down under committed facilities which, in the absence of those facilities, would have matured within one year.

Notes to the Accounts

17 OTHER CREDITORS

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Amounts falling due within one year				
Payments received on account	17.7	13.4	—	—
Trade creditors	173.5	172.5	1.5	1.4
Amounts owed to subsidiary undertakings	—	—	1,420.2	1,351.3
United Kingdom corporation tax	12.3	9.4	1.6	1.6
Overseas taxation	1.8	2.8	—	—
Advance Corporation Tax	—	23.5	—	23.5
Other tax and social security	28.0	30.0	1.5	1.5
Other creditors	30.3	75.5	1.3	0.8
Accruals and deferred income	115.5	92.3	21.4	6.7
Dividends:				
Accrued on Preference shares	4.7	4.7	4.7	4.7
Payable and proposed on Ordinary shares	—	64.2	—	64.2
Minority shareholders of subsidiaries	1.6	1.6	—	—
	<u>385.4</u>	<u>489.9</u>	<u>1,452.2</u>	<u>1,444.7</u>
Amounts falling due after more than one year				
Overseas taxation	0.2	0.7	—	—
Other creditors	3.3	2.8	0.3	0.4
Accruals and deferred income	10.1	1.2	9.6	—
	<u>13.6</u>	<u>4.7</u>	<u>9.9</u>	<u>0.4</u>

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred	Acquisition	Other	Total
	taxation	provisions	provisions	
	£m	£m	£m	£m
Group				
Balances at 31st October 1992	11.0	15.8	30.0	56.8
Currency translation adjustment	0.1	0.3	0.5	0.9
Disposals	—	—	(0.3)	(0.3)
Released to the profit and loss account in the year	(4.9)	(2.0)	(0.7)	(7.6)
Charged to revaluation reserve	1.6	—	—	1.6
Transfer to current taxation	(15.7)	—	—	(15.7)
Advance Corporation Tax recoverable	17.6	—	—	17.6
Utilised during the year	—	(7.3)	(8.3)	(15.6)
Balances at 31st October 1993	<u>9.7</u>	<u>6.8</u>	<u>21.2</u>	<u>37.7</u>
Company				
Balances at 31st October 1992	1.9	—	8.4	10.3
Charged (released) to the profit and loss account in the year	(3.6)	—	0.6	(3.0)
Transfer to current taxation	(5.4)	—	—	(5.4)
Advance Corporation Tax recoverable	6.0	—	—	6.0
Balances at 31st October 1993	<u>(1.1)</u>	<u>—</u>	<u>9.0</u>	<u>7.9</u>

Other provisions at 31st October 1993 principally represent closure costs in respect of the termination of activities and properties carried at a negative valuation.

Notes to the Accounts

19 DEFERRED TAXATION

	Provided				Not provided			
	Group		Company		Group		Company	
	1993	1992	1993	1992	1993	1992	1993	1992
	£m	£m	£m	£m	£m	£m	£m	£m
Capital allowances	21.7	20.8	10.6	7.9	46.8	32.4	—	—
Other timing differences	(9.5)	2.3	(11.7)	—	(0.3)	(6.8)	—	—
Revaluation surplus	12.1	20.1	—	—	—	—	—	—
	24.3	43.2	(1.1)	7.9	46.5	25.6	—	—
Advance Corporation Tax	(14.6)	(32.2)	—	(6.0)	—	—	—	—
	9.7	11.0	(1.1)	1.9	46.5	25.6	—	—

The above figures exclude taxation payable:

- in the event of profits of certain overseas subsidiary and associated undertakings being distributed
- 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
- on capital gains which might arise if land and buildings, not currently identified for sale, were to be sold at the amounts at which they are carried in the Group's balance sheet as, in the opinion of the Directors, the majority of such properties will be retained for use in the business.

20 CAPITAL AND RESERVES

	1993			1992		
	Authorised	Issued and fully paid		Authorised	Issued and fully paid	
	£m	Number	Nominal Value £m	£m	Number	Nominal Value £m
US\$ Cumulative Preference shares	3.2	—	—	3.2	—	—
Convertible Cumulative Redeemable Preference shares of 20p each	60.0	227.8	45.6	60.0	228.0	45.6
Ordinary shares of 25p each	108.8	327.0	81.7	108.8	309.4	77.3
	172.0		127.3	172.0		122.9

Non-equity shareholders' funds relate entirely to the Convertible Redeemable Preference shares ("Preference shares"). These shares carry an entitlement to a dividend at the rate of 8.25p (net) per share per annum. They are convertible in any of the years 1993 to 2003 into Ordinary shares of 25p each at a rate equivalent to 10.836 Ordinary shares for every 100 Preference shares and may be redeemed at £1.00 per share at any time after 30th April 2003 at the option of the Company and, in any event, will be redeemed at £1.00 per share on 31st July 2007. Holders of Preference shares have one vote for every five shares held but only on a resolution for the winding-up of the Company or on a resolution affecting the rights attached to the shares or if the Preference Dividend has remained unpaid for six months. Holders of Preference shares have the right on a winding-up to receive, in priority to any other class of shares, the sum of £1 per share together with any arrears of dividend.

13,310 Ordinary shares were issued on 14th April 1993 by virtue of the conversion of 125,116 Preference shares and on 15th September 1993 17,257,262 Ordinary shares were issued pursuant to the enhanced share alternative to the special interim dividend. A further 313,659 Ordinary shares were issued during the year on the exercise of options.

Under the Share Savings Scheme, approved by shareholders on 14th March 1985, employees hold options to subscribe for up to 2,083,956 (1992 2,041,745) Ordinary shares at prices between 496p and 741.84p per share exercisable by 1999. Under the Executive Share Option Scheme, approved by shareholders on 14th March 1985, Directors and executives hold options to subscribe for up to 5,852,756 (1992 6,008,464) Ordinary shares at prices ranging between 619p and 933.85p per share exercisable by 2003. Under the Overseas Executive Share Option Plan, approved by shareholders on 15th March 1989, executives hold options to subscribe for up to 1,211,211 (1992 644,565) Ordinary shares at prices ranging between 798p and 933.85p per share exercisable by 2003.

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 and the Overseas Executive Share Option Plan are exercisable within a period normally commencing on the third anniversary and ending on the tenth anniversary of the date of the grant. In November 1993, the number of shares under option and the option prices were adjusted as a result of the Enhanced Share Alternative.

Notes to the Accounts

20 CAPITAL AND RESERVES continued

Movements in share capital and share premium account	Preference share capital	Ordinary share capital	Total	Share premium account
	£m	£m	£m	£m
Balances at 31st October 1992	45.6	77.3	122.9	487.6
Issue of Ordinary shares in the year	—	0.1	0.1	2.0
Enhanced Share Alternative	—	4.3	4.3	(4.3)
Issue expenses	—	—	—	(2.0)
Balances at 31st October 1993	45.6	81.7	127.3	483.3

Capital redemption reserve

	Group	Company
	£m	£m
Balances at 31st October 1992 and 31st October 1993	1.3	1.3

Movements in revaluation reserves

	Company and its subsidiaries	Associated under-takings	Group	Company
	£m	£m	£m	£m
Balances at 31st October 1992	213.5	31.9	245.4	152.0
Currency translation adjustments	(0.4)	1.7	1.3	—
Transfer on disposal (net of tax)	(53.5)	—	(53.5)	—
(Deficit) on revaluation	(18.8)	—	(18.8)	—
Tax on revaluation surplus	(1.6)	—	(1.6)	—
Transfer of depreciation on revaluation	(0.9)	—	(0.9)	—
Realisation of revaluation deficit	0.9	—	0.9	—
Balances at 31st October 1993	139.2	33.6	172.8	152.0

Movements in other reserves

Group	Company and its subsidiaries	Other	Associated under-takings	Total
	Preference redemption	£m	£m	£m
Balances at 31st October 1992 as previously stated	—	12.9	512.6	525.5
Prior year adjustment (a)	4.5	(4.5)	—	—
Balances at 31st October 1992 as restated	4.5	8.4	512.6	525.5
Currency translation adjustments	—	(44.7) (b)	12.2	(32.5)
Surplus on profit and loss account for the year	—	124.7	16.7	141.4
Transfer of depreciation on revaluation	—	0.9	—	0.9
Provision for redemption premium	2.1	—	—	2.1
Realisation of revaluation deficit	—	(0.9)	—	(0.9)
Transfer on disposal of fixed assets (net of tax)	—	53.5	—	53.5
Other	—	0.2	—	0.2
Elimination of goodwill arising in the year	—	(1.8)	—	(1.8)
Goodwill realised on disposal	—	12.6	—	12.6
Balances at 31st October 1993	6.6	152.9	541.5 (c)	701.0

(a) The prior year adjustment of £4.5m relates to the cumulative redemption premium adjustment at 31st October 1992 in respect of the Convertible Redeemable Preference shares as set out in Note II on page 8.

(b) This includes £43.8m of net exchange losses arising on foreign currency borrowings less deposits.

(c) Includes £542.3m in respect of Rank Xerox companies.

The total cumulative goodwill eliminated against reserves at 31st October 1993 amounted to £787.7m (1992 £788.8m).

NOTES TO THE ACCOUNTS



Notes to the Accounts

20 CAPITAL AND RESERVES continued

Movement in other reserves Company

	Merger £m	Preference redemption £m	Other £m	Total £m
Balances at 31st October 1992 as previously stated	385.0	—	362.4	747.4
Prior year adjustment (see (a) above)	—	4.5	(4.5)	—
Balances at 31st October 1992 as restated	385.0	4.5	357.9	747.4
(Deficit) on profit and loss account for the year	—	—	(54.6)	(54.6)
Provision for redemption premium	—	2.1	—	2.1
Balances at 31st October 1993	385.0	6.6	303.3(d)	694.9

(d) Of which £81.7m is not available for distribution.

21 ANALYSIS OF MINORITY INTERESTS

	Equity £m	Non-equity £m	Total £m
Balances at 31st October 1992	20.5	25.0	45.5
Minority interest in the profit on ordinary activities after tax	2.8	2.0	4.8
Dividends payable to minority shareholders	(1.5)	(2.0)	(3.5)
Other movements	0.3	—	0.3
Balances at 31st October 1993	22.1	25.0	47.1

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1993 £m	1992 £m
Operating profit	200.4	176.6
Depreciation	110.1	108.3
(Profit) less loss on sale of tangible fixed assets	1.8	(3.8)
Decrease in stocks	7.3	13.9
(Increase) decrease in debtors	(23.3)	29.1
(Decrease) in creditors	(20.5)	(25.0)
Other items	0.3	(7.1)
Net cash inflow from operating activities	276.1	292.0

23 CASH EFFECT OF NON-OPERATING ITEMS

	1993 £m	1992 £m
Non-operating items before tax	2.0	(108.4)
Profit less loss on disposal of businesses (Note 28)	(0.5)	(8.5)
Profit less loss on disposal of properties	(9.0)	5.8
Writedown of businesses for disposal	1.9	93.7
Non-cash (profit) less loss on terminated activities	5.6	13.0
Cash charges on terminated activities	—	(1.4)
Cash proceeds of disposed businesses (Note 28)	142.3	122.5
Cash proceeds of disposed properties	16.9	21.2
Cash effect of non-operating items	159.2	139.3

NOTES TO THE ACCOUNTS



Notes to the Accounts

24 ANALYSIS OF CHANGES IN CASH, CASH EQUIVALENTS AND FINANCING DURING THE YEAR

	Cash and cash equivalents £m	Loans and finance lease obligations £m	Net borrowings £m	Share capital including premium £m
Balances at 31st October 1991	35.6	(996.4)	(960.8)	(610.2)
Net cash inflows	27.1	48.0	75.1	(0.3)
Inception of finance leases	—	(13.6)	(13.6)	—
Net cash inflows before adjusting for the effects of exchange rates	27.1	34.4	61.5	(0.3)
Effect of exchange rates	0.7	(103.2)	(102.5)	—
Balances at 31st October 1992	63.4	(1,065.2)	(1,001.8)	(610.5)
Net cash inflows per Cash Flow Statement	(67.3)	191.6	124.3	(0.1)
Cash balances of subsidiary undertaking acquired during year	0.3	—	0.3	—
Inception of finance leases	—	(8.6)	(8.6)	—
Net cash inflows before adjusting for the effects of exchange rates	(67.0)	183.0	116.0	(0.1)
Effect of exchange rates	0.2	(69.7)	(69.5)	—
Balances at 31st October 1993	(3.4)	(951.9)	(955.3)	(610.6)

Loans and finance lease obligations are shown net of short term deposits of £1.7m (1992 £1.3m) with an initial maturity of more than three months.

25 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1993 £m	1992 £m	Change in year £m
Short term deposits	5.5	33.7	(28.2)
Cash at bank and in hand	35.8	15.1	(9.3)
Bank overdrafts and loans	(44.7)	(15.4)	(29.3)
	(3.4)	63.4	(66.8)

26 MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £8.6m. In addition, 17,257,262 Ordinary shares were issued pursuant to the Enhanced Share Alternative to the special interim dividend which was accounted for as a bonus issue.

27 PURCHASE OF SUBSIDIARIES AND MINORITIES

	1993 £m	1992 £m
Net liabilities acquired	(0.7)	—
Goodwill	1.8	10.1
	1.1	10.1
Satisfied by:		
Cash	0.7	0.1
Deferred consideration	0.4	10.0
	1.1	10.1

Notes to the Accounts

28 SALE OF BUSINESSES	1993	1992
	£m	£m
Net assets disposed of:		
Fixed assets	131.5	106.6
Stocks	0.5	1.0
Debtors	1.0	9.0
Creditors	(2.6)	(2.3)
	<u>130.4</u>	<u>114.3</u>
	0.5	8.5
Non-operating profit before tax (net)	12.6	0.7
Goodwill previously eliminated against reserves	<u>13.1</u>	<u>9.2</u>
	<u>143.5</u>	<u>123.5</u>
Satisfied by:		
Cash	142.3	122.5
Deferred consideration	1.2	1.0
Total proceeds	<u>143.5</u>	<u>123.5</u>

29 DIRECTORS' AND EMPLOYEES

(a) The Directors' interests in shares or stocks of the Company were as follows:	31st October 1993		1st November 1992 or date of appointment	
	Ordinary shares	Share options	Ordinary shares	Share options
Dr D. V. Allerton	2,717	3,279	1,250	3,397
Sir Arthur Bryan	1,324	—	1,250	—
H. A. Crichton-Miller	1,000	78,829	1,000	78,829
J. Daly	3,237	77,768	1,875	79,983
Sir Leslie Fletcher	4,177	1,711	3,943	1,711
J. E. Garrett	—	88,050	—	88,050
M. B. Gifford	34,960	153,813	35,000	153,813
J. A. Harmon	13,000	—	—	—
M. C. J. Jackaman	—	756	—	756
Sir Denis Mountain	11,209	—	10,581	—
T. H. North	5,297	55,184	5,000	55,184
A. W. P. Stenham	—	3,279	—	3,397
N. V. Turnbull	4,295	71,275	3,100	71,393
D. M. Yates	3,784	73,129	3,512	73,129

The above interests include options to purchase Ordinary shares under the terms of the Company's Share Savings and Executive Share Option Schemes. Options granted to or exercised by Directors during the year relate to the Company's Share Savings Scheme.

As at 1st November 1992 and at 31st October 1993 Mr N. V. Turnbull had a beneficial interest in 500 Ordinary shares of 5p each in A. Kershaw & Sons, Plc.

Except as stated above none of the Directors had any interest in the shares, share options or stocks of the Company or its subsidiaries.

There have been no changes in the above interests in shares and share options since 31st October 1993 except that in November 1993 the number of shares under option and the option prices were adjusted, with the approval of the Inland Revenue, as a result of the Enhanced Share Alternative.

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

29 DIRECTORS AND EMPLOYEES continued

	1993	1992
(b) Total emoluments of the Directors:	£000	£000
Fees	125	98
Other emoluments (excluding performance related payments and pension contributions)	1,536	1,305
Performance related payments	26	—
Pension contributions	122	363

(c) The remuneration of the Directors is authorised by the Compensation Committee of the Board. The remuneration package of the Executive Directors includes a basic salary, a pension entitlement, participation in the executive share option scheme and a bonus award directly related to the attainment of annual divisional and corporate performance targets and an increase in earnings per share calculated in accordance with the principles of the Institute of Investment Management and Research Headline Earnings. The bonus awards are based on a percentage up to a total of 45% of salary if each of the maximum targets is achieved.

(d) The table which follows shows the number of Directors whose emoluments, during the year, including performance related payments but excluding pension contributions, were within the bands stated.

Emoluments £	Directors		Emoluments £	Directors	
	1993	1992		1993	1992
5,001— 10,000	1	1	165,001—170,000	1	—
10,001— 15,000	—	5	170,001—175,000	4	—
15,001— 20,000	6	—	175,001—180,000	2	—
35,001— 40,000	—	1	315,001—320,000	—	1
155,001—160,000	—	2	335,001—340,000	1	—
160,001—165,000	—	4			

(e) The above table includes the Chairman's emoluments of £175,000 (1992 £188,547) and the emoluments of the highest paid Director which comprised salary and benefits of £325,336 (1992 £316,228) and a performance related payment of £12,000 (1992 £NIL). In addition, Company pension contributions of £31,462 were paid in respect of the highest paid Director. The Chairman does not participate in the Performance Award Scheme or in a Company pension scheme.

Employee costs

	1993	1992
	£m	£m
Wages and salaries	393.8	374.5
Social security costs	30.2	29.9
Other pension costs	14.0	12.7
	<u>438.0</u>	<u>417.1</u>

Employee numbers

	1993	1992
Employees on average during the year	41,029	41,991
Employees at 31st October	<u>40,650</u>	<u>40,689</u>

Employees on average by geographical area

	1993	1992
United Kingdom	33,183	34,139
Rest of Europe	721	680
USA	6,586	6,606
Rest of the World	539	566
	<u>41,029</u>	<u>41,991</u>

Provision for pension and similar obligations

United Kingdom

With effect from 6th April 1991, the pension schemes previously operated by Mecca Leisure Group plc amalgamated with the Group pension schemes. 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

Notes to the Accounts

29 DIRECTORS AND EMPLOYEES continued

reference to final pay. Benefits under defined contribution schemes depend on the contribution levels and the emerging investment performance. Actuarial valuations of the Group pension fund are carried out by the Eagle Star Group triennially. The valuation of the amalgamated funds as at 6th April 1991 disclosed that the actuarial value of the assets was sufficient to cover 105% of the benefits that had accrued to members after allowing for expected future increases in earnings. The valuation method used was a projected unit method including a three year control period with allowance for new entrants. The main actuarial assumptions were a long-term yield of 8% per annum, salary increases of 6% per annum and increases in pensions in payment of 3% per annum. The market value of the funds' assets at 6th April 1993 was £274m excluding the value of annuities purchased to match pensions in payment.

The Money Purchase Scheme is a defined contribution scheme. The market value of its assets at 6th April 1993 was £12.5m. The accounts of both schemes for the year ended 5th April 1993 have been reported upon by their auditors without qualification.

USA

The Group operates defined contribution schemes in the USA. The market value of their combined assets at 31st October 1993 was £30.1m (1992 £22.2m), Group contributions to these schemes totalled £3.4m (1992 £2.9m).

Other countries

Group contributions to schemes for employees in other countries totalled £0.2m (1992 £0.4m).

30 CONTINGENT LIABILITIES

Group

Guarantees by the Company and by subsidiary undertakings, bills discounted by Group companies and uncalled liability in respect of partly paid shares

	1993	1992
	£m	£m
	63.4	44.7

A subsidiary undertaking is involved in a class action suit in the USA. The action is being vigorously contested.

Other subsidiary undertakings are defendants in separate litigation instituted in the USA in which some \$250m damages are claimed. This action is now scheduled for arbitration. The Directors of The Rank Organisation Pic, having been advised by their American lawyers, believe the case to be baseless.

Proceedings have been issued in the USA against the Group and other defendants in which the plaintiffs claim damages and the imposition of a constructive trust of at least \$300m to satisfy the damages. The Directors, having been advised by their American lawyers, believe the claim to be baseless.

The Directors believe that none of these actions will result in a material adverse effect on the financial condition of the Group.

Company

Guarantees of advances to subsidiary undertakings, bills discounted and uncalled liabilities in respect of partly paid shares

Provided as liabilities in the Group balance sheet

Others

	1993	1992
	£m	£m
	572.7	518.9
	17.5	11.4

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

31 POST BALANCE SHEET EVENTS

On 29th October 1993, the Group announced the exchange of contracts for the sale of the Royal Lancaster Hotel, London to The Lancaster Landmark Hotel Co. Ltd. The consideration is £60.75m which approximates to revalued net book amount with completion due in February 1994.

On 8th December 1993, Xerox Corporation announced a worldwide restructuring programme. This programme is expected to result in a reduction of more than 10,000 employees worldwide. The proportion of the restructuring cost applicable to the Rank Xerox Group is expected to be approximately £125m after tax. This will be included in the 1994 results.



Principal Subsidiary Undertakings

Except where otherwise stated The Rank Organisation Plc owns indirectly 100% of the ordinary share capital of the following companies. There are also holdings of Preference shares which are separately disclosed. The country of registration or incorporation is England unless otherwise indicated after the company name. The principal operations are carried out in the country of registration.

FILM AND TELEVISION

Principal activities

Deluxe Laboratories Inc (USA)	Film processing laboratory
Odeon Cinemas Limited	Film exhibition
Pinewood Studios Limited	Film production studios, post-production facilities and services
Rank Brimar Limited	Design, manufacture and marketing of high performance, high resolution cathode ray tube products
Film House Partnership (Canada)	Film processing laboratory
Rank Cintel Limited	Design, manufacture and marketing of broadcast equipment and software based television graphic products
Rank Film Distributors Limited	Investment in and international distribution of feature films
Rank Film Laboratories Limited	Film processing laboratory
Rank Retail Services America Inc (USA)	Distribution of video and audio products
Rank Taylor Hobson Limited	Design, manufacture and marketing of high precision metrology instruments
Rank Taylor Hobson Inc (USA)	Video duplication
Rank Video Services America Inc (USA)	Video duplication
Rank Video Services Limited	Design, manufacture and marketing of entertainment lighting and lighting control equipment
Strand Lighting Limited	
Strand Lighting Inc (USA)	

HOLIDAYS

Butlin's Limited	Holiday Worlds and holiday hotels
<i>(Rank also owns indirectly all the 6% Cumulative Preference shares)</i>	
Haven Leisure Limited	Caravan/chalet parks in the UK, France and Spain
Shearings Limited	UK and continental coach holidays and UK holiday hotels
Warner Holidays Limited	Adult only holidays in the UK

RECREATION

Associated Leisure Limited	Amusement machine hire and sales
Grosvenor Clubs Limited	London and provincial casinos
Rank Amusements Limited	Amusement centres
Top Rank Limited	Social and bingo clubs



Principal Subsidiary Undertakings

LEISURE

Hard Rock Cafe International Inc (USA)
Resorts USA Inc (USA)

Rank Leisure Limited

Rank Leisure USA Inc (USA)
Rank Orlando Inc (USA)

OTHER

Rank Holidays & Hotels Limited
Rank Restaurants Limited

HOLDING COMPANIES

A. Kershaw & Sons, Plc
(Rank owns directly 78% of the "A" 8% Cumulative Preference, 85% of the "B" 12% Non Cumulative Preference and 86% of the Ordinary shares)

Rank America Inc (USA)

Rank Holdings (Netherlands) BV
(Netherlands)

Rank Holdings (UK) Limited
(Directly owned)

Rank Overseas Holdings Limited
(Directly owned)

Rank Precision Industries (Holdings) Limited

(Rank owns 57% directly and 37% indirectly of the 5% Cumulative Preference and 60% directly and 34% indirectly of the Ordinary shares)

Rank RX Holdings Limited
(Rank owns 50% directly and 47% indirectly of the Ordinary shares)

Principal activities

Hard Rock Cafes owned by The Rank Organisation
Outdoor World holiday memberships at caravan park resorts, the sale of timeshare, second homes and land
Development and operation of multi-leisure centres and nightclubs in the UK
Theme restaurants in the USA
Owns The Rank Organisation's investment in Universal Studios Florida

Remaining London and provincial hotels
Prima Pasta and Pizza Piazza restaurants
Sold in February 1993

Holds 43% of the preference and 40% of the ordinary share capital of Rank Precision Industries (Holdings) Limited which owns 50% of the share capital of Rank RX Holdings Limited

Owns The Rank Organisation's investments in the USA
Owns The Rank Organisation's investments in Rank America Inc and other overseas subsidiary undertakings
Owns The Rank Organisation's investments in the UK operating subsidiary undertakings
Owns 100% of Rank Holdings (Netherlands) BV

Owns 50% of the share capital of Rank RX Holdings Limited

Owns indirectly The Rank Organisation's investment in the Rank Xerox companies



Principal Associated Undertakings

The accounting date for all principal associated undertakings is 31st October 1993.

	Country of registration	Percentage of voting interest	Class of capital owned	Percentage holding
RANK XEROX COMPANIES				
Rank Xerox Limited	England	48.8	'B' Ordinary 'D' Ordinary	97.3 97.3
Rank Xerox Holding BV	Netherlands	48.8	'B' Ordinary 'C' Ordinary	97.3 97.3
Rank Xerox Investments Limited	Bermuda	49.0	'B' Ordinary	97.3
R-X Holdings Limited	Bermuda	33.3	'B' Ordinary	97.3

Principal activities

The business of the Rank Xerox companies consists of the design, 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. Its principal associated undertaking, Fuji Xerox Co. Limited, a company incorporated in Japan, which is 50% owned by Rank Xerox Limited, also manufactures and markets business equipment.

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

	1993 £m	1992 £m
Profit and loss account		
Turnover	3,100	2,868
Cost of sales	(1,830)	(1,684)
Gross profit	1,270	1,184
Operating expenses	(968)	(909)
Xerox Corporation charges	(151)	(145)
Operating profit	151	130
Net interest payable	(28)	(21)
Share of results of associated undertakings	118	88
Profit before tax	241	197
Tax	(113)	(85)
Profit for the financial year	128	112
Balance sheet		
Fixed assets		
Tangible assets	441	444
Investments	657	543
	1,098	987
Net current assets	1,789	1,782
Total assets less current liabilities	2,887	2,769
Creditors falling due after more than one year	(960)	(960)
Provisions for liabilities and charges	(189)	(161)
	1,738	1,648
Share capital and reserves	1,733	1,641
Minority interests	5	7
	1,738	1,648

PRINCIPAL ASSOCIATED UNDERTAKINGS



Principal Associated Undertakings

Profit participation

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 undertakings 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 above is adjusted for charges made by Xerox Corporation for research and development and corporate overhead costs and for profit participation adjustments in accordance with the above agreement.

	1993	1992
	£m	£m
Profit before tax	241	197
Add: Xerox Corporation charges	151	145
Add: Profit participation adjustments	60	68
Deduct: Minority interests	(2)	(2)
Profit before tax for participation purposes	450	408
Group share	151.2	137.3

UNIVERSAL STUDIOS FLORIDA

Universal Studios Florida (USA) is a 50% owned joint venture managed by MCA Inc.

Principal activities

Operation of a television and film studio and motion picture theme park at Orlando, Florida.

A summary of the financial statements of Universal Studios Florida and the Group's share thereof is set out below:

	1993	1992
	£m	£m
Profit and loss account		
Turnover	195.5	149.4
Depreciation and amortisation	(33.7)	(27.0)
Other costs	(126.9)	(97.8)
Operating profit	34.9	24.6
Net interest payable	(8.8)	(7.3)
Profit before tax	26.1	17.3
Group share	13.0	8.6
Balance sheet		
Fixed assets	402.9	380.0
Net current assets	(20.0)	0.7
Net borrowings	(158.9)	(147.5)
Net assets	224.0	233.2
Group share of net assets	112.0	116.6
Additional Group investment	54.3	53.6
Share of revaluation reserve	33.6	31.9
Carrying value	199.9	202.1

PRINCIPAL ASSOCIATED UNDERTAKINGS



Corporate Governance

DIRECTORS' STATEMENT

Following the publication in December 1992 of the Code of Best Practice by the Committee on the Financial Aspects of Corporate Governance, the Board has reviewed the Company's compliance during the year ended 31st October 1993. The Code covers four broad areas, namely the composition and procedures of the Board of Directors, the appointment and role of non-executive Directors, the service contracts and pay of executive Directors and the Directors' responsibilities with respect to financial reporting and controls. The Code contains nineteen specific provisions in respect of these four areas.

In November 1992 the Board established a Compensation Committee and in December 1992 an Audit Committee thus complying with paragraphs 3.3 and 4.3 of the Code. In November 1993 amendments were made to Board practice to ensure compliance with paragraphs 1.5, 2.3 and 2.4 of the Code in relation to the procedure for Directors to take independent professional advice, the appointment of non-executive Directors for specified terms and the formal process for the selection of non-executive Directors.

Other than as referred to above and for the provisions of the Code regarding reports by the Directors on the Company's internal controls and that the business is a going concern for which the necessary guidance is not yet available, the Company has complied with the requirements of the Code throughout the financial year.

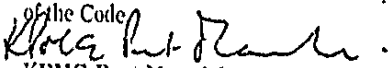
12th January 1994

REVIEW REPORT BY THE AUDITORS TO THE RANK ORGANISATION PLC

In addition to our audit of the accounts we have reviewed the above Directors' statement concerning the Company's compliance with the Code of Best Practice, insofar as it relates to the paragraphs of the Code which the London Stock Exchange has specified for our review. We carried out our review having regard to the Bulletin "Disclosures relating to corporate governance" issued by the Auditing Practices Board.

The purpose of the Directors' statement is to give readers information which assists them in forming their own views regarding the governance of the Company. In respect of the paragraphs of the Code specified for our consideration, we are required to draw attention to any aspects of the Company's non-compliance with the Code which the Directors have not properly disclosed. We are not required to review, and have not reviewed, the effectiveness of the Company's governance procedures.

Through enquiry of Directors and officers of the company, and examination of relevant documents, we have satisfied ourselves that the Directors' statement appropriately reflects the Company's compliance with the specified paragraphs

of the Code

KPMG Pent Marwick
Chartered Accountants
London

12th January 1994

CORPORATE GOVERNANCE



Five Year Review

	1993	1992	1991	1990	1989
	£m	£m	£m	£m	£m
Turnover					
Current operations	2,100.8	1,963	1,966.7	1,182.2	915.5
Former operations	6.0	48.7	147.5	150.9	177.5
	<u>2,106.8</u>	<u>2,012.4</u>	<u>2,114.2</u>	<u>1,333.1</u>	<u>1,093.0</u>
Operating profit					
Current operations	200.1	172.4	167.7	130.2	128.4
Former operations	0.3	4.2	11.1	8.5	12.8
	<u>200.4</u>	<u>176.6</u>	<u>178.8</u>	<u>138.7</u>	<u>141.2</u>
Non-operating items (including share of associates)	2.0	(108.4)	(4.8)	(21.0)	33.8
Rank Xerox companies	151.2	137.3	158.7	167.2	159.6
Other associates	11.5	7.5	(0.5)	—	3.6
Interest (net)	(88.5)	(87.2)	(93.0)	(6.7)	(39.5)
	<u>276.6</u>	<u>125.8</u>	<u>239.2</u>	<u>278.2</u>	<u>298.7</u>
Profit before tax					
Tax	(103.6)	(81.2)	(102.4)	(103.1)	(109.6)
Minority interests	(4.8)	(4.5)	(7.2)	(4.9)	(3.4)
Preference dividends and appropriations	(20.9)	(20.9)	(24.5)	(12.0)	(1.3)
	<u>147.3</u>	<u>19.2</u>	<u>105.1</u>	<u>158.2</u>	<u>184.4</u>
Earnings					
Earnings per Ordinary share	46.5p	6.1p	33.5p	58.4p	80.7p
Headline earnings per Ordinary share	46.2p	38.0p	35.0p	60.1p	66.8p
Total Dividend per Ordinary share — payable	31.0p	31.0p	31.0p	31.0p	30.0p
— restated	30.4p	30.4p	30.4p	30.1p	28.5p
Group funds employed					
Fixed assets	1,523.1	1,620.3	1,821.8	1,766.9	874.8
Investments	812.8	785.7	636.1	605.3	573.5
Other assets (net)	152.2	44.0	40.3	98.5	133.9
	<u>2,488.1</u>	<u>2,430.0</u>	<u>2,498.2</u>	<u>2,470.7</u>	<u>1,582.2</u>
Total funds employed at year end					
Financed by					
Ordinary share capital and reserves	1,278.5	1,177.6	1,291.1	1,383.0	968.9
Preference share capital including premium	207.2	205.1	203.0	329.7	128.7
Minorities	47.1	45.5	43.3	47.8	18.5
	<u>1,532.8</u>	<u>1,428.2</u>	<u>1,537.4</u>	<u>1,760.5</u>	<u>1,116.1</u>
Net borrowings	955.3	1,001.8	960.8	710.2	466.1
	<u>2,488.1</u>	<u>2,430.0</u>	<u>2,498.2</u>	<u>2,470.7</u>	<u>1,582.2</u>
Average number of employees (000's)	41.0	42.0	45.0	29.7	22.8

The results for the years 1989 to 1992 have been restated to reflect the changes in accounting policies and presentation arising from the Group's adoption of Financial Reporting Standards 3 and 4.

The results for 1992 have been restated from closing to average rates of exchange in accordance with the Group's change of accounting policy. Earlier years have not been restated.

Earnings per Ordinary share and Dividends per Ordinary share have been restated to reflect the effects of the Rights Issue announced in January 1990 and the Enhanced Share Alternative approved in September 1993.