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*The Bank Organisation*

## DIRECTORS' REPORT AND ACCOUNTS 1994

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## DIRECTORS' REPORT

The Directors submit their Report and Statement of Accounts for the year ended 31st October 1994.

### 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.

In October, the Company agreed to sell its 70% interest in the Rank Hotels North America partnership. This was a related party transaction and, accordingly, the Company's Auditors reviewed the terms of the disposal and have confirmed that, in their opinion, they were fair and reasonable. Further details are set out in note 32. There were no material acquisitions in the year. 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 39 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 £284.0 million (1993 £276.6 million). Profit for the financial year was £168.1 million (1993 £168.2 million).

The Directors recommend a final dividend of 9.00p per Ordinary share which, together with the interim dividend of 4.25p already paid, makes a total for the year of 13.25p per share (1993 12.16p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 7th April 1995 to those shareholders whose names are on the register on 16th March 1995.

The amounts which it is proposed should be transferred to reserves are detailed in note 20 to the Accounts on pages 50 and 51.

### Accounting reference date

The Company will change its accounting reference date in 1995 from 31st October to 31st December and prepare Interim Results to 1st July 1995. The change will bring the Company in line with the majority of other FT-SE 100 companies.

### Fixed assets

In previous years, the Company has revalued its freehold and long leasehold properties on a rolling triennial basis. As a result of the disposal of the majority of the UK hotel portfolio, a comparatively small proportion of the Group's properties would have fallen due for revaluation this year, whereas properties representing some 65% of the net book value at 31st October 1993 were revalued at that date. Accordingly the Directors have decided not to revalue any properties this year and to rephase subsequent valuations in order to ensure a more even balance over the three year cycle.

Changes in tangible fixed assets during the year are set out in note 9 on pages 42 and 43.

### Share capital

Details of new Ordinary shares issued pursuant to 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 49.

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 £1,146,243 representing 5% of the issued Ordinary share capital without first making a strict pro rata offer to all existing Ordinary shareholders.

### Directors

With the exception of Sir Denys Henderson, the Directors listed on page 18 of the Review and Financial Summary were Directors of the Company throughout the year. Sir Arthur Bryan and Sir Denis Mountain were Directors during the year until their retirement from the Board at the conclusion of the Annual General Meeting held on 23rd February 1994. Sir Denys Henderson was appointed a Director on 1st March 1994 and Mr P. J. Jarvis has been appointed a Director with effect from 1st February 1995. They both retire at the Annual General Meeting and, being eligible, offer themselves for election.

# DIRECTORS' REPORT

Sir Leslie Fletcher, Mr N. V. Turnbull and Mr D. M. Yates retire by rotation. Sir Leslie Fletcher, who is now aged 72, will retire at the conclusion of the Annual General Meeting. Mr N. V. Turnbull and Mr D. M. Yates, being eligible, offer themselves for re-election. They both have new service contracts with the Company which are terminable by either party on not less than two years' notice with effect from 1st November 1995.

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 53 to 55.

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

Progressive employment policies continue to be developed and introduced throughout the Group. The training and development of its employees continues to be recognised as a major investment for its future growth. The Company's worldwide management development programmes were further extended during the year. In recognition of its customer focused training initiative Butlin's achieved a National Training Award (awarded by the Department of Employment). The employment, training and development of disabled people has been recognised by the award of the Government's 'V' symbol in a number of UK subsidiary companies. The Company continues to be an active member

of the Employers' Forum on Disability and has contributed to the Government's consultative White Paper concerning the discrimination of disabled people. The Company is 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.

Employee communication programmes continue to be actively pursued to meet specific business needs. In 1994 a major revision to pensions communications was developed on behalf of UK subsidiaries. The Group's suggestion scheme 'The Enterprise and Innovation Awards' attracted a record number of entries and nearly 2000 of our employees received appropriate recognition.

Equal Opportunities policies and practices are regularly reviewed. During the year a confidential employee questionnaire was sent to a wide cross section of UK employees to monitor their attitude to recent initiatives.

## 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 (35,841,062 — 4.3%) and Nutraco Nominees Limited (35,125,754 — 4.2%).

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 1994 amounted to £258,946. The Company made no political donations in the year.

## 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

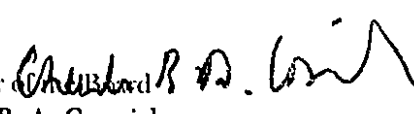
The auditors, KPMG Peat Marwick, have informed the Company that they will practise under the name KPMG with effect from 6th February 1995. In accordance with section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the Group is to be proposed at the Annual General Meeting.

## Post balance sheet events

On 11th January 1995, the Board approved the signing of a letter of intent between The Rank Organisation Plc and Xerox Corporation for Xerox Corporation to acquire 40% of Rank's financial interest in Rank Xerox for a cash sum of £620 million.

Rank also proposes to buy in the outstanding shares in A. Kershaw & Sons, Plc not already owned by Rank by way of a scheme of arrangement.

Further details are set out in note 33.

By Order   
Charles B. A. Cormick  
Secretary

11th January 1995

# 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 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 33 to 61.

### **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

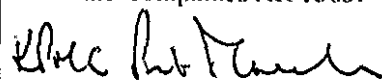
and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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 1994 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

11th January 1995

## GROUP PROFIT &amp; LOSS ACCOUNT

<i>For the year ended 31st October 1994</i>	<i>Note</i>	1994 £m	1993 £m
<b>Turnover</b>			
Continuing operations.....		2,169.1	1,974.8
Discontinued operations .....		30.3	132.0
	<i>2</i>	<u>2,199.4</u>	<u>2,106.8</u>
<b>Operating profit</b>			
Continuing operations.....		229.8	207.7
Discontinued operations .....		(2.8)	(7.3)
	<i>2</i>	<u>227.0</u>	<u>200.4</u>
<b>Non-operating items</b>			
Profit less loss on disposal of continuing operations' properties .....		2.0	9.0
Profit on disposal of continuing operations.....		—	5.0
Loss less profit on disposal of discontinued operations .....		(32.6)	(12.0)
	<i>3</i>	<u>(30.6)</u>	<u>2.0</u>
<b>Income from interests in associated undertakings</b>			
Rank Xerox before restructuring costs .....	<i>13</i>	213.5	151.2
Rank Xerox restructuring costs .....	<i>13</i>	(62.0)	—
		151.5	151.2
Others .....	<i>13</i>	11.1	11.5
		<u>162.6</u>	<u>162.7</u>
<b>Profit before interest</b>			
Interest (net) .....	<i>4</i>	(75.0)	(88.5)
<b>Profit on ordinary activities before tax</b>			
Tax on profit on ordinary activities.....	<i>5</i>	(111.3)	(103.6)
<b>Profit on ordinary activities after tax</b>			
Minority interests (including non-equity interests).....	<i>21</i>	(4.6)	(4.8)
<b>Profit for the financial year</b>			
Dividends and other appropriations		168.1	168.2
Preference .....	<i>7</i>	(20.9)	(20.9)
Ordinary.....	<i>7</i>	(110.0)	(5.9)*
<b>Transfer to reserves</b>			
	<i>20</i>	<u>37.2</u>	<u>111.4</u>
<b>Earnings per Ordinary share</b>			
Headline earnings per Ordinary share.....	<i>8</i>	17.9p	18.6p
	<i>8</i>	<u>21.2p</u>	<u>18.5p</u>

\*Excludes Enhanced Share Alternative in 1993

## GROUP RECOGNISED GAINS & LOSSES

	1994	1993
<i>For the year ended 31st October 1994</i>	£m	£m
Profit for the financial year.....	168.1	168.2
Net reduction in valuation of properties.....	—	(18.8)
Tax released from (provided against) revaluation reserve.....	1.6	(1.6)
Currency translation differences on foreign currency net investments.....	(6.0)	(31.2)
	(4.4)	(51.6)
<b>Total recognised gains &amp; losses for the year.....</b>	<b>163.7</b>	<b>116.6</b>

## GROUP HISTORICAL COST PROFITS & LOSSES

	1994	1993
<i>For the year ended 31st October 1994</i>	£m	£m
Profit on ordinary activities before tax.....	284.0	276.6
Realisation of property revaluation gains of previous years.....	32.3	62.7
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount.....	0.8	0.9
<b>Historical cost profit on ordinary activities before tax.....</b>	<b>317.1</b>	<b>340.2</b>
Historical cost profit retained after tax, minority interests and dividends.....	69.3	195.8

## MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
<i>For the year ended 31st October 1994</i>	1994	1993	1994	1993
	£m	£m	£m	£m
Profit for the financial year.....	168.1	168.2	196.9	(27.8)
Dividends payable.....	(128.8)	(21.7)	(128.8)	(21.7)
Other recognised gains & losses (net).....	(4.4)	(51.6)	—	—
Issue of ordinary share capital.....	32.3	0.1	32.3	0.1
Goodwill realised on closure or disposal.....	6.6	12.6	—	—
Elimination of goodwill arising in the year.....	(0.8)	(1.8)	—	—
Other movements.....	0.1	0.2	—	—
<b>Net movement in shareholders' funds.....</b>	<b>73.1</b>	<b>103.0</b>	<b>100.4</b>	<b>(52.1)</b>
<b>Shareholders' funds at 31st October 1993.....</b>	<b>1,485.7</b>	<b>1,382.7</b>	<b>1,458.8</b>	<b>1,511.2</b>
<b>Shareholders' funds at 31st October 1994.....</b>	<b>1,558.8</b>	<b>1,485.7</b>	<b>1,559.2</b>	<b>1,458.8</b>

## BALANCE SHEETS

At 31st October 1994	Note	Group		Company	
		1994 £m	1993 £m	1994 £m	1993 £m
<b>Fixed assets</b>					
Tangible assets .....	9	1,514.8	1,528.1	2.1	2.2
Investments .....	11	809.8	812.8	2,963.6	3,226.4
		<u>2,324.6</u>	<u>2,335.9</u>	<u>2,965.7</u>	<u>3,228.6</u>
<b>Current assets</b>					
Stocks .....	14	141.9	151.7	—	—
Debtors (amounts falling due within one year) .....	15	261.7	284.1	32.8	53.6
Debtors (amounts falling due after more than one year) .....	15	172.1	153.1	54.8	36.9
Cash and deposits .....	16	131.6	43.0	36.7	1.2
		<u>707.3</u>	<u>631.9</u>	<u>124.3</u>	<u>91.7</u>
<b>Creditors (amounts falling due within one year)</b>					
Loan capital and borrowings .....	16	(119.7)	(19.3)	(28.3)	(36.8)
Other .....	17	(502.0)	(385.4)	(1,191.7)	(1,452.2)
		<u>(621.7)</u>	<u>(404.7)</u>	<u>(1,220.0)</u>	<u>(1,489.0)</u>
<b>Net current assets (liabilities)</b> .....		<u>85.6</u>	<u>197.2</u>	<u>(1,095.7)</u>	<u>(1,397.3)</u>
<b>Total assets less current liabilities</b> .....		<u>2,410.2</u>	<u>2,533.1</u>	<u>1,870.0</u>	<u>1,831.3</u>
<b>Creditors (amounts falling due after more than one year)</b>					
Loan capital and borrowings .....	16	(770.9)	(919.0)	(308.3)	(357.7)
Other .....	17	(5.2)	(13.6)	(0.5)	(9.9)
		<u>(776.1)</u>	<u>(932.6)</u>	<u>(308.8)</u>	<u>(367.6)</u>
<b>Provisions for liabilities and charges</b> .....	18	<u>(27.5)</u>	<u>(37.7)</u>	<u>(2.0)</u>	<u>(7.9)</u>
		<u>1,606.6</u>	<u>1,532.8</u>	<u>1,559.2</u>	<u>1,458.8</u>
<b>Capital and reserves</b>					
Called up share capital .....	20	128.5	127.3	128.5	127.3
Share premium account .....	20	514.4	483.3	514.4	483.3
Capital redemption reserve .....	20	1.3	1.3	1.3	1.3
Revaluation reserves .....	20	143.4	172.8	152.0	152.0
Other reserves .....	20	771.2	701.0	763.0	694.9
<b>Shareholders' funds</b> .....		<u>1,558.8</u>	<u>1,485.7</u>	<u>1,559.2</u>	<u>1,458.8</u>
Equity interests .....		1,349.5	1,278.5	1,349.9	1,251.6
Non-equity interests .....		209.3	207.2	209.3	207.2
<b>Minority interests (including non-equity interests)</b> .....	21	<u>47.8</u>	<u>47.1</u>	<u>—</u>	<u>—</u>
		<u>1,606.6</u>	<u>1,532.8</u>	<u>1,559.2</u>	<u>1,458.8</u>

These accounts were approved by the Board on 11th January 1995 and signed on its behalf by:

Sir Leslie Fletcher *Chairman*

M.B. Gifford *Managing Director and Chief Executive*

## GROUP CASH FLOW STATEMENT

<i>For the year ended 31st October 1994</i>	<i>Note</i>	1994 £m	1993 £m
<b>Net cash inflow from operating activities</b> .....	<b>22</b>	<b>335.9</b>	<b>276.1</b>
<b>Returns on investment and servicing of finance</b>			
Interest received.....		15.4	13.2
Interest paid.....		(100.5)	(70.5)
Distributions from associated undertakings.....		84.2	96.5
Dividends paid to shareholders of the Company.....		(54.1)	(89.1)
Dividends paid to minority shareholders in subsidiary undertakings.....		(3.3)	(3.5)
<b>Net cash outflow from returns on investment and servicing of finance</b> .....		<b>(58.3)</b>	<b>153.1</b>
<b>Tax paid (net)</b> .....		<b>(25.6)</b>	<b>(12.5)</b>
<b>Investing activities</b>			
Purchase of tangible fixed assets.....		(200.8)	(163.7)
Purchase of investments.....		(6.7)	(19.7)
Purchase of subsidiaries and minorities.....	<b>27</b>	(1.3)	(0.7)
Utilisation of accruals and provisions.....		(6.9)	(11.5)
Sale of fixed assets and assets held for disposal.....		18.5	30.3
Sale of businesses.....	<b>28</b>	72.7	112.3
<b>Net cash outflow from investing activities</b> .....		<b>(124.5)</b>	<b>(56.0)</b>
<b>Net cash inflow before financing</b> .....		<b>127.5</b>	<b>121.2</b>
<b>Financing</b>			
Issue of ordinary share capital.....	<b>24</b>	(32.3)	(0.1)
Repayment of loans.....		47.5	187.1
Capital element of finance lease rental payments.....		3.8	1.5
Decrease in loans and finance lease obligations.....	<b>24</b>	51.3	191.6
<b>Net cash outflow from financing</b> .....		<b>19.0</b>	<b>191.5</b>
<b>Increase (decrease) in cash and cash equivalents</b> .....	<b>24</b>	<b>108.5</b>	<b>(67.3)</b>
		<b>127.5</b>	<b>121.2</b>



## ACCOUNTING POLICIES

**I BASIS OF PREPARATION**

The accounts are prepared under the historical cost convention, modified by the revaluation of land and buildings, and comply with applicable accounting standards on a basis consistent with the previous year. 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 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:

	1994		1993	
	Year end	Average	Year end	Average
US dollar	1.63	1.32	1.49	1.52
Japanese yen	158	158	161	172
French franc	8.40	8.55	8.72	8.13
German mark	2.45	2.50	2.19	2.17
Dutch guilder	2.75	2.81	2.80	2.77

**III 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 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.

**(c) Interest receivable on instalment sales**

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

**IV 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.

**V 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.

**VI 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.

# ACCOUNTING POLICIES

## VII RESEARCH AND DEVELOPMENT EXPENDITURE

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

## VIII LAND AND BUILDINGS

Freehold land and buildings and leasehold properties with unexpired lease terms exceeding 20 years are revalued on a rolling cycle and the resultant valuation is included in the balance sheet.

Any revaluation deficit, calculated by reference to the previous carrying value, is recorded in the revaluation reserve to the extent that it is considered to be a temporary diminution in value. Any permanent diminution in value is charged to the profit and loss account after making any associated adjustment to the revaluation reserve.

The profit or loss on the disposal of a property is determined by reference to the property's net carrying amount.

## IX DEPRECIATION

No depreciation is provided on freehold land or on certain properties, which are freehold or held on lease for a 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 such that the depreciation would be insignificant.

Other freehold properties are depreciated on a straight line basis over 100 years or useful 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 defined benefit Scheme are assessed in accordance with the advice of a qualified actuary using the attained age method. Actuarial surpluses and deficiencies are recognised over the expected average remaining service lives of the employees. The pension costs relating to the UK defined contribution Scheme 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	
	1994 £m	1993 £m	1994 £m	1993 £m	1994 £m	1993 £m	1994 £m	1993 £m
Film and Television .....	680.1	571.7	66.9	19.4	335.1	357.1	78.1	29.2
Holidays .....	459.9	424.5	57.0	52.0	485.6	462.1	39.5	17.3
Recreation .....	729.5	692.1	69.0	64.0	511.4	493.5	51.4	54.7
Leisure .....	281.7	269.4	47.7	19.1	334.7	313.8	3.5	13.0
Other .....	17.9	17.1	(10.8)	(6.8)	9.6	8.6	(13.2)	(6.3)
Continuing operations.....	2,169.1	1,974.8	229.8	207.7	1,676.4	1,635.1	159.3	137.9
Discontinued operations .....	30.3	132.0	(2.8)	(7.3)	31.7	122.1	58.8	104.0
	<u>2,199.4</u>	<u>2,106.8</u>	<u>227.0</u>	<u>200.4</u>	<u>1,708.1</u>	<u>1,757.2</u>	<u>218.1</u>	<u>239.8</u>
Share of associated undertakings:								
Rank Xerox .....			151.5	151.2	606.9	586.5	61.5	72.1
Universal Studios Florida .....			11.4	13.0	171.1	199.9	22.7	21.1
Other .....			(0.3)	(1.5)	31.8	26.4	(6.7)	(19.7)
			<u>162.6</u>	<u>162.7</u>	<u>809.8</u>	<u>812.8</u>	<u>77.5</u>	<u>76.8</u>
			<u>389.6</u>	<u>363.1</u>	<u>2,517.9</u>	<u>2,570.0</u>	<u>295.6</u>	<u>316.6</u>
Non-operating items .....			(30.6)	2.0				
Interest .....			(75.0)	(88.5)			(85.1)	(57.3)
Profit before tax .....			<u>284.0</u>	<u>276.6</u>				
Tax and dividends .....					(102.3)	(17.0)	(83.0)	(135.1)
Other non-operating liabilities (net) .....					(50.0)	(61.9)		
Net borrowings .....					(759.0)	(955.3)		
					<u>1,606.6</u>	<u>1,532.8</u>	<u>127.5</u>	<u>124.2</u>

## Analysis by geographical area

	Turnover by origin		Operating profit by origin		Year end net operating assets		Turnover by destination	
	1994 £m	1993 £m	1994 £m	1993 £m	1994 £m	1993 £m	1994 £m	1993 £m
United Kingdom .....	1,482.5	1,381.1	141.8	131.1	1,276.4	1,212.9	1,434.0	1,338.7
North America .....	607.3	515.1	74.0	64.2	348.1	373.8	612.1	519.9
Rest of the World .....	79.3	75.6	14.0	9.1	51.9	18.1	123.0	116.2
Continuing operations.....	2,169.1	1,974.8	229.8	207.7	1,676.4	1,635.1	2,169.1	1,974.8
Discontinued operations .....	30.3	132.0	(2.8)	(7.3)	31.7	122.1	30.3	132.0
	<u>2,199.4</u>	<u>2,106.8</u>	<u>227.0</u>	<u>200.4</u>	<u>1,708.1</u>	<u>1,757.2</u>	<u>2,199.4</u>	<u>2,106.8</u>

Inter-segmental turnover is not material.

The Directors have revised the geographical areas in the segmental analysis and the basis for allocating corporate costs to divisions to align more closely with the Group's structure. The prior year figures have been restated on a consistent basis.

Details of the results of the principal associated undertakings are given on pages 60 and 61. In accordance with the exemption allowed under Statement of Standard Accounting Practice 25, Rank Xerox does not disclose segmental information as, in the opinion of its directors, such disclosure would be seriously prejudicial to its interests.

NOTES TO THE ACCOUNTS

**2 TURNOVER AND OPERATING PROFIT**

	1994			1993		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£m	£m	£m	£m	£m	£m
Turnover .....	2,169.1	30.3	2,199.4	1,974.8	132.0	2,106.8
Cost of sales .....	(1,635.7)	(24.0)	(1,659.7)	(1,491.8)	(112.0)	(1,603.8)
Gross profit .....	533.4	6.3	539.7	483.0	20.0	503.0
Distribution costs .....	(116.6)	(3.8)	(120.4)	(116.5)	(15.3)	(131.8)
Administrative expenses .....	(191.7)	(5.4)	(197.1)	(162.2)	(12.2)	(174.4)
Other operating income .....	4.7	0.1	4.8	3.4	0.2	3.6
Operating profit .....	229.8	(2.8)	227.0	207.7	(7.3)	200.4

Turnover includes £18.4m (1993 £17.7m) in respect of interest receivable on instalment sales.

	1994	1993
	£m	£m
Operating profit is stated after charging the following items:		
Depreciation of tangible fixed assets .....	109.6	110.1
Operating lease payments — land and buildings .....	32.8	32.6
— plant and machinery .....	4.0	6.0
Research and development expenditure (net of recoveries) .....	9.5	7.9
Auditors' remuneration (Company £NIL (1993 £NIL)) .....	1.6	1.9
Other fees paid to Auditors — UK .....	0.9	0.1
— overseas .....	0.3	—

**3 NON-OPERATING ITEMS**

	1994	1993
	£m	£m
Profit on disposal of continuing operations' properties .....	2.8	12.5
Loss on disposal of continuing operations' properties .....	(0.8)	(3.5)
	2.0	9.0
Profit on disposal of continuing operations .....	—	5.0
Profit (including release of provisions) on disposal of discontinued operations .....	9.1	0.7
Loss (including provision for loss) on closure or disposal of discontinued operations (net of goodwill of £6.6m (1993 £12.6m)) .....	(41.7)	(12.7)
	(32.6)	(12.0)
Non-operating items before tax .....	(30.6)	2.0

The tax credit attributable to non-operating items is £3.1m (1993 charge £0.5m).

# NOTES TO THE ACCOUNTS

## 4 INTEREST

	1994 £m	1993 £m
Interest payable on bank loans and overdrafts	26.2	11.1
Interest payable on other loans fully repayable within five years	26.9	20.8
Interest payable on other loans not fully repayable within five years	35.0	37.0
Finance charges on finance leases	1.5	1.4
	89.6	100.3
Interest receivable other than on instalment sales	(16.0)	(13.2)
Amortisation of interest capitalised (Note 13)	1.4	1.4
Net interest charge	75.0	88.5

Interest payable is shown net of £3.0m (1993 £0.4m) interest capitalised.

## 5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1994				1993			
	Associated undertakings				Associated undertakings			
	Company and its subsidiaries £m	Rank Xerox companies £m	Others £m	Total £m	Company and its subsidiaries £m	Rank Xerox companies £m	Others £m	Total £m
<b>United Kingdom corporation tax</b>								
Current	20.1	1.1	—	21.2	25.5	(1.4)	—	24.1
Deferred	(1.6)	12.2	—	10.6	(6.5)	5.5	—	(1.0)
ACT written off	11.0	—	—	11.0	13.6	—	—	13.6
	29.5	13.3	—	42.8	32.6	4.1	—	36.7
<b>Overseas tax</b>								
Current	8.7	73.4	—	82.1	1.5	52.3	—	56.8
Deferred	—	(13.6)	—	(13.6)	1.6	8.5	—	10.1
	8.7	59.8	—	68.5	6.1	60.8	—	66.9
	38.2	73.1	—	111.3	38.7	64.9	—	103.6

### Company and its subsidiaries

United Kingdom corporation tax on profits for the year has been provided at 33.0% (1993 33.0%). The United Kingdom tax charge is stated after crediting double tax relief of £0.4m (1993 £0.3m) in respect of income of subsidiary undertakings.

### Rank Xerox companies

The charge for United Kingdom corporation tax has been provided at 33.0% (1993 33.0%). The total charge or relief of £17.4m in respect of restructuring costs.

## 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 £196.9m (1993 loss £27.8m). As allowed 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

	1994	1993
	£m	£m
<b>Convertible redeemable preference shares</b>		
Dividends payable for year	18.8	18.8
Provision for redemption premium	2.1	2.1
	<u>20.9</u>	<u>20.9</u>

## Ordinary shares

	Per share		1994	1993
	1994	1993		
Interim paid	4.25p	—	35.3	—
Special interim dividend paid	—	12.16p	—	5.9
Final proposed	9.00p	—	74.7	—
	<u>13.25p</u>	<u>12.16p</u>	<u>110.0</u>	<u>5.9</u>
			<u>130.9</u>	<u>26.8</u>

In 1993, the timing of dividend payment for the year was accelerated, with the total for the year being paid as a special interim dividend of 31.0p per Ordinary share of 25p with an Enhanced Share Alternative. After adjustment for the subdivision of the Ordinary shares that took place in March 1994 and for the effects of Enhanced Share Alternative, this is restated to 12.16p per share (of which 4.03p would normally have been paid in the first half year). Holders of 93.8% of shares elected for the Enhanced Share Alternative which was entirely accounted for as a bonus issue. Holders of the remaining 6.2% of shares received the special interim dividend.

## 8 EARNINGS PER ORDINARY SHARE

The calculation of earnings per Ordinary share is based upon profit for the financial year of £168.1m from which is deducted Preference dividends totalling £20.9m giving earnings of £147.2m (1993 £147.3m) and on the weighted average number of Ordinary shares in issue during the year of 821,406,000 (1993 791,743,000 shares). Headline earnings per Ordinary share are based on earnings of £174.7m (1993 £146.3m) 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 on pages 5 and 6 of the Operating and Financial Review. The earnings per share would not be lower if calculated on a fully diluted basis. The 1993 comparatives have been restated to reflect the subdivision of Ordinary shares.

## 9 TANGIBLE ASSETS

Company	Leasehold land and buildings £m	Fixtures fittings tools and equipment £m	Total £m
Additions	0.1	—	0.1
Cost at 31st October 1994	<u>1.5</u>	<u>3.1</u>	<u>4.6</u>
Depreciation at 31st October 1993	0.6	1.7	2.3
Depreciation for year	0.1	0.1	0.2
Depreciation at 31st October 1994	<u>0.7</u>	<u>1.8</u>	<u>2.5</u>
Net book amount at 31st October 1994	<u>0.8</u>	<u>1.3</u>	<u>2.1</u>
Net book amount at 31st October 1993	<u>0.8</u>	<u>1.4</u>	<u>2.2</u>

The net book amount of leasehold land and buildings at 31st October 1994 includes £0.8m (1993 £0.8m) 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 £m	land and buildings £m	tools and equipment £m	and machinery £m	
Cost or valuation at 31st October 1993 .....	763.6	381.4	618.4	182.0	1,975.4
Currency translation adjustment .....	(0.5)	(2.8)	(3.5)	(9.4)	(21.2)
Additions .....	35.1	26.1	90.7	57.0	209.2
Disposals .....	(9.9)	(57.0)	(59.0)	(31.1)	(157.3)
Transfers including from current assets .....	(1.9)	1.7	2.5	(3.9)	(1.6)
Cost or valuation at 31st October 1994 .....	781.7	349.4	679.1	194.3	2,004.5
At cost .....	136.1	117.9	679.1	194.3	1,127.7
At valuation in 1991 .....	29.5	4.3	—	—	33.8
At valuation in 1992 .....	122.2	69.1	—	—	191.3
At valuation in 1993 .....	493.6	158.1	—	—	651.7
Cost or valuation at 31st October 1994 .....	781.7	349.4	679.1	194.3	2,004.5
Depreciation at 31st October 1993 .....	20.6	22.5	320.0	89.2	452.3
Currency translation adjustment .....	(0.5)	(0.8)	(1.7)	(1.8)	(7.8)
Disposals .....	(4.6)	(2.7)	(35.4)	(22.9)	(65.6)
Depreciation for year .....	6.8	6.3	70.7	25.8	109.6
Provision for loss on disposal .....	—	0.2	—	0.1	0.3
Transfers including from current assets .....	—	—	(0.3)	1.2	0.9
Depreciation at 31st October 1994 .....	22.3	25.5	353.3	88.6	489.7
Net book amount at 31st October 1994 .....	759.4	323.9	325.8	105.7	1,514.8
Net book amount at 31st October 1993 .....	743.0	358.9	328.4	92.8	1,523.1

(a) The net book amount of land and buildings includes £865.5m (1993 £926.8m) in respect of assets carried at valuation.

(b) The total amount of land and buildings as determined under the historical cost accounting rules was cost £1,063.7m (1993 £1,047.7m), accumulated depreciation £97.7m (1993 £93.6m) and net book amount £966.0m (1993 £954.1m).

(c) Land and buildings with a net book amount of £900.8m (1993 £926.8m) are not depreciated. The net book amount of leasehold land and buildings at 31st October 1994 includes £162.6m (1993 £158.0m) in respect of leases with less than 50 years to run. The net book amount of tangible assets includes £6.8m (1993 £6.3m) interest capitalised.

(d) The net book amount of plant and machinery includes £27.6m (1993 £5.4m) in respect of assets in the course of construction.

(e) The net book amount of plant and machinery includes £21.5m (1993 £18.3m) in respect of assets held under finance leases. The depreciation charge in respect of these assets was £2.2m (1993 £1.7m).

# NOTES TO THE ACCOUNTS

## 10 COMMITMENTS

### Future capital expenditure

At 31st October 1994 commitments for capital expenditure amounted to £53.5m (1993 £31.1m) for the Group and £NIL (1993 £0.2m) for the Company. Expenditure authorised by the Directors but not contracted amounted to £111.4m (1993 £77.3m) for the Group and £NIL (1993 £0.2m) for the Company.

### Group rental commitments over the periods of leases

The commitment at 31st October 1994 to make payments on operating leases in the following year was:

	Land and buildings		Plant and machinery	
	1994	1993	1994	1993
	£m	£m	£m	£m
Leases expiring in one year .....	1.6	0.9	0.6	1.3
Leases expiring in two to five years .....	5.8	6.1	1.5	3.5
Leases expiring in more than five years .....	26.2	24.1	—	0.1
	<u>33.6</u>	<u>31.1</u>	<u>2.1</u>	<u>4.9</u>

### Forward foreign exchange contracts

At 31st October 1994 contracts for the Group were £78.4m (1993 £72.5m) and for the Company £NIL (1993 £NIL) all of which were in the ordinary course of business.

## 11 INVESTMENTS

	Note	Group		Company	
		1994	1993	1994	1993
		£m	£m	£m	£m
Subsidiary undertakings .....	12	—	—	2,963.6	3,226.4
Associated undertakings .....	13	809.8	812.8	—	—
		<u>809.8</u>	<u>812.8</u>	<u>2,963.6</u>	<u>3,226.4</u>

## 12 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares at valuation	Shares at cost	Loans advances	Provisions	Net book amount
	£m	£m	£m	£m	£m
Balances at 31st October 1993 .....	155.3	2,043.6	1,160.6	(133.1)	3,226.4
Additions .....	—	—	136.6	—	136.6
Disposals/repayments .....	—	(1.7)	(463.5)	19.7	(448.5)
Provisions released .....	—	—	—	49.1	49.1
Balances at 31st October 1994 .....	<u>155.3</u>	<u>2,038.9</u>	<u>833.7</u>	<u>(64.3)</u>	<u>2,963.6</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 (1993 £16.0m) 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 58 and 59.



## NOTES TO THE ACCOUNTS

## 13 INTERESTS IN ASSOCIATED UNDERTAKINGS

	Group share		Total £m
	Participating interests at cost £m	of post acquisition reserves £m	
<b>Rank Xerox companies (unlisted)</b>			
Balances at 31st October 1993 .....	21.5	562.0	586.5
Currency translation adjustment .....	—	3.5	3.5
Profits less losses for the year less dividends receivable (see below).....	—	16.9	16.9
Balances at 31st October 1994 .....	21.5	582.4	606.9
<b>Other (unlisted)</b>			
Balances at 31st October 1993 .....	193.6	32.7	226.3
Currency translation adjustment .....	(16.1)	(2.9)	(19.0)
Additions .....	8.6	—	8.6
Capital distributions.....	(11.4)	—	(11.4)
Amortisation of interest capitalised.....	(1.4)	—	(1.4)
Profits less losses for the year less dividends receivable (see below).....	—	(0.2)	(0.2)
Balances at 31st October 1994 .....	173.3	29.6	202.9
Net book amount at 31st October 1994 .....	197.8	612.0	809.8
Net book amount at 31st October 1993 .....	218.1	591.7	812.8

Included in other associates' participating interests is £200.6m (1993 £223.5m) in respect of the Group's interests in the Universal Studios Florida and Universal City Development partnerships. These amounts include £13.3m (1993 £14.1m) interest capitalised.

	Rank Xerox companies		Others	
	1994 £m	1993 £m	1994 £m	1993 £m
<b>Share of retained profit for the year</b>				
Share of profits less losses before restructuring costs and taxation .....	213.5	151.2	11.1	11.5
Share of restructuring costs .....	(62.0)	—	—	—
Share of taxation (note 5).....	(73.1)	(61.9)	—	—
	78.4	86.3	11.1	11.5
Dividends and distributions receivable by the Group .....	(61.5)	(68.2)	(11.3)	(12.1)
Profits less losses for the year less dividends receivable .....	1	18.1	(0.2)	(0.9)
Minority interests.....	( )	(0.5)	—	—
Amounts retained attributable to shareholders of the Company..	16.4	17.6	(0.2)	(0.9)

Details of principal associated undertakings are given on pages 60 and 61.

## NOTES TO THE ACCOUNTS

## 14 STOCKS

	Group	
	1994 £m	1993 £m
Raw materials.....	24.0	21.1
Work in progress.....	15.3	11.9
Finished goods and goods for resale.....	40.3	67.9
Film productions.....	28.9	13.1
Completed properties for resale.....	9.8	10.8
Property developments in progress.....	23.6	20.6
	<u>141.9</u>	<u>151.7</u>

Interest capitalised included in completed properties for resale and property developments in progress amounted to £0.7m (1993 £0.8m).

## 15 DEBTORS

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
<b>Amounts falling due within one year</b>				
Trade debtors.....	151.0	167.6	0.6	0.6
Amounts owed by subsidiary undertakings.....	—	—	17.9	51.5
Other debtors.....	32.6	32.9	13.9	0.7
Assets held for disposal.....	10.9	10.2	—	—
Prepayments and accrued income.....	48.7	55.5	0.4	0.8
Instalment sale debtors.....	9.8	10.1	—	—
Notes receivable.....	8.7	7.8	—	—
	<u>261.7</u>	<u>284.1</u>	<u>32.8</u>	<u>53.6</u>
<b>Amounts falling due after more than one year</b>				
Trade debtors.....	7.7	1.5	—	—
Other debtors.....	17.8	14.7	—	—
Prepayments and accrued income.....	22.4	25.6	—	—
Instalment sale debtors.....	51.5	55.0	—	—
Notes receivable.....	53.7	51.0	—	—
Advance Corporation Tax recoverable.....	19.0	2.3	54.8	36.9
	<u>172.1</u>	<u>158.1</u>	<u>54.8</u>	<u>36.9</u>
<b>Total</b> .....	<u>433.8</u>	<u>437.2</u>	<u>87.6</u>	<u>90.5</u>

## NOTES TO THE ACCOUNTS

## 16 LOAN CAPITAL, BORROWINGS, SHORT TERM DEPOSITS AND CASH

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Bank overdrafts.....	8.1	29.7	6.1	21.8
Bank loans:				
Amounts repayable				
Within one year or on demand.....	51.3	15.0	22.2	15.0
Between one and two years.....	210.9	50.4	209.7	50.4
Between two and five years.....	—	214.1	—	209.0
In five years or more.....	0.3	—	—	—
	<u>262.5</u>	<u>309.5</u>	<u>231.9</u>	<u>274.4</u>
Other borrowings:				
Amounts repayable				
Within one year.....	60.3	4.6	—	—
Between one and two years.....	41.6	6.3	—	—
Between two and five years.....	160.6	218.0	—	—
In five years or more.....	357.5	130.2	98.6	98.3
	<u>620.0</u>	<u>659.1</u>	<u>98.6</u>	<u>98.3</u>
<b>Total</b> .....	<u>890.6</u>	<u>998.3</u>	<u>336.6</u>	<u>394.5</u>
Secured.....	12.1	3.9	—	—
Unsecured.....	860.3	977.9	336.6	394.5
Obligations under finance leases.....	18.2	16.5	—	—
<b>Total</b> .....	<u>890.6</u>	<u>998.3</u>	<u>336.6</u>	<u>394.5</u>
Amounts due within one year or on demand.....	119.7	49.3	28.3	36.8
Amounts due after more than one year.....	770.9	949.0	308.3	357.7
<b>Loan capital and borrowings</b> .....	<u>890.6</u>	<u>998.3</u>	<u>336.6</u>	<u>394.5</u>
Short term deposits.....	79.8	7.2	30.4	—
Cash at bank and in hand.....	51.8	35.8	6.3	4.2
<b>Cash and deposits</b> .....	<u>131.6</u>	<u>43.0</u>	<u>36.7</u>	<u>4.2</u>
<b>Net borrowings</b> .....	<u>759.0</u>	<u>955.3</u>	<u>299.9</u>	<u>390.3</u>

Borrowings of £12.1m (1993 £3.9m) are secured by either fixed or floating charges on various assets and certain subsidiary undertakings.

Borrowings shown above include:

(a) borrowings not fully repayable within five years totalling £495.4m (1993 £541.1m) for the Group and £NIL (1993 £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 7.7% (1993 8.0%),

(b) £98.6m (1993 £98.3m) for both the Group and the Company in respect of a 8½% Eurosterling bond redeemable at par in 2000, and

(c) bank loans repayable between one and five years of £207.1m (1993 £286.0m) for the Group and £205.9m (1993 £252.2m) for the Company which are repayable within one year but have been borrowed under committed facilities. These amounts can be refinanced on maturity from these same facilities and have therefore been classified as long term borrowings.

# NOTES TO THE ACCOUNTS

## 17 OTHER CREDITORS

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
<b>Amounts falling due within one year</b>				
Payments received on account	16.6	17.7	—	—
Trade creditors	184.5	173.5	1.5	1.5
Amounts owed to subsidiary undertakings	—	—	1,065.5	1,120.2
United Kingdom corporation tax	12.8	12.3	—	1.6
Overseas taxation	6.4	1.8	—	—
Advance Corporation Tax	23.5	—	18.7	—
Other tax and social security	18.7	28.0	0.3	1.5
Other creditors	31.5	30.3	3.2	1.3
Accruals and deferred income	126.6	115.5	23.1	21.4
Dividends:				
Accrued on Preference shares	4.7	4.7	4.7	1.7
Payable and proposed on Ordinary shares	74.7	—	74.7	—
Minority shareholders of subsidiaries	2.0	1.6	—	—
	<b>502.0</b>	<b>385.4</b>	<b>1,191.7</b>	<b>1,452.2</b>
<b>Amounts falling due after more than one year</b>				
Payments received on account	0.5	—	—	—
Overseas taxation	1.3	0.2	—	—
Other creditors	3.0	3.3	—	0.3
Accruals and deferred income	0.4	10.1	0.5	9.6
	<b>5.2</b>	<b>13.6</b>	<b>0.5</b>	<b>9.9</b>

## 18 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred	Acquisition	Other	Total
	taxation	provisions	provisions	
	£m	£m	£m	£m
<b>Group</b>				
Balances at 31st October 1993	9.7	6.8	21.2	37.7
Currency translation adjustment	(0.2)	(0.3)	(0.4)	(0.9)
Charged to the profit and loss account in the year	—	—	5.8	5.8
Released to the profit and loss account in the year	(1.6)	(0.1)	(9.2)	(10.9)
Transfer to current taxation	(5.9)	—	—	(5.9)
Advance Corporation Tax recoverable	5.9	—	—	5.9
Utilised during the year	—	(2.6)	(1.6)	(4.2)
Balances at 31st October 1994	<b>7.9</b>	<b>3.8</b>	<b>15.8</b>	<b>27.5</b>
<b>Company</b>				
Balances at 31st October 1993	(1.1)	—	9.0	7.9
Charged (released) to the profit and loss account in the year	5.4	—	(8.7)	(3.3)
Advance Corporation Tax recoverable	(2.6)	—	—	(2.6)
Balances at 31st October 1994	<b>1.7</b>	<b>—</b>	<b>0.3</b>	<b>2.0</b>

Other provisions at 31st October 1994 principally represent closure costs in respect of the termination of activities.

## NOTES TO THE ACCOUNTS

## 19 DEFERRED TAXATION

	Provided				Not provided			
	Group		Company		Group		Company	
	1994	1993	1994	1993	1994	1993	1994	1993
	£m	£m	£m	£m	£m	£m	£m	£m
Capital allowances.....	17.3	21.7	14.3	10.6	50.7	16.8	—	—
Other timing differences.....	(6.9)	(9.5)	(10.0)	(11.7)	2.7	(0.3)	—	—
Revaluation surplus.....	6.2	12.1	—	—	—	—	—	—
	16.6	24.3	4.3	(1.1)	53.4	16.5	—	—
Advance Corporation Tax.....	(8.7)	(14.6)	(2.6)	—	—	—	—	—
	7.9	9.7	1.7	(1.1)	—	—	—	—

The above figures exclude:

(a) unrecovered Advance Corporation Tax of £42.4m (1993 £31.4m)

(b) taxation payable in the event of profits of certain overseas subsidiary and associated undertakings being distributed

(c) taxation payable 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

(d) taxation payable 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

	1994			1993		
	Authorised	Issued and fully paid	Nominal	Authorised	Issued and fully paid	Nominal
	£m	Number	Value	£m	Number	Value
		m	£m		m	£m
US\$ Cumulative Preference shares.....	3.2	—	—	3.2	—	—
Convertible Cumulative Redeemable Preference shares of 20p each.....	60.0	227.7	45.6	60.0	227.8	45.6
Ordinary shares of 10p each.....	108.8	829.2	82.9	108.8	817.4	81.7
	172.0		128.5	172.0		127.3

In March 1994 in a capital reorganisation, the Company's existing Ordinary shares of 25p were subdivided into Ordinary shares of 10p each. This had the effect of increasing the number of Ordinary shares by 2.5 times. Accordingly, all references in this note to Ordinary shares are expressed in terms of Ordinary shares of 10p each.

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 up to 2008 into Ordinary shares of 10p each at a rate equivalent to 27.09 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.

37,525 Ordinary shares were issued on 13th April 1994 by virtue of the conversion of 138,522 Preference shares. A further 11,769,237 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 5,911,312 (1993 5,209,890) Ordinary shares at prices between 194.78p and 247.80p per share exercisable by 2000.

Under the Executive Share Option Scheme, approved by shareholders on 14th March 1985, Directors and executives hold options to subscribe for up to 5,829,232 (1993 4,631,890) Ordinary shares at prices ranging between 243.08p and 407.60p per share exercisable by 2004. Under the Overseas Executive Share Option Plan, approved by shareholders on 15th March 1989, executives hold options to subscribe for up to 2,904,173 (1993 3,028,027) Ordinary shares at prices ranging between 231.84p and 407.60p per share exercisable by 2004.

## NOTES TO THE ACCOUNTS

**20 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 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.

	Share capital		Total £m	Share premium account
	Preference £m	Ordinary £m		£m
<b>Movements in share capital and share premium account</b>				
Balances at 31st October 1993	45.6	81.7	127.3	183.3
Issue of Ordinary shares in the year	—	1.2	1.2	31.3
Issue expenses	—	—	—	(0.9)
Balances at 31st October 1994	45.6	82.9	128.5	514.4

**Capital redemption reserve**

	Group £m	Company £m
Balances at 31st October 1993 and 31st October 1994	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 1993	139.2	33.6	172.8	152.0
Currency translation adjustments	1.2	(2.8)	(1.6)	—
Transfer on disposal (net of tax)	(28.3)	—	(28.3)	—
Tax on revaluation surplus	1.6	—	1.6	—
Transfer of depreciation on revaluation	(0.8)	—	(0.8)	—
Realisation of revaluation surplus	(0.3)	—	(0.3)	—
Balances at 31st October 1994	112.6	30.8	143.4	152.0

The Company's revaluation reserve arises in respect of the revaluation of its investment in a subsidiary undertaking as set out in Note 12.

	Company and its subsidiaries		Associated under- takings	Total
	Preference redemption £m	Other £m	£m	£m
<b>Movements in other reserves</b>				
<b>Group</b>				
Balances at 31st October 1993	6.6	152.9	541.5	701.0
Currency translation adjustments	—	(7.9)(a)	3.5	(1.4)
Surplus on profit and loss account for the year	—	21.0	16.2	37.2
Transfer of depreciation on revaluation	—	0.8	—	0.8
Provision for redemption premium	2.1	—	—	2.1
Realisation of revaluation surplus	—	0.3	—	0.3
Transfer on disposal of fixed assets (net of tax)	—	28.3	—	28.3
Other	—	0.1	—	0.1
Elimination of goodwill arising in the year	—	(0.8)	—	(0.8)
Goodwill realised on closure of business	—	6.6	—	6.6
Balances at 31st October 1994	8.7	201.3	561.2(b)	771.2

(a) £5.0m of the £7.9m arises from the translation of foreign currency borrowings less deposits.

(b) Includes £562.1m in respect of Rank Xerox companies.

50 The total cumulative goodwill eliminated against reserves at 31st October 1994 amounted to £757.2m (1993 £787.7m).

NOTES TO THE ACCOUNTS

**20 CAPITAL AND RESERVES** continued

Movement in other reserves Company	Preference			Total £m
	Merger £m	redemption £m	Other £m	
Balances at 31st October 1993.....	385.0	6.6	303.3	694.9
Surplus on profit and loss account for the year .....	—	—	66.0	66.0
Provision for redemption premium .....	—	2.1	—	2.1
Balances at 31st October 1994.....	385.0	8.7	309.3(c)	763.0

(c) 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 1993 .....	22.1	25.0	47.1
Minority interest in the profit on ordinary activities after tax .....	2.6	2.0	4.6
Dividends payable to minority shareholders .....	(1.7)	(2.0)	(3.7)
Other movements .....	(0.2)	—	(0.2)
Balances at 31st October 1994 .....	22.8	25.0	47.8

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

	1994 £m	1993 £m
Operating profit .....	227.0	200.1
Depreciation.....	109.6	110.1
(Profit) less loss on sale of tangible fixed assets .....	(0.8)	1.8
(Increase) decrease in stocks.....	(15.6)	7.3
(Increase) in debtors.....	(4.3)	(23.3)
Increase (decrease) in creditors .....	21.2	(20.5)
Other items.....	(1.2)	0.3
Net cash inflow from operating activities .....	335.9	276.1

**23 CASH EFFECT OF NON-OPERATING ITEMS**

	1994 £m	1993 £m
Non-operating items before tax .....	(30.6)	2.0
Profit less loss on disposal of businesses .....	(1.2)	(0.5)
Profit less loss on disposal of properties .....	(2.0)	(9.0)
Writedown of businesses for closure or disposal .....	33.9	1.9
Non-cash (profit) less loss on terminated activities.....	(6.7)	5.6
Cash charges on terminated activities included in utilisation of accruals and provisions .....	(6.6)	—
Cash proceeds of disposed businesses.....	71.5	112.3
Cash proceeds of disposed properties included in proceeds from the sale of fixed assets .....	7.2	16.9
Cash effect of non-operating items before tax .....	72.1	159.2

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 1992	63.1	(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)
Net cash inflows per Cash Flow Statement	108.5	51.3	159.8	(32.3)
Loan balances of subsidiary undertaking acquired during year	—	(0.3)	(0.3)	—
Inception of finance leases	—	(5.4)	(5.4)	—
Net cash inflows before adjusting for the effects of exchange rates	108.5	45.6	151.1	(32.3)
Effect of exchange rates	(1.7)	43.9	42.2	—
Balances at 31st October 1994	103.4	(862.4)	(759.0)	(612.9)

Cash equivalents comprise short term deposits, which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less bank overdrafts and loans repayable within three months from the date of advance.

Loans and finance lease obligations are shown net of short term deposits of £3.0m (1993 £1.7m) with an initial maturity of more than three months.

**25 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS INCLUDED IN THE BALANCE SHEET**

	1994 £m	1993 £m	Change in year £m
Short term deposits	76.8	5.5	71.3
Cash at bank and in hand	51.8	35.8	16.0
Bank overdrafts and loans	(25.2)	(11.7)	19.5
	<u>103.4</u>	<u>(3.1)</u>	<u>106.8</u>

**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 £5.1m (1993 £8.6m).

**27 PURCHASE OF SUBSIDIARIES AND MINORITIES**

	1994 £m	1993 £m
Net assets (liabilities) acquired	0.5	(0.7)
Goodwill	0.8	1.8
	<u>1.3</u>	<u>1.1</u>
Satisfied by:		
Cash	1.3	0.7
Deferred consideration	—	0.4
	<u>1.3</u>	<u>1.1</u>



# NOTES TO THE ACCOUNTS

## 28 SALE OF BUSINESSES

	1994 £m	1993 £m
Net assets disposed of:		
Fixed assets	69.8	131.5
Stocks	0.1	0.5
Debtors	3.3	1.0
Creditors	(0.2)	(2.6)
Goodwill previously eliminated against reserves	78.0	130.4
Profit on disposal before tax (net)	—	12.6
Sale consideration	0.9	0.5
	<b>78.9</b>	<b>143.5</b>
Adjusted by:		
Total proceeds	78.9	143.5
Less: deferred consideration receivable	(2.4)	(1.2)
Add: deferred consideration received in respect of disposals in prior years	1.2	—
Cash proceeds from sale of businesses	<b>77.7</b>	<b>142.3</b>

## 29 DIRECTORS

(a) The Directors' interests in shares or stocks of the Company, including options to purchase Ordinary shares under the terms of the Company's Executive Share Option Scheme ("ESOS") and Share Savings Scheme ("SAYE"), were as follows:

	31st October 1994			31st October 1993 (or date of appointment if later)		
	Ordinary shares	Share options ESOS	Share options SAYE	Weighted average exercise price (p)	Ordinary shares	Share options
Dr D. V. Atterton	6,792	—	8,347	215.5	6,792	8,347
H. A. Crichton-Miller	20,000	—	8,205	222.9	2,500	200,732
J. Daly	11,103	—	5,300	209.2	8,092	198,030
Sir Leslie Fletcher	10,442	—	4,355	247.8	10,142	1,355
J. F. Garrett	83,500	—	—	—	—	224,212
M. B. Gifford	87,400	111,685	8,205	255.6	87,400	391,672
J. A. Harmon	32,500	—	—	—	32,500	—
Sir Denys Henderson	5,000	—	—	—	—	—
M. C. J. Jackaman	—	—	1,925	194.7	—	1,925
T. H. North	13,609	131,227	9,292	320.3	13,242	140,519
A. W. P. Stanham	—	—	8,347	215.4	—	8,347
N. V. Turnbull	13,506	68,267	8,347	253.4	10,737	181,191
D. M. Yates	19,514	—	8,205	222.9	9,160	186,217

The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

## NOTES TO THE ACCOUNTS

**29 DIRECTORS** continued

Options to subscribe for Ordinary shares granted to and exercised by Directors in the year to 31st October 1994 are included in the table below:

	Granted Number	Exercised Number	Price per option (p)	Market price at date of exercise (p)
Dr D. V. Atterton .....	—	—	—	—
H. A. Crichton-Miller .....	—	117,510	272.3	430
		75,017	258.0	424
J. Daly .....	—	117,510	272.3	421
		75,220	258.0	429
Sir Leslie Flecker .....	—	—	—	—
J. F. Garrett .....	—	221,212	249.8	415
M. B. Gifford .....	—	271,782	272.3	410
J. A. Harmon .....	—	—	—	—
Sir Denys Henderson .....	—	—	—	—
M. C. J. Jackaman .....	—	—	—	—
T. H. North .....	—	—	—	—
A. W. P. Stenham .....	—	—	—	—
N. V. Turnbull .....	—	104,877	286.0	421
D. M. Yates .....	—	117,510	272.3	421
		60,502	258.0	429

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. In March 1994, in a capital reorganisation, the Company's existing Ordinary shares of 25p were subdivided into Ordinary shares of 10p each. This had the effect of increasing the number of Ordinary shares by 2.5 times. The tables above have been adjusted for these changes, with 1993 figures restated, to provide a clearer understanding of the movements in holdings over the year.

No options lapsed during the year. The market price of an ordinary share at 31st October 1994 was 404p and the range during the year ended 31st October 1994 was 327p to 445p. The options outstanding at 31st October 1994 are exercisable at varying dates between 14th August 1992 and 8th March 2001. There have been no changes in the above interests in shares and share options between 31st October 1994 and 11th January 1995, except that on 25th November 1994 the number of Ordinary shares held by three Directors increased as a result of the reinvestment of tax reclaimed by the PEP Manager. The holdings of Mr J. Daly, Mr N. V. Turnbull and Mr D. M. Yates increased by 3, 5 and 12 shares respectively. The holding of Ordinary shares by Mr T. H. North has increased by virtue of his monthly subscription to the Company's Corporate PEP.

As at 1st November 1993 and at 31st October 1994 Mr N. V. Turnbull had a beneficial interest in 500 Ordinary shares of 5p each in A. Kershaw & Sons, Plc.

As at 1st March 1994 and at 31st October 1994 Sir Denys Henderson had a beneficial interest in 10,000 of the Company's Convertible Cumulative Preference shares of 20p each.

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

No contract or arrangement has been entered into at any time during the year or subsisted at the end of the year in which any Director had a material interest which was significant in relation to the Group's business.

## NOTES TO THE ACCOUNTS

## 29 DIRECTORS continued

	1994	1993 (Restated)
	£000	£000
(b) The Directors' emoluments consist of:		
Fees to non-executive Directors	120	125
Basic salaries, allowances and taxable benefits	1,686	1,536
Bonuses for the year	653	398
Pension contributions	166	122
Total emoluments in respect of the year	<u>2,625</u>	<u>2,181</u>

Directors' performance related payments (bonuses) have previously been included in Directors' emoluments in the year of payment. They are now disclosed as emoluments in the year in which they are earned since the Directors believe it is more appropriate to match the bonuses with the results on which they are based. The 1993 Directors' emoluments have been restated increasing them by £372,000 compared with the amount previously disclosed. The 1994 Directors' emoluments would have been £2,370,000 (1993 £1,809,000) under the old policy.

## (c) Remuneration of Chairman and Executive Directors (excluding pension contributions)

	1994				1993 (Restated)	
	Salary	Salary	Bonus	Other	Total	Total
	£000	% Increase	£000	benefits £000	£000	£000
Chairman:						
Sir Leslie Fletcher	175	—	—		175	175
Executive Directors:						
M B Gifford	338	6.1	143	12	488	399
H A Crichton-Miller	182	8.8	100	18	300	237
J Daly	182	8.8	100	9	291	195
J F Garrett	182	10.8	68	7	257	229
T H North	182	10.8	42	7	231	239
N V Turnbull	182	10.8	100	20	302	228
D M Yates	182	10.8	100	13	295	232
	<u>1,600</u>		<u>653</u>	<u>86</u>	<u>2,339</u>	<u>1,931</u>

(d) The remuneration of the executive Directors is authorised by the Compensation Committee of the Board, which consists of non-executive Directors only. 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 adjusted earnings per share. The bonus awards are based on a percentage up to a total of 55% of salary if each of the maximum targets is achieved.

(e) Company pension contributions of £10,610 (1993 £31,462) were paid in respect of the highest paid Director. The Chairman and the non-executive Directors do not participate in the Performance Award Scheme, a company pension scheme or the Executive Share Option Scheme.

(f) The following table shows the number of non-executive Directors whose emoluments during the year were within the bands stated.

£	Directors	
	1994	1993
5,001 – 10,000	2	1
15,001 – 20,000	1	6
20,001 – 25,000	4	—

## NOTES TO THE ACCOUNTS

<b>30 EMPLOYEES</b>	1994	1993
<b>Employee costs</b>	£m	£m
Wages and salaries.....	393.0	393.8
Social security costs.....	30.3	30.3
Other pension costs.....	13.9	12.6
	<u>437.2</u>	<u>436.7</u>

<b>Employee numbers</b>	1994	1993
Employees on average during the year.....	39,743	41,029
Employees at 31st October.....	<u>40,094</u>	<u>40,650</u>

<b>Employees on average by geographical area</b>	1994	1993
United Kingdom.....	31,017	30,623
North America.....	6,783	6,665
Rest of the World.....	913	821
Continuing operations.....	38,713	38,109
Discontinued operations.....	<u>1,030</u>	<u>2,920</u>
	<u>39,743</u>	<u>41,029</u>

**Provision for pension and similar obligations***United Kingdom*

The Group has two pension schemes for UK employees both of which are contracted-out of the State Earnings Related Pension arrangements. The schemes are externally funded under separate trusts and the funds' assets are held separately from Group assets. The accounts of both schemes for the year ended 5th April 1994 have been reported upon by their auditors without qualification. The Rank Organisation Pension Plan is a defined benefit scheme with pensions fixed by reference to final pay and length of service. Formal actuarial valuations of the fund are carried out triennially by an independent actuary employed by the Eagle Star Group. The most recent valuation of the fund as at 5th April 1994 used the attained age method and disclosed that the actuarial value of the assets was sufficient to cover 102% of the accrued benefits allowing for expected future increases in earnings. The main actuarial assumptions adopted in that review were that, over the long term, the annual rate of return on investments would be 3.0% higher than the annual increase in pensionable remuneration and 5.5% higher than the annual increase in pensions accruing after the date of valuation and 7.0% higher for those accruing before that date. The market value of the funds' assets at 5th April 1994 was £324m excluding the value of annuities purchased to match pensions in payment. Group contributions to this scheme in the year to 31st October 1994 totalled £7.1m (1993 £6.7m). There are no provisions or prepayments in the balance sheet resulting from differences between the amounts recognised as cost and the amounts contributed to the scheme.

The Rank Organisation Money Purchase Pension Scheme is a defined contribution scheme with benefits which depend on the contribution levels and the emerging investment performance. The market value of its assets at 5th April 1994 was £15.6m. Group contributions to this scheme in the year to 31st October 1994 totalled £2.1m (1993 £2.1m).

*USA*

The Group operates defined contribution schemes in the USA. The market value of their combined assets at 31st October 1994 was £31.0m (1993 £30.1m). Group contributions to these schemes totalled £4.4m (1993 £3.4m).

*Other countries*

Group contributions to schemes for employees in other countries totalled £0.3m (1993 £0.4m).

## NOTES TO THE ACCOUNTS

**31 CONTINGENT LIABILITIES**

	1994	1993
<b>Group</b>	<b>£m</b>	<b>£m</b>
Guarantees by the Company and by subsidiary undertakings, bills discounted by Group companies and uncalled liability in respect of partly paid shares .....	<u>58.9</u>	<u>63.1</u>

A subsidiary undertaking is involved in class action suits in the USA. The actions are being vigorously contested.

Other subsidiary undertakings are defendants in separate litigation instituted in the USA in which some \$250m in damages are claimed. This action is now in arbitration. The Directors of The Rank Organisation Plc, 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.

	1994	1993
<b>Company</b>	<b>£m</b>	<b>£m</b>
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 .....	521.8	572.7
Others .....	<u>17.5</u>	<u>17.5</u>

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

**32 RELATED PARTY TRANSACTION**

In October, the Group agreed to sell its 70% interest in the Rank Hotels North America partnership to Quorum Hotels and Resorts ("Quorum"). This was a related party transaction as the purchasing company was connected with a number of Rank Hotels North America's Board of Management.

The terms of the sale are that Quorum will pay between Nil and \$4.75m for the Group's 70% interest in the partnership. The final sale price will be determined by the proceeds received from any future sale of Kingston Plantation, the hotel and leisure complex currently managed by Rank Hotels North America. In addition, at the date of any disposal of Kingston Plantation, Quorum has agreed to surrender its interest in the Kingston Plantation management contracts for a consideration which is also linked to the Kingston Plantation sale proceeds.

**33 POST BALANCE SHEET EVENTS**

On 11th January 1995, the Board approved the signing of a letter of intent between The Rank Organisation Plc ("Rank") and Xerox Corporation ("Xerox") for Xerox to acquire 40% of Rank's financial interest in Rank Xerox for a cash sum of £620 million. The Directors have been advised that the proposed transaction should not give rise to a liability to tax in respect of capital gains. Initially, the proceeds will reduce Rank's net debt. Thereafter Rank will continue to invest in the development of its leisure and entertainment businesses. It is anticipated that the transaction will close around the end of March, subject to the signing of definitive agreements and customary closing conditions. The transaction will be subject to the approval of Rank's shareholders and a circular to shareholders will be posted as soon as practicable. Rank estimates that the transaction would result in a gain of some £325 million over Rank's net book value. All existing arrangements between Rank and Xerox governing their relationship will remain in place and no agreement is in contemplation with regard to Rank's remaining interest in Rank Xerox.

Rank proposes to buy in the outstanding shares in A. Kershaw & Sons, Plc ("Kershaw") not already owned by Rank by way of a scheme of arrangement at a price of 1150p per share and would consent to the payment of a dividend of 120p per share by Kershaw should the scheme of arrangement become effective. A Rank share alternative will also be made available to Kershaw shareholders in relation to the consideration. The despatch of any formal scheme document would be conditional on the definitive agreements relating to the Rank Xerox acquisition being executed and any such scheme would be conditional on such agreements becoming unconditional.

Sale of Rank's 40% interest in Rank Xerox is not conditional upon the Kershaw scheme of arrangement becoming effective. The Group presently owns 86.2% of the shares in Kershaw, which indirectly owns 19.8% of the Group's interest in Rank Xerox.

# PRINCIPAL SUBSIDIARY UNDERTAKINGS

Except where otherwise stated The Rank Organisation Plc ("Rank") 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.

<b>FILM AND TELEVISION</b>	<b>Principal activities</b>
Deluxe Laboratories Inc (USA) .....	Film processing laboratory
Film House Partnership (Canada).....	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
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 Taylor Hobson Limited .....	Design, manufacture and marketing of high precision metrology instruments
Rank Taylor Hobson Inc (USA) .....	Marketing of high precision metrology instruments
Rank Video Services America Inc (USA) ...	Video duplication
Rank Video Services Limited .....	Video duplication
Rank Video Services GmbH (Germany) .....	Video duplication
Strand Lighting Limited .....	Design, manufacture and marketing of entertainment lighting and lighting control equipment
Strand Lighting Inc (USA) .....	Design, manufacture and marketing of entertainment lighting and lighting control equipment

## **HOLIDAYS**

Butlin's Limited <i>(Rank also owns indirectly all the 6% Cumulative Preference shares)</i>	Holiday Worlds and holiday hotels
Haven Leisure Limited .....	Caravan/chalet parks in the UK, France, Spain and Italy
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

# NOTES TO THE ACCOUNTS

## LEISURE

### Principal activities

Hard Rock Cafe International Inc (USA) ..	Hard Rock Cafes owned by the Group
Resorts USA Inc (USA) .....	Outdoor World holiday memberships at caravan park resorts, the sale of timeshare, second homes and land
Rank Leisure Limited.....	Development and operation of multi-leisure centres and nightclubs in the UK
Rank Leisure USA Inc (USA).....	Theme restaurants in the USA

## HOLDING COMPANIES

A. Kershaw & Sons, Plc .....	Holds 43% of the preference and 40% of the ordinary share capital of Rank Precision Industries (Holdings) Limited which owns 50% of the share capital of Rank RX Holdings Limited
<i>(Rank owns 85% directly and 1% indirectly of the Ordinary shares)</i>	
Rank America Inc (USA) .....	Owens the Group's investments in the USA
Rank Holdings (Netherlands) BV .....	Owens the Group's investments in Rank America Inc and other overseas subsidiary undertakings
<i>(Netherlands)</i>	
Rank Holdings (UK) Limited .....	Owens the Group's investments in the UK operating subsidiary undertakings
<i>(Directly owned)</i>	
Rank Orlando Inc (USA) .....	Owens the Group's investment in Universal Studios Florida
Rank Overseas Holdings Limited .....	Owens 100% of Rank Holdings (Netherlands) BV
<i>(Directly owned)</i>	
Rank Precision Industries (Holdings) Limited .....	Owens 50% of the share capital of Rank RX Holdings Limited
<i>(Rank owns 57% directly and 37% indirectly of the 5% Cumulative Preference and 60% directly and 34% indirectly of the Ordinary shares)</i>	
Rank RX Holdings Limited .....	Owens indirectly the Group's investment in the Rank Xerox companies
<i>(Rank owns 50% directly and 47% indirectly of the Ordinary shares)</i>	

PRINCIPAL ASSOCIATED UNDERTAKINGS

The accounting date for all principal associated undertakings is 31st October 1991.

	Country of registration	Percentage voting interest	Class of capital owned	Percentage holding
<b>RANK XEROX COMPANIES</b>				
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 Rank Xerox and its associates is research, development, manufacture, marketing and maintenance of document processing systems and equipment. This includes copiers and duplicators, laser printers, scanners, electronic typewriters, facsimile machines, workstations, and related supplies. It is also active in financing through its leasing operations. Rank Xerox has its principal manufacturing operations in the United Kingdom, France and Holland. Its principal associated undertaking is Fuji Xerox Co. Limited, a company incorporated in Japan, which is 50% owned by Rank Xerox Limited.

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

	1994 £m	1993 £m
<b>Profit and loss account</b>		
Turnover	3,262	3,100
Cost of sales	(1,934)	(1,830)
Gross profit	1,328	1,270
Operating expenses	(885)	(968)
Xerox Corporation charges	(122)	(151)
Income from associated undertakings	136	118
Operating profit before restructuring costs	457	269
Restructuring costs	(186)	—
Operating profit	271	269
Net interest payable	(22)	(28)
Profit before tax	249	241
Tax	(138)	(113)
Minority interests	(2)	(2)
Profit for the financial year	109	126
<b>Balance sheet</b>		
Fixed assets		
Tangible assets	417	459
Investments	698	657
	1,110	1,116
Net current assets	1,674	1,518
Total assets less current liabilities	2,784	2,634
Creditors falling due after more than one year	(684)	(707)
Provisions for liabilities and charges	(304)	(189)
	1,796	1,738
Share capital and reserves	1,790	1,733
Minority interests	6	5
	1,796	1,738



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.

	1994 £m	1993 £m
Profit after restructuring costs and before taxation .....	249	211
Add: Xerox Corporation charges .....	122	151
Add: Profit participation adjustments .....	32	60
Deduct: Minority interests .....	(2)	(2)
Profit before tax for participation purposes .....	451	450
Group share after restructuring costs.....	<u>151.5</u>	<u>151.2</u>

**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:

	1994 £m	1993 £m
<b>Profit and loss account</b>		
Turnover .....	207.9	195.5
Depreciation and amortisation .....	(38.1)	(33.7)
Other costs .....	(137.0)	(126.9)
Operating profit .....	32.8	34.9
Net interest payable .....	(10.0)	(8.8)
Profit before tax .....	22.8	26.1
Group share .....	<u>11.4</u>	<u>13.0</u>

**Balance sheet**

Fixed assets .....	354.6	102.9
Net current liabilities .....	(41.2)	(20.0)
Net borrowings .....	(129.5)	(158.9)
Net assets .....	<u>183.9</u>	<u>224.0</u>
Group share of net assets .....	92.0	112.0
Additional Group investment .....	48.3	54.3
Share of revaluation reserve .....	30.8	33.6
Carrying value .....	<u>171.1</u>	<u>199.9</u>

The Rank Organisation

FIVE YEAR REVIEW

	1994	1993	1992	1991	1990
	£m	£m	£m	£m	£m
<b>Turnover</b>					
Current operations	2,169.1	1,974.8	1,815.5	1,831.8	1,051.1
Former operations	30.3	132.0	196.9	282.4	282.0
	<u>2,199.4</u>	<u>2,106.8</u>	<u>2,012.4</u>	<u>2,114.2</u>	<u>1,333.1</u>
<b>Operating profit</b>					
Current operations	229.8	207.7	168.1	171.7	118.6
Former operations	(2.8)	(7.3)	8.5	1.1	20.1
	<u>227.0</u>	<u>200.4</u>	<u>176.6</u>	<u>178.8</u>	<u>138.7</u>
Non-operating items (including share of associates)	(30.6)	2.0	(108.4)	(4.8)	(21.0)
Rank Xerox before restructuring costs	213.5	151.2	137.3	158.7	167.2
Rank Xerox restructuring costs	(62.0)	—	—	—	—
Other associates	11.1	11.5	7.5	(0.5)	—
Interest (net)	(75.0)	(88.5)	(87.2)	(93.0)	(6.7)
<b>Profit before tax</b>	<u>284.0</u>	<u>276.6</u>	<u>125.8</u>	<u>239.2</u>	<u>278.2</u>
Tax	(111.3)	(103.6)	(81.2)	(102.4)	(103.1)
Minority interests	(4.6)	(4.8)	(4.5)	(7.2)	(4.9)
Preference dividends and appropriations	(20.9)	(20.9)	(20.9)	(24.5)	(12.0)
<b>Earnings</b>	<u>147.2</u>	<u>117.3</u>	<u>19.2</u>	<u>105.1</u>	<u>158.2</u>
<b>Earnings per Ordinary share</b>	<u>17.9p</u>	<u>18.6p</u>	<u>2.4p</u>	<u>13.4p</u>	<u>23.4p</u>
<b>Headline earnings per Ordinary share</b>	<u>21.2p</u>	<u>18.5p</u>	<u>15.2p</u>	<u>14.0p</u>	<u>24.0p</u>
<b>Total Dividend per Ordinary share</b>	<u>13.25p</u>	<u>12.2p</u>	<u>12.2p</u>	<u>12.2p</u>	<u>12.2p</u>
<b>Group funds employed</b>					
Fixed assets	1,514.8	1,523.1	1,620.3	1,821.8	1,766.9
Investments	809.8	812.8	765.7	636.1	605.3
Other assets (net)	41.0	152.2	44.0	40.3	98.5
<b>Total funds employed at year end</b>	<u>2,365.6</u>	<u>2,488.1</u>	<u>2,430.0</u>	<u>2,498.2</u>	<u>2,470.7</u>
<b>Financed by</b>					
Ordinary share capital and reserves	1,349.5	1,278.5	1,177.6	1,291.1	1,383.0
Preference share capital including premium	209.3	207.2	205.1	203.0	329.7
Minorities	47.8	47.1	45.5	43.3	47.8
	<u>1,606.6</u>	<u>1,532.8</u>	<u>1,428.2</u>	<u>1,537.4</u>	<u>1,760.5</u>
Net borrowings	759.0	955.3	1,001.8	960.8	710.2
	<u>2,365.6</u>	<u>2,488.1</u>	<u>2,430.0</u>	<u>2,498.2</u>	<u>2,470.7</u>
<b>Average number of employees (000's)</b>	<u>39.7</u>	<u>41.0</u>	<u>42.0</u>	<u>45.0</u>	<u>29.7</u>

Earnings per Ordinary share and Dividends per Ordinary share have been restated to reflect the effects of the Enhanced Share Alternative approved in September 1993 and the subdivision of Ordinary shares which took place in March 1994.

# C O R P O R A T E G O V E R N A N C E

## **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 Group's compliance during the year ended 31st October 1994. 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 19 specific provisions in respect of these four areas.

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, the Group has complied with the requirements of the Code throughout the financial year.

The guidance on reporting on internal financial controls has now been issued but is not yet effective. Nevertheless, the Directors acknowledge that they are responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. In particular, there is a simple organisational structure with clearly drawn lines of accountability and delegation of authority; adherence to specified codes of conduct is required at all times, and the Board actively promotes a culture of quality and integrity. Risks are identified and appraised both formally, through the annual process of preparing business plans and budgets, and informally through close monitoring of operations. Financial results and various key

business statistics are reported regularly throughout the year and variances from approved plans are monitored and followed up vigorously. Detailed control procedures exist throughout the Group's operations and compliance is monitored by management, the Group's internal auditors and, to the extent they consider necessary to support their audit report, the external auditors. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

After reviewing the Group's budget for 1995 and its medium term plans, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis in preparing the accounts.

11th January 1995

## C O R P O R A T E G O V E R N A N C E

### **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 Group'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.

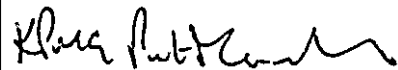
The purpose of the Directors' statement is to give readers information which assists them in forming their own views regarding the governance of the Group. In respect of the paragraphs of the Code specified for our consideration, we are required to draw attention to any aspects of the Group's non-compliance with the Code which

the Directors have not properly disclosed. We are not required to review, and have not reviewed, the effectiveness of the Group's governance procedures.

As part of our review of the statement of compliance with the Code, we considered the Directors' comments on the adoption of the going concern basis for the financial statements. These statements set out the Directors' judgment, at the date of the preparation of the financial statements, that the Group has adequate resources to continue in operational existence for the foreseeable future. The guidance for Directors, 'Going concern and financial reporting', notes that it is not possible to give any certainty in relation to going concern, because a judgment properly made at a particular date can be overtaken by subsequent events. We confirm that the Directors' comments comply with the guidance issued to Directors on

reporting on going concern in accordance with the Code and are consistent with the information of which we are aware based on our normal audit work on the financial statements. In accordance with the Bulletin, we have not carried out any additional work necessary to give an opinion that the Group has adequate resources to continue in operational existence.

Through enquiry of certain Directors and officers of the company, and examination of relevant documents, we have satisfied ourselves that the Directors' statement appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.

  
KPMG Peat Marwick  
Chartered Accountants  
London

11th January 1995