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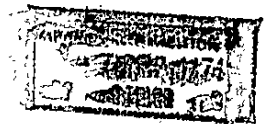
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RANK XEROX

RANK XEROX LIMITED
CHAIRMAN'S STATEMENT
DIRECTORS' REPORT AND ACCOUNTS
For the year ended 31 October 1973



RANK XEROX

RANK XEROX LIMITED

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RANK XEROX LIMITED

Directors

Joint Presidents

C. PETER McCOLOUGH (U.S.A.)
SIR JOHN DAVIS

Chairman and Chief Executive

J. M. THOMAS

*Managing Director and
Chief Operations Executive*

R. M. PIPPITT (U.S.A.)
J. BUCKINGHAM-BURR
J. P. COLLIS
J. C. DELAFON (Fr.)
G. L. DENNIS
GRAHAM R. DOWSON
RUSSELL W. EVANS
JOSEPH B. FLAVIN (U.S.A.)
A. J. GREINER (Ger.)
C. R. P. HAMILTON, C.M.G.
RAYMOND A. HAY (U.S.A.)
ARCHIE R. McCARDELL (U.S.A.)
H. ORR-EWING
G. H. PEREGRINE
D. R. PORTMAN
P. RANQUE (Fr.)
D. E. RILEY (U.S.A.)
H. E. R. SHAND
F. WICKSTEAD, O.B.E.
F. A. L. WINTERNITZ

Secretary and Registered Office

M. J. H. MARSHALL
Rank Xerox House,
338 Euston Road, London, NW1 3BH

Bankers

NATIONAL WESTMINSTER BANK LIMITED

Auditors and Consultant Accountants

PEAT, MARWICK, MITCHELL & CO.

Certified to be a true copy of the report of the directors accompanying the balance sheet dated January 14, 1974.

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For and on behalf of RANK XEROX LIMITED

[Signature]
Director

[Signature]
Secretary

Directors' Report

1 Accounts

The Directors present the Balance Sheet of the Company and Consolidated Balance Sheet at 31 October 1973, and Consolidated Profit and Loss Account and Consolidated Statement of Source and Application of Funds for the year ended on that date.

	£000's
The Surplus for the year after providing for Depreciation, Interest and Taxation and excluding Minority Interests was	71,659
From which were deducted Transfers to Non-Distributable Reserves	7,893
	<hr/>
	63,766
<i>Deduct:</i> Amount not dealt with in the Accounts of Rank Xerox Limited	16,394
	<hr/>
	47,372
<i>Add:</i> Balance brought forward	7,024
	<hr/>
Leaving the amount dealt with in the Accounts of Rank Xerox Limited	54,396
Out of which the Directors have declared and paid Dividends on 'A', 'B', 'C', 'D' and 'E' Shares	23,711
	<hr/>
Leaving an amount to be carried forward in the Accounts of Rank Xerox Limited	£30,685

2 Principal Activity

The principal activity of the Company and its Subsidiaries during the year under review was the manufacture and marketing of xerographic equipment and ancillary supplies throughout the world outside North, Central and South America and certain related territories.

3 Turnover and Profit

The Group's Turnover and Profit before Taxation for the year under review were mainly derived from the manufacture and marketing of xerographic equipment and ancillary supplies; the figures relating to the computer activities were relatively small.

RANK XEROX LIMITED

4 Directors

The following were Directors of the Company throughout the year under review:

Mr. C. Peter McColough, Sir John Davis, Mr. J. M. Thomas, Mr. R. M. Pippitt, Mr. J. P. Collis, Mr. J. C. Delafon, Mr. G. L. Dennis, Mr. Graham R. Dowson, Mr. Joseph B. Flavin, Mr. C. R. P. Hamilton, Mr. Raymond A. Hay, Mr. Archie R. McCardell, Mr. H. Orr-Ewing, Mr. A. Park, Mr. G. H. Peregrine, Mr. D. R. Portman and Mr. H. E. R. Shand.

The following were appointed to the Board during the year:

Mr. A. J. Greiner	}—on 12 February 1973	Dr. F. A. L. Winternitz—on 5 June 1973
Mr. M. A. E. Hughes		Mr. J. Buckingham-Burr—on 2 October 1973
Mr. P. Ranque		

Mr. C. R. Mayo and Dr. A. Bordone resigned as Directors on 1 August and 31 October 1973 respectively.

Since the end of the year under review, the following changes have taken place in the Board of Directors:

Mr. Russell W. Evans was appointed a Director on 27 November 1973.

Mr. D. E. Riley and Mr. F. Wickstead were appointed Directors on 4 December 1973.

Mr. M. A. E. Hughes resigned as a Director on 5 December 1973 on taking up an appointment with Xerox Corporation.

Mr. A. Park resigned as a Director on 31 December 1973.

5 Directors' Interests

The interests of the Directors (including family interests) in the shares in and debentures of the Company and of Xerox Corporation, the Company's Holding Company, are set out below:

		<i>Rank Xerox Limited</i>	<i>Common Shares</i>	<i>Xerox Corporation</i>	<i>Class 'B' Shares</i>	<i>6% Convertible Subordinated Debentures</i>
		<i>'E' Shares of £1 each*</i>	<i>par value \$1.00 Holding Options**</i>	<i>par value*** \$1.00</i>	<i>due 1995****</i>	<i>\$</i>
C. Peter McColough	(a)	—	57,174	37,500	—	5,200
	(b)	—	64,422	37,500	—	5,200
Sir John Davis	(a)	—	—	—	—	—
	(b)	—	2,250	—	—	—
J. M. Thomas	(a)	4,150	—	—	—	—
	(b)	4,150	—	—	—	—
R. M. Pippitt	(a)	—	—	9,000	7,200	—
	(b)	—	1,200	9,000	7,875	—
J. Buckingham-Burr	(a)	1,350	—	—	—	—
	(b)	1,350	—	—	—	—
J. C. Delafon†	(a)	—	—	—	—	—
	(b)	650	—	—	—	—
Joseph B. Flavin	(a)	—	35	22,500	20,525	100
	(b)	—	35	22,500	22,475	100
A. J. Greiner	(a)	1,000	—	—	—	—
	(b)	1,000	—	—	—	—
Raymond A. Hay	(a)	—	1,268	22,500	20,525	2,500
	(b)	—	1,268	22,500	22,475	2,500

		Rank Xerox	Xerox Corporation			6% Convertible Subordinated Debentures due 1995****	\$
		Limited	Common Shares par value \$1.00 Holding	Options**	Class 'B' Shares par value*** \$1.00		
		'E' Shares of £1 each*					
M. A. E. Hughes	(a)	1,350	—	—	—	—	—
	(b)	1,350	—	—	—	—	—
Archie R. McCardell	(a)	—	—	37,500	23,768	600	—
	(b)	—	300	37,500	23,768	600	—
H. Orr-Ewing	(a)	1,350	—	—	—	—	—
	(b)	1,350	—	—	—	—	—
A. Park	(a)	1,350	—	—	—	—	—
	(b)	1,350	—	—	—	—	—
G. H. Peregrine	(a)	850	—	—	—	—	—
	(b)	850	—	—	—	—	—
D. R. Portman	(a)	1,350	—	—	—	—	—
	(b)	1,350	—	—	—	—	—
P. Ranque †	(a)	—	—	—	—	—	—
	(b)	1,000	—	—	—	—	—
H. E. R. Shand	(a)	1,000	—	—	—	—	—
	(b)	1,000	—	—	—	—	—

(a) Holding at 31 October 1973.

(b) Holding at 1 November 1972 or later date of appointment as a Director.

*The Company has a Share Purchase Scheme for the provision by the Company and participating subsidiaries of financial assistance for the subscription and sale to their employees (including executive Directors) of fully paid 'E' Shares in the Company to be held by and eventually sold to the Trustees of the Scheme. Mr. R. M. Pippitt, Mr. G. R. Dowson and Mr. R. A. Hay are the Trustees of the Scheme and are interested by virtue of their trusteeship only in the total of 32,950 'E' Shares issued to participants in the Scheme at 31 October 1973 (1 November 1972—27,350 'E' Shares).

In the case of certain subsidiaries it was not possible to implement the Scheme for employees to whom offers of participation were made. Those employees have therefore waived their rights under the Scheme and have been nominated as beneficiaries under a Discretionary Settlement established in Jersey, Channel Islands, of which National Westminster Jersey Trust Company Limited are Trustees. The Trustees of the Settlement subscribe for fully paid 'E' Shares in the Company to hold on behalf of the beneficiaries and it is the intention that as far as practicable, the Rules of the Scheme shall apply in relation to the operation of the Settlement. Directors marked with a † in the above table have waived offers under the Scheme and have been nominated as beneficiaries under the Settlement.

**Xerox Corporation has in force certain Employees' Stock Option Plans in respect of its Common Stock under which employees are granted options to acquire Shares of Common Stock at a price per Share not less than 100% of the fair market value of the Common Stock on the day the option is granted. Such options may be qualified or non-qualified, the distinction being material for US Federal Income Tax purposes, and may be granted concurrently or separately. The Plans also make provision for the grant, in conjunction with options, of stock appreciation rights under which, in lieu of acquiring Shares of Common Stock under a related option, a reduced number of Shares may be acquired without payment. The maximum number of Shares issuable to each Director under outstanding options and stock appreciation rights is shown in the table. Qualified and non-qualified options and stock appreciation rights which are granted concurrently will be proportionately reduced in relation to the options or rights which are exercised. Options may be exercised in tranches defined therein. If not so exercised, qualified options expire five years, and non-qualified options expire ten years, after the date on which they were granted.

***The Shares of Class 'B' Stock are issued to certain key executives of Xerox Corporation under a Restricted Stock Purchase Plan. They are identical with the Shares of Common Stock in all respects as to voting, dividend and liquidation rights, except that the Shares of Class 'B' Stock do not have pre-emptive rights as to any class of Xerox Corporation securities.

****The Debentures have been convertible into Xerox Common Stock since 1 December 1970.

Apart from the interests set out or indicated above, no Director at the end of the year was interested in the shares in and debentures of the Company or of Xerox Corporation either at the end of the year or at 1 November 1972 or later date of appointment as a Director.

RANK XEROX LIMITED

6 Share Capital

During the year under review, 11,850 'E' Shares of £1 each were issued for the purposes of the Executive Share Purchase Scheme. Of this total, 5,600 'E' Shares were issued to the Trustees of the Rank Xerox Share Purchase Scheme; the remaining 6,250 'E' Shares were issued to National Westminster Jersey Trust Company Limited as Trustees of the Discretionary Settlement referred to in the notes to paragraph 5 above. The total consideration for the issue of the 11,850 'E' Shares was £576,733.

7 Fixed Assets

The additions to Fixed Assets of the Company and its Subsidiaries during the year under review amounted to £108,666,000, the principal categories being:

	£000's
Equipment on or for rental	85,951
Factories, Warehouses, Offices and Plant in the United Kingdom	5,520
Factories, Warehouses, Offices and Plant Overseas	17,195

8 Exports

The Company exported goods from the United Kingdom in the year to 31 October 1973 to the value of £70,686,000 (1972—£55,140,000). In addition royalties, dividends and other income receivable by the Group from overseas amounted to £33,638,000 (1972—£30,923,000).

9 Employees

The average weekly numbers of persons employed by the Company and its Subsidiaries during the year under review and their aggregate remuneration for the year were as follows:

	<i>Average Number</i>	<i>Aggregate Remuneration</i> £000's
Employees in the United Kingdom	10,762	28,305
Employees outside the United Kingdom	16,918	61,249
	<hr/> 27,680	<hr/> £89,554

10 Charitable and Political Contributions

During the year the Group made charitable donations of £298,000, including £68,000 made within the United Kingdom. No political contributions were made by the Group during the year.

11 Subsidiary Companies

During the course of the year Rank Xerox Limited transferred its shareholdings in its overseas subsidiary companies to Rank Xerox (Management) Limited, one of its wholly-owned United Kingdom subsidiary companies.

12 Monopolies Commission

The Department of Trade and Industry has referred to the Monopolies Commission the supply in the United Kingdom of indirect electrostatic reprographic equipment. The Company has been called upon to give evidence to the Commission and is co-operating with the Commission in connection with the Reference.

13 Auditors

Messrs. Peat, Marwick, Mitchell & Co. have signified their willingness to continue in office as Auditors.

By Order of the Board,
M. J. H. MARSHALL,
Secretary

14 January 1974

Chairman's Statement

Rank Xerox had a highly satisfactory year in 1973. Taking full advantage of the buoyant economy of the enlarged European Economic Community (where we have 80% of our total business) our turnover increased from £268.1 million to £370.3 million (up 38%).

Pre-tax profits rose from £105.6 million to £139.3 million (up 32%). Profit growth after tax was 30%.

Looking back over the past three years, it is interesting to note the accelerating growth pattern of Rank Xerox. Turnover has risen from £163.4 million in 1970 to £370.3 million, an increase of 127%; pre-tax profits are up from £70 million to £139.3 million (up 99%). These figures give some idea of the great efforts and achievements of the company as a whole.

Turnover and profits expressed in sterling in 1973 were helped by the effects of currency changes. If these and other non-operational factors are excluded, growth of profits before taxation would approximate 18%. The growth is underlined by the fact that the number of additional machines in use grew at about the same high percentage rate as in the previous year despite the considerably larger base. Even so, demand for all our mainstream products exceeded supply. Despite all our plants could do to meet the big increases we were looking for, we still ended the year with a large number of outstanding orders.

Continuing inflation in all our markets has increased costs right across the operation, from manufacturing in the plants through to supply, administration, sales and service in each country. Government anti-inflation measures in most markets have meant that these increased costs could not be matched by higher prices, with the result that profit margins came under pressure.

Availability of the new 4000 copier/duplicator in quantity from the Mitcheldean Plant enabled our field forces to put more of their effort into the 'console' sector at the centre of our market. The 4000 is the first new product for this sector that we have had for some time: its second-generation features and performance have proved very popular and as a result we have experienced rapid growth in the sector.

The 4000 has brought us a lot of new business. In addition, many of our customers have exchanged their older copiers for the 4000, but the bulk of these displaced machines have been refurbished and successfully re-installed.

A second 4000 production line started up at Mitcheldean in the summer to give us increased output during the coming year.

New Copier

The second new product in our second generation of machines – the 3100 copier – was announced in September and then shown at the major business

equipment fairs in Paris and London. This is a compact copier combining the best features of our desk-top machines and of the 914 family and gives improved copy quality and greatly-increased speed. The 3100 was originally to be built at Mitcheldean, but the expanding programme for the 4000 and the forecast of the space needed for the next major new product led to the decision to transfer the 3100 programme to the plant at Venray in the Netherlands.

This called for a major effort both from our Engineering and Manufacturing Groups to transfer the technical information, background knowledge and experience from the one plant to the other and the success of the operation indicates the high level of co-operation achieved by our British and Dutch staff managing the programme and running the production line.

Availability of the 3100 in quantity during 1974 will provide a major opportunity for the Rank Xerox sales force to develop existing accounts and to obtain new customers.

Demand for, and placement of, the desk-top copier/duplicators at the low-volume end of the market and the 3600 copier/duplicator and the 7000 reduction duplicator at the higher volume end remained at a high level. In a more specialised market, the 840 printer has proved very attractive to our customers and demand far outstripped supply.

Progress in New Areas

Encouraging progress has also been made in two other product areas – facsimile and xeroradiography. In facsimile, the 400 Telecopier transceiver, which sends and receives printed information over the telephone line, is now being successfully placed in most major West and East European markets and also in Hong Kong, New Zealand and South Africa. Negotiations are continuing with other telephone authorities for approval to make installations in their countries.

Customers in more than sixty main sectors of trade and industry are now using the 400 Telecopier. We believe that a very sound start has been made in the introduction of this machine and that as the 400 becomes more readily available and more widely known the number of users will increase rapidly during 1974.

The Telecopier transceiver will be particularly useful in improving business communications at a time when fuel shortages make business travel more difficult and more expensive.

The possibility of using xerography to record X-ray images has been known for many years. Research and development carried out by Xerox Corporation resulted in a product called System 125 whose primary application is in the early detection of breast cancer. It produces X-ray prints which can be

Chairman's Statement—continued

interpreted more easily and accurately than those made by other methods.

A number of eminent doctors in our markets were eager to have this equipment and we were able to supply the first of them with American-built machines early in the year. Only small numbers of machines were available and we decided to spread these over as many European countries as possible so that the doctors specialising in the detection of breast cancer could evaluate them and help us to estimate potential demand. System 125 was exhibited at the International Congress of Radiology in Madrid in October and evoked a high level of interest.

As quickly as sets of the equipment become available from the American plant we shall be able to supply the backlog of orders and also extend our marketing of it to Eastern Europe, South Africa, Australia, New Zealand and Iran.

Customer Liaison

Besides expanding our operations into these new market areas, increased attention was also paid to improving marketing methods and liaison with the customer. Good results were achieved, for example, by organising service engineers into small teams: the idea is that each team services all the machines in its area, enabling individual engineers within the team to specialise in a small number of products instead of having to cope with the whole of the growing range of copier/duplicators.

Despite the fact that much larger numbers of machines were in use, there were no more cancellations of machines than in the previous year, and this is at least partly due to these continued efforts to improve our service to the customer.

Activities in Eastern Europe

There was an important development in the company's relationship with the U.S.S.R. in May, when a long-term protocol agreement was reached in Moscow. The agreement was signed by Dr. J. M. Gvishiani, Deputy Chairman of the State Committee of the Council of Ministers of the U.S.S.R. for Science and Technology, and by myself on behalf of Rank Xerox.

This agreement resulted from talks between the State Committee, the Ministry of Foreign Trade, the Ministry of Instrument Construction, Technoprom-import and other Soviet Union organisations and a delegation of senior executives from the company.

A high-level technical delegation from the U.S.S.R. visited Rank Xerox, including the Mitcheldean and Venray Plants, in the Autumn and a technical team from the company has visited the U.S.S.R. The agreement is the first step towards closer co-operation offering significant opportunities for us in the U.S.S.R. whilst at the same time introducing our technologies into the country.

Meanwhile, export of machines and consumables to the East European countries, including the U.S.S.R., continued at satisfactory levels.

A specially-equipped Rank Xerox train started in February on a two-year tour of East Europe to promote the company's copier/duplicators. During its tour it is visiting 63 towns in seven countries, covering over 10,000 miles. The seven countries are Rumania, Bulgaria, Yugoslavia, Hungary, Poland, Czechoslovakia and the German Democratic Republic. Response so far has been excellent to this very ambitious project. A programme for a tour by the train to the U.S.S.R. is under discussion.

First Exhibition in China

I am pleased to report that in March we were able to exhibit for the first time in the People's Republic of China, at the British Industrial Technology Exhibition in Peking. Some orders were taken and the deliveries were made. I hope that, as a result, we shall be able to do more business in China.

Royal Event

At the end of October, a new headquarters building in Oslo for the Norwegian company was officially inaugurated in the presence of Their Royal Highnesses Crown Prince Harald and Crown Princess Sonja. This was an occasion of great interest and encouragement to our company, particularly to Keld Nielsen, our General Manager in Norway, and his enthusiastic staff.

Exports

Naturally, as the plant at Venray expands, and other plants in Europe commence production, machines built outside the U.K. will represent an increasing part of our overseas sales.

However, it is interesting to note that our exports from the U.K. continue to rise steeply, and in 1973 reached £70.7 million compared with £55.1 million in 1972, an increase of 28%.

Manufacturing and Supply

The value of output from the manufacturing plants continued to rise rapidly, and all the plants are being expanded to meet increased demand and future requirements.

At Mitcheldean, Gloucestershire, a new office block of just under 50,000 square feet was completed and brought into use. Work is well advanced on a new computer centre to house a manufacturing-orientated control system.

A similar computer centre is being built at Venray, in the Netherlands. The technical facilities block was completed and other extensions are being made. This year also saw the completion of a 183,000 square foot Supply Centre.

Chairman's Statement—continued

At Welwyn, an additional production building is under construction. Production facilities for the 400 Telecopier transceiver and the 840 printer are being increased. A building alongside the Welwyn Plant became available and this is being adapted and will be used as a warehouse.

The toner plant being built in Spain at Coslada, near Madrid, is on schedule and will come into production in late 1974.

A new assembly plant is being constructed on a 35-acre site near Lille, France. Work is on schedule: the complex of more than 300,000 square feet will start production in late 1974 with up to 400 employees. Further expansion of plant and staff will follow.

Planning for the construction of a machine plant in Germany continued and a 74-acre site is being acquired for this purpose at Aachen.

Manufacturing will thus be extended from two countries (the U.K. and the Netherlands) to multinational operations in five countries, four of them within the enlarged E.E.C.

Research and Engineering

The Rank Xerox Development Laboratory, at Welwyn Garden City, England, forms part of Xerox Corporation's overall R & D programme. The role of the Welwyn Laboratory is soon to be expanded beyond the area of copying technology to cover part of the Corporation's research into new communications methods, and this represents a considerable vote of confidence in the calibre of the management and staff at the Laboratory.

The Rank Xerox engineering staff at each of the three plants is being expanded to support the numerous new product programmes which are now taking shape. A great deal of hard work has also gone into ensuring that these new products will meet multinational requirements, so that wherever they are developed they can be manufactured in any of the plants with only a minimum of re-design.

Directors

The multinational nature of the main Board of Rank Xerox was strengthened by the appointment to it of the two Directors of the French and German Regions, M. Pierre Ranque and Herr Albert Greiner. Mr. Clyde Mayo resigned from the Board to return to the United States on his appointment with Xerox Corporation as a Staff Vice President, on the corporate Research and Development staff, and Dr. Fred Winternitz has taken over from him as Group Director, Engineering. Mr. Michael Hughes, formerly Divisional Director, Central Strategy, was appointed to the Board as Group Director, Central Strategy. Mr. John Buckingham-Burr, then Director of the Southern Region, was also appointed a Group Director.

At the end of the year, Dr. Alfonso Bordone, Group Director, Marketing Operations, left the

company to become Managing Director of a well-known company in his native Italy. Since the end of the year, Michael Hughes has left Rank Xerox to join Xerox Corporation as Director of Strategy and Long Range Planning. He is the second Rank Xerox director to be appointed to a senior post in Xerox Corporation. Mr. Alex Park, Group Director, Planning, Information and Control, left the company to take up a senior management appointment with a major British company. These three have all made significant contributions to the progress of the company and I wish them well in their new fields of activity.

Frederick Wickstead, who left the Board in 1971 to become Vice President of Manufacturing and Logistics with Xerox Corporation, has re-joined it as Chief Staff Officer, responsible for Planning, Information and Control, Central Strategy, Marketing Services, Personnel, Supply and Finance.

At the same time Donald E. Riley joined the Board as Director, Central Strategy Group, from Xerox Corporation. A further Board appointment was that of Russell W. Evans, who is also a Director and Company Secretary of The Rank Organisation.

The Boards of a number of overseas operating companies have been strengthened by the appointment of prominent and distinguished gentlemen who agreed to serve as non-executive directors to ensure that our companies are kept in close touch with national feelings and aspirations.

People and Personnel Policies

The total number of employees rose from 24,800 to 30,500, a growth rate of 23%. Expansion of the payroll is carefully controlled, but big increases of this kind are essential to support the growth of the business as a whole. Emphasis continued to be placed on the development of the field sales and service forces, which both grew by more than 30%.

We have greatly increased our efforts to improve selection techniques so that we are able to recruit and — equally important — to retain the people we need. The company has an obligation to provide good career opportunities linked with advanced training and development techniques so that career opportunities within the company for everyone are clearly demonstrated.

Closely related to this is the effort to improve procedure within the company by decentralising authority from headquarters to the operating companies and pruning out all routine reporting which is not essential to the efficient running of the business.

Fortunately, the rapid growth of Rank Xerox makes it attractive to able and ambitious people: I believe that this internal drive to improve our life-style will prove just as important.

Particular attention was paid to the development of a policy on the employment of women, both because we think it right and because we believe that

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Chairman's Statement—continued

grave staff shortages will develop if women are not encouraged and enabled to play a full part in business.

In the International Headquarters the multi-national character of the business is reflected in the increasing percentage of non-British managers — up to about 30% by the end of the year compared with about 20% at the start of the year.

An experimental Social Service Leave programme was launched in eight countries. Under this programme, the company releases on full pay a number of employees for a period of weeks or months to enable them to work on a community project of their choice. The applicants are selected by a voluntary committee of employees in each country taking part in the programme.

A total of 204 months of leave were offered, and while not all of them have been allocated the standard of the successful applicants was very high indeed.

I believe it is important for the company to help and encourage its employees to serve the community and we are exploring, with programmes such as Social Service Leave, the most positive ways in which the company can achieve these aims.

The small group of Asian staff displaced from the operation in Uganda were all helped to relocate — one in our company in Iran and the others in Canada (happily, most of those were found suitable employment with Xerox of Canada). This is one aspect of our multinational resources which enables us to give direct help to our staff.

Our South African company has made good progress in further improving the pay, conditions and prospects of its non-white employees and — within the legal constraints — has set a new standard in the office equipment business there.

I recorded in last year's report the problem which had arisen with our Executive Share Purchase Scheme. Our scheme had initially received Treasury approval but the Finance Act of 1972 then made general provisions which made that scheme unworkable so far as U.K. tax residents are concerned.

Our U.K. staff are consequently less favourably dealt with than staff in other countries in which we operate. I had hoped for alleviating legislation by H.M. Government but unfortunately this has not been forthcoming.

European Heritage

Rank Xerox has undertaken to sponsor a film and a series of magazines to support the three-year campaign which will culminate in 1975 in European Architectural Heritage Year. Rank Xerox companies throughout Europe will help the campaign in each country in as many ways as possible, for example by encouraging our people to give the campaign their personal backing in whatever way they can and by arranging films and exhibitions on company premises and providing local motivational support.

Donations to Charity

Some £300,000 was given to charities during the year. Each operating unit is allocated a share of this total (ranging from £40,000 in the case of the U.K. marketing company to £2,000 each in the smallest companies).

This enables the General Manager on the spot and his staff to recommend which causes to support, provided that they do not offer any direct business advantage and are not of a religious or political nature. Our companies chose to spend about 70% of the total on Social causes, 25% on Educational and 5% on Cultural causes.

Among Social causes, the Danish company supported a project for the resettlement of subsistence farmers from Greenland on the mainland. In New Zealand, the Dairy Research Institute was supported in its research into protein supplements for people in developing countries. Other companies made donations to children's charities and to medical research. The South African company gave to the Bantu Sports and Recreation Fund and under the Educational category they supported Bantu education. A Blind School in Greece and homes for university students in Finland also benefited.

The London Bach Orchestra, an Arts Festival in Hong Kong, a town music centre in Venray in the Netherlands and struggling young painters in Belgium were helped under the Cultural category. Altogether, well over 150 causes were helped, with donations ranging from just a few pounds to the £30,000 which the French company gave for nature protection and defence of the environment.

J.K. Monopolies Commission

The United Kingdom Monopolies Commission began an investigation into the domestic market for indirect electrostatic copiers. The company was notified that it would be called on to give evidence to the Commission and a detailed questionnaire has been received.

We are co-operating fully with the Commission in its enquiry.

USA — Federal Trade Commission

In January 1973, the United States Federal Trade Commission filed a complaint against Xerox Corporation which alleged that Xerox has monopolised the office copier industry by engaging in unfair marketing and patent practices and by foreclosing foreign affiliates, including Rank Xerox, from competing with it in the United States. Among the actions the FTC wishes Xerox to take are: (1) to offer royalty-free unrestricted licensing of all existing Xerox copier patents and related know-how and to offer for licensing all copier patents and related know-how obtained during the next 20 years and (2) to divest its 51% interest in Rank Xerox.

Xerox has denied any wrongdoing in respect of the

Chairman's Statement—continued

foregoing complaint and is engaged in preparing its defences.

Data Systems Group

In the computer business, rather more emphasis than before was placed on rental marketing (as opposed to outright sale). This policy will postpone the time when the operation will pay its own way, but will provide a sounder base for the future. Also, following the weakness of government-funded business, the main effort was re-directed towards specialised areas of the industrial market.

The product line was strengthened with the introduction early in the year of the 530, a low-priced general purpose computer. The 530 has already successfully displaced some previously well-entrenched competitive systems.

The main effort continues to be concentrated in the U.K. and Germany, but we have also been successful in winning orders in other countries. The Swedish State Power Board, for example, ordered two Sigma 9 computers worth £500,000, one for scientific data processing and the other for allocating energy resources and balancing local demand against local availability.

Fuji Xerox Co. Ltd.

This was a year of very rapid growth in machine placements for Fuji Xerox, our Japanese associate. Despite a significant increase in competition, the number of machines installed during the year was double that of the previous year.

This increased activity was helped by the more favourable economic climate in Japan, and also by the success of two products — the 2200 desk-top copier (introduced in 1972), and the 2400B which brought a significant increase in government

business because it handles the size of paper used by government departments. The 4000 copier/duplicator was successfully introduced in the latter part of the year.

Fuji Xerox turnover reached £81.4 million (an increase of 46%). At £14.5 million, pre-tax profits were 59% over the previous year. These high growth rates in turnover and profit, as expressed in sterling, are to an extent the result of favourable currency benefits.

I am confident that the long-term outlook for Fuji Xerox continues to be bright. They have ambitious plans involving considerable increases in manufacturing capacity including an expansion of their main plant at Ebina. The energy crisis in Japan may have a short-term impact and Fuji Xerox will monitor their position very closely.

Outlook

At the end of the year, we had a very strong order book and demand for our products remained at a high level.

All the indications are that we can look forward to continuing growth but the emergence of the energy crisis at about the end of our financial year obviously poses problems for us. We are taking every possible step to meet the situation and to minimise any impact on our business.

Whatever problems we may face in the coming year, I know that we can rely on receiving the same splendid support from all our staff who played such a vital part in our success in the past year. I am deeply grateful to the Managing Director, Robert M. Pippitt, and to all my management and other colleagues, wherever they are located, for the great skill, enthusiasm and loyalty to the company which they displayed in such abundance during the past year.

14 January 1974

J. M. THOMAS

RANK XEROX LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account for the Year Ended 31 October 1973

	Schedule Reference	£000's	£000's	1972 £000's	£000's
Turnover	A		<u>370,341</u>		<u>268,131</u>
Trading Profit before charging depreciation			192,608		143,651
Depreciation—Rental Equipment		43,148		33,780	
—Other		<u>5,502</u>		<u>4,144</u>	
			48,650		37,924
			<u>143,958</u>		<u>105,727</u>
Interest Receivable	B		1,464		1,430
			<u>145,422</u>		<u>107,157</u>
Interest Payable	C		13,346		6,133
Profit before Taxation of Rank Xerox Limited and Subsidiaries			132,076		101,024
Share of Profit before Taxation of Associated Company (Note 7)			<u>7,245</u>		<u>4,565</u>
Profit before Taxation			<u>139,321</u>		<u>105,589</u>
Taxation based thereon:					
Rank Xerox Limited and Subsidiaries	D	63,931		47,296	
Associated Company		<u>3,168</u>		<u>2,674</u>	
			67,099		49,970
Profit after Taxation			<u>72,222</u>		<u>55,619</u>
Profit attributable to Minority Interests			563		165
Profit after Taxation attributable to the Shareholders of Rank Xerox Limited of which £47,372,000 (1972— £29,297,000) has been dealt with in the accounts of Rank Xerox Limited			<u>71,659</u>		<u>55,454</u>
Transfers to Non-Distributable Reserves:					
Rank Xerox Limited and Subsidiaries		4,618		2,489	
Share of Profit retained by Associated Company		<u>3,275</u>		<u>1,183</u>	
			7,893		3,672
			<u>63,766</u>		<u>51,782</u>
Dividends on 'A', 'B', 'C', 'D' and 'E' Shares (Note 4)	E		23,711		58,000
			<u>40,055</u>		<u>(6,218)</u>
Unappropriated Earnings at 1 November 1972			<u>66,530</u>		<u>72,748</u>
Unappropriated Earnings at 31 October 1973			<u>£106,585</u>		<u>£66,530</u>

The schedules on page 13 and the notes on pages 20 to 25 form part of the accounts.

Schedules to Consolidated Profit and Loss Account

	£000's	1972 £000's
A Turnover consists of equipment rentals, sales of goods, services, and includes royalties amounting to £3,790,000 (1972—£2,593,000)		
B Interest Receivable		
Short Term Deposits and Bank	1,088	1,346
Other	376	84
	<u>£1,464</u>	<u>£1,430</u>
C Interest Payable		
Loans not fully repayable within 5 years	4,147	1,210
Bank and other Loans repayable within 5 years	9,199	4,923
	<u>£13,346</u>	<u>£6,133</u>
D Taxation		
United Kingdom:		
Corporation Tax at 45.83% (1972—40%) (£41,110,000 before double taxation relief (1972—£25,271,000))	8,023	4,790
Current	8,391	7,897
Deferred	<u>16,414</u>	<u>12,687</u>
Less: Relief for deemed A.C.T. Current	5,950	—
Deferred	2,300	—
	<u>8,250</u>	—
	8,164	12,687
Overseas:	38,820	31,898
Current	12,231	3,197
Deferred	4,756	—
Rate Changes	(40)	(486)
Prior Year Adjustments	<u>£63,931</u>	<u>£47,296</u>
Rate changes represent the amount necessary to increase the U.K. deferred taxation account from 40% (balance at 1 November 1972) and 45.83% (charge for the year) to the assumed current U.K. Corporation Tax rate of 50%.		
E Dividends		
First Interim—paid	7,711	8,000
Second Interim—paid	16,000	14,000
Special	—	36,000
	<u>£23,711</u>	<u>£58,000</u>
F Remuneration of Directors of Rank Xerox Limited (pursuant to section 196, Companies Act 1948)		
Emoluments for services as Executives	418	253
Pension to widow of former Director	2	2
	<u>£420</u>	<u>£255</u>
G Remuneration of Auditors		
Rank Xerox Limited	65	63
Subsidiaries	209	160
	<u>£274</u>	<u>£223</u>

13

RANK XEROX LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet
at 31 October 1973

	£000's	£000's	31 October 1972 £000's	£000's
Issued Share Capital of Rank Xerox Limited (Note 2)				
'A' Shares of £1 each	7,401		7,401	
'B' Shares of £1 each	7,401		7,401	
'C' Shares of £1 each	7,482		7,482	
'D' Shares of £1 each	3,741		3,741	
'E' Shares of £1 each	39		27	
	<hr/>	26,064	<hr/>	26,052
Share Premium Account (Note 3)		1,626		1,061
Retained Profits (Note 4)				
Non-Distributable Reserves	13,817		9,199	
Non-Distributable Earnings relating to Associated Company (Note 7)	10,930		7,655	
Unappropriated Earnings	106,585		66,530	
	<hr/>	131,332	<hr/>	83,384
Total Equity attributable to the Shareholders of Rank Xerox Limited		159,022		110,497
Minority Interests		2,813		1,285
Loan Capital and Borrowed Money (Note 5)				
Not fully repayable within five years:				
7½% Guaranteed Unsecured Loan Stock 1986/1991	4,475		4,875	
7½% Subordinated Unsecured Loan Notes 1992:				
Xerox Corporation	1,800		1,800	
The Rank Organisation Limited and Subsidiary	1,200		1,200	
Unsecured Bank Loans	3,000		3,000	
Secured Indebtedness of Subsidiaries	32,723		25,495	
Other Loans and Advances	6,810		7,059	
	317		237	
	<hr/>	47,325	<hr/>	40,666
Fully repayable within five years:				
Bank Advances, Loans and Overdrafts	116,484		42,822	
Acceptance Credits	1,524		3,020	
Secured Indebtedness of Subsidiaries	595		187	
Other Loans and Advances	8		11	
	<hr/>	165,936	<hr/>	86,706
Less Repayable within one year	79,367		18,083	
	<hr/>	86,569	<hr/>	68,623
Taxation				
Deferred Taxation (Note 1)	48,338		25,260	
Non-Current United Kingdom Corporation Tax	3,526		4,900	
	<hr/>	51,864	<hr/>	30,160
		<hr/>	<hr/>	
		£300,268		£210,565

J. M. THOMAS }
R. M. PIPPITT } Directors

Certified true copy of every sheet laid before the Company in general meeting during the period to which this return relates (including every document required by law to be annexed to the balance sheet) and of the report of the auditors thereon.

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For and on behalf of RANK XEROX LIMITED

 Director
 Secretary

	£000's	£000's	31 October 1972 £000's £000's	
Fixed Assets (Notes 1 and 6)				
Land, Buildings and Plant	71,220		54,082	
Equipment on or for rental including £24,306,000 (1972—£15,827,000) in respect of equipment in course of manufacture	177,063		137,599	
Tools, Jigs and Machine Fixtures	5,021		2,781	
		253,304		194,462
Associated Company (Note 7)				
Share of net assets	13,660		10,385	
Advances	3,653		3,653	
		17,313		14,038
Loans for the Purchase of 'E' Shares (Note 9)		1,756		1,112
Current Assets				
Stocks and Stores (Note 1)	26,396		23,364	
Amounts due by Fellow Subsidiaries	358		5	
Debtors and Prepayments (Note 10)	113,584		78,204	
Short Term Deposits, Bank Balances and Cash (Note 11)	22,575		29,575	
	£162,913		£131,148	
Deduct: Current Liabilities and Provisions				
Amounts due to Xerox Corporation	3,068		8,561	
Creditors and Accrued Expenses	55,083		39,710	
Loan Capital and Borrowed Money repayable within one year	79,367		18,083	
Taxation	31,410		37,531	
Second Interim Dividends	—		14,000	
Special Dividends	—		36,000	
	£168,928	(6,015)	£153,885	(22,737)
Deferred Expenditure				
Taxation on Unrealised Intra-Group Profits (Note 1)	25,246		18,235	
Development Expenditure (Note 1)	8,664		5,455	
		33,910		23,690
		£300,268		£210,565

The notes relating to this Balance Sheet which appear on pages 20 to 25 form part of the accounts.

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RANK XEROX LIMITED

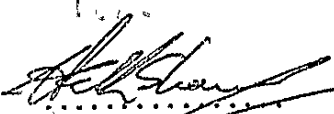
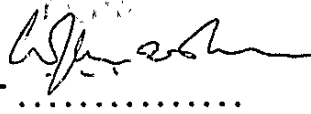
Balance Sheet at 31 October 1973

	£000's	£000's Issued and Fully Paid	£000's	31 October 1972 £000's	£000's
Share Capital (Note 2)					
'A' Shares of £1 each	7,645	7,401		7,401	
'B' Shares of £1 each	7,645	7,401		7,401	
'C' Shares of £1 each	7,767	7,482		7,482	
'D' Shares of £1 each	3,883	3,741		3,741	
'E' Shares of £1 each	60	39		27	
	£27,000		26,064		26,052
Share Premium Account (Note 3)			1,626		1,061
Unappropriated Earnings (Note 4)			30,685		7,024
			58,375		34,137
Provision for Unrealised Intra-Group Profits <i>less taxation applicable thereto</i> (Note 1)			15,018		13,031
Loan Capital and Borrowed Money (Note 5)					
Not fully repayable within five years:					4,875
7½% Guaranteed Unsecured Loan Stock 1986/1991		4,475			
7½% Subordinated Unsecured Loan Notes 1992:					
Xerox Corporation		1,800		1,800	
The Rank Organisation Limited and Subsidiary		1,200		1,200	
Unsecured Bank Loans		3,000		3,000	
		25,168		25,495	
Fully repayable within five years:					
Bank Advances, Loans and Overdrafts			32,643		33,370
			77,585		27,736
Less Repayable within one year			110,228		61,106
			44,393		1,273
			65,835		59,833
Taxation					
Deferred Taxation (Note 1)		21,997		13,881	
Non-Current United Kingdom Corporation Tax		3,500		4,750	
		25,497		18,631	
			£164,725		£125,632

J. M. THOMAS }
R. M. PIPPITT } *Directors*

Certified to be a true copy of every balance sheet laid before the Company in general meeting during the period to which this return relates (including every document required by law to be annexed to the balance sheet) and of the report of the auditors thereon.

For and on behalf of RANK XEROX LIMITED

 Director
 Secretary

	£000's	£000's	31 October 1972 £000's	£000's
Fixed Assets (Notes 1 and 6)				
Land, Buildings and Plant	15,102		15,023	
Equipment on or for rental including £14,193,000 (1972—£10,109,000) in respect of equipment in course of manufacture	56,134		43,672	
Tools, Jigs and Machine Fixtures	3,283		2,688	
	<u>74,519</u>		<u>61,383</u>	
Associated Company (Note 7)				
Investment at Cost	2,730		2,730	
Advances	3,653		3,653	
	<u>6,383</u>		<u>6,383</u>	
Subsidiaries (Note 8)				
Shares, at cost	25,402		25,140	
Amounts due by Subsidiaries (excluding dividends)	83,521		59,933	
	<u>108,923</u>		<u>85,073</u>	
Amounts due to Subsidiaries	12,733		1,058	
	<u>96,190</u>		<u>84,015</u>	
Loans for the Purchase of 'E' Shares (Note 9)		831		838
Current Assets				
Stocks and Stores (Note 1)	13,464		11,990	
Amounts due by Fellow Subsidiaries	239		3	
Debtors and Prepayments (Note 10)	29,287		22,787	
Dividends receivable from Subsidiaries	8,907		200	
Short Term Deposits, Bank Balances and Cash (Note 11)	1,933		12,364	
	<u>£53,830</u>		<u>£47,344</u>	
Deduct: Current Liabilities and Provisions				
Amounts due to Xerox Corporation	1,020		4,679	
Creditors and Accrued Expenses	18,355		12,348	
Loan Capital and Borrowed Money repayable within one year	44,393		1,273	
Taxation	8,417		10,738	
Second Interim Dividends	—		14,000	
Special Dividends	—		36,000	
	<u>£72,185</u>		<u>£79,038</u>	
		(18,355)		(31,694)
Development Expenditure (Note 1)		5,157		4,707
	<u>£164,725</u>		<u>£125,632</u>	

The notes relating to this Balance Sheet which appear on pages 20 to 25 form part of the accounts.

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RANK XEROX LIMITED AND SUBSIDIARIES

Consolidated Statement of Source and Application of Funds

	Year Ended 31 October 1973 £000's	Year Ended 31 October 1972 £000's
Source of Funds		
OPERATIONS:		
Profit after Taxation attributable to the Shareholders of Rank Xerox Limited	71,659	55,454
Less Retained by Associated Company	3,275	1,183
	68,384	54,271
Charges Not Requiring Funds:	48,650	37,924
Depreciation	1,547	825
Tooling Expenditure written off	2,799	1,274
Development Expenditure written off	23,078	11,094
Deferred Taxation	3,526	4,900
Non-Current United Kingdom Corporation Tax	563	165
Minority Interests	—	—
	148,547	110,453
TOTAL FUNDS FROM OPERATIONS		
Proceeds from Share Issue	577	1,088
Minority Subscription for Shares in Subsidiary	965	—
Additional Loan Capital and Borrowed Money	19,461	32,008
Disposals of Fixed Assets	3,414	2,703
	£172,964	£146,252
TOTAL FUNDS RECEIVED		
 Application of Funds		
Additions to Fixed Assets:	22,715	16,036
Land, Buildings and Plant	85,951	64,129
Equipment on and for Rental	3,787	1,536
Tools, Jigs and Machine Fixtures	—	1,007
Advances to Associated Company	644	1,112
Loans for the Purchase of 'E' Shares	—	—
Additional Deferred Expenditure:	7,011	6,195
Taxation on Unrealised Intra-Group Profits	6,008	4,232
Development Expenditure	1,515	8,816
Reduction of Loan Capital and Borrowed Money	4,900	8,900
Reduction of Non-Current United Kingdom Corporation Tax	23,711	58,000
Dividends	—	—
	£156,242	£169,963
TOTAL APPLICATION OF FUNDS		
Increase/(Decrease) in Net Current Assets	£16,722	£(23,711)

	Year Ended 31 October 1973 £000's	Year Ended 31 October 1972 £000's
Analysis of Increase/(Decrease) in Net Current Assets		
CURRENT ASSETS—INCREASE/(DECREASE)		
Stocks and Stores	3,032	(892)
Amounts due by Fellow Subsidiaries	353	2
Debtors and Prepayments	35,380	22,208
Short Term Deposits, Bank Balances and Cash	(7,000)	(4,323)
	<u>£31,765</u>	<u>£16,995</u>
CURRENT LIABILITIES AND PROVISIONS—INCREASE/(DECREASE)		
Amounts due to Xerox Corporation	(5,493)	4,791
Creditors and Accrued Expenses	15,373	8,561
Loan Capital and Borrowed Money repayable within one year	61,284	(20,218)
Taxation	(6,121)	5,283
Dividends	(50,000)	42,289
	<u>£15,043</u>	<u>£40,706</u>
Increase/(Decrease) in Net Current Assets	<u>£16,722</u>	<u>£(23,711)</u>

This Statement should be read in conjunction with the accounts and the notes to the accounts which appear on pages 20 to 25.

Notes to the Accounts

1 Principles of Consolidation and Accounting Policies

A summary of the major accounting policies followed by the Group in preparation of the accompanying accounts is set forth below.

Basis of Consolidation

The consolidated accounts and the consolidated statement of source and application of funds incorporate the accounts of Rank Xerox Limited and its subsidiaries, after elimination of intra-group transactions and the profits thereon.

Conversion of Overseas Accounts

The accounts of overseas subsidiaries, branches, and the associated company are converted into sterling at exchange rates applied as follows:

- (a) Current assets (other than stocks and stores) and current liabilities at rates approximating to the mid-market rates ruling at 31 October 1973.
- (b) Stocks and stores and non-current assets and liabilities (including fixed assets and related depreciation) at rates ruling at the time the assets were acquired or the liabilities incurred.
- (c) Profit and Loss items at rates applicable to the periods to which they relate. Exchange differences resulting from the foregoing procedures are charged or credited to Profit and Loss Account.

Deferred Taxation principally represents tax, provided on the liability basis, on the net excess of the cumulative deductions which have been claimed for fiscal purposes for depreciation of rental equipment and other fixed assets, for development expenditure and for provisions on stocks and debtors, over the corresponding cumulative amounts charged in the accounts.

Fixed Assets are carried in the accounts at cost adjusted for depreciation (on a straight line basis) at rates intended to write off the cost over the estimated useful lives of the respective assets, which for this purpose are in the main taken as follows:

Freehold Buildings	50 years
Leasehold Land and Buildings	Term of lease
Plant and Machinery	13 years
Fixtures and Fittings	20 years
Vehicles	3-5 years
Rental Equipment:	
New Build	4-5 years
Remodelled	4 years

Freehold Land is not depreciated.

The cost of rental equipment in course of manufacture consists of direct materials and labour, together with an appropriate proportion of overheads.

Development Expenditure, including research and pre-production costs, is deferred and recovered as part of the manufacturing cost of a predetermined number of related machines. Substantially all of the machines manufactured are capitalised as rental equipment within the Group.

Tools, Jigs and Machine Fixtures

Expenditure is dealt with in a similar manner to Development Expenditure.

Unrealised Intra-Group Profits arise on sales of equipment and supplies by certain companies to other companies. Such profits, and taxation attributable thereto, are dealt with in the Profit and Loss Account as regards supplies when realised and as regards equipment evenly over the estimated useful life of such equipment. Accordingly the unrealised element of profit has been deducted in arriving at the value at which such equipment and supplies are carried in the Consolidated Balance Sheet and taxation paid or payable on such profit has been carried forward as deferred expenditure.

Stocks and Stores are stated at the lower of cost and net realisable value on bases consistent with the previous year. Cost includes, where appropriate, a proportion of overheads.

2 **Issued Share Capital.** The total issued share capital of the Company was increased during the year by £11,850 on the issue of 11,850 'E' Shares of £1 each under the terms of the Rank Xerox Share Purchase Scheme, and a discretionary settlement of which National Westminster Jersey Trust Company Limited are trustees.

3 **Share Premium Account.** During the year 11,850 'E' Shares were issued under the terms of the Rank Xerox Share Purchase Scheme and the discretionary settlement referred to in note 2 above at the following premiums: 4,200 Shares at £38.78 per Share; 7,650 Shares at £52.55 per share. In the event of a winding up of the Company the share premium of £1,626,000 is wholly attributable to the 'E' Shareholders.

4 Retained Profits

(a) The profits of the Group and the Company for the year ended 31 October 1973 have been allocated between the 'A', 'B', 'C' and 'D' Shareholders and the dividends have been allocated between the 'A', 'B', 'C', 'D' and 'E' Shareholders in accordance with the provisions of the Company's Articles of Association as follows:

	£		£		
(i) The Group					139,321,000
Profit before Taxation					
<i>Deduct:</i> Outside Shareholders' share of Subsidiaries' profits (before charging taxation of £297,000)			860,000		
Transfers to Non-Distributable Reserves			4,618,000		5,478,000
					<u>£133,843,000</u>
Profit before Taxation attributable to Rank Xerox Limited including share of profit retained by Associated Company					<u>£133,843,000</u>
Unappropriated Earnings	'A'	'B'	'C'	'D'	Total
	£	£	£	£	£
Profit before Taxation as above	3,700,627	3,700,627	84,294,497	42,147,249	133,843,000
<i>Deduct:</i> Taxation thereon (excluding the figure of £297,000 referred to above)	1,847,009	1,847,009	42,071,988	21,035,994	66,802,000
Share of profit after taxation retained by Associated Company	90,551	90,551	2,062,599	1,031,299	3,275,000
	<u>1,763,067</u>	<u>1,763,067</u>	<u>40,159,910</u>	<u>20,079,956</u>	<u>63,766,000</u>
Unappropriated Earnings at 1 November 1972	3,512,203	3,512,203	39,670,529	19,835,263	66,530,198
	<u>5,275,270</u>	<u>5,275,270</u>	<u>79,830,439</u>	<u>39,915,219</u>	<u>130,296,198</u>
<i>Deduct:</i> Dividends 'A', 'B', 'C' and 'D' Shares	646,900	646,900	14,941,166	7,470,584	23,705,550
'E' Shares	—	—	3,634	1,816	5,450
	<u>646,900</u>	<u>646,900</u>	<u>14,944,800</u>	<u>7,472,400</u>	<u>23,711,000</u>
Unappropriated Earnings at 31 October 1973	<u>£4,628,370</u>	<u>£4,628,370</u>	<u>£64,885,639</u>	<u>£32,442,819</u>	<u>£106,585,198</u>
Non-Distributable Reserves			£000's	£000's	£000's
At 1 November 1972			6,133	3,066	9,199
Transfers as above			3,078	1,540	4,618
At 31 October 1973			<u>£9,211</u>	<u>£4,606</u>	<u>£13,817</u>
Non-Distributable Earnings relating to Associated Company	£000's	£000's	£000's	£000's	£000's
At 1 November 1972	277	277	4,734	2,367	7,655
Share of profit after taxation for the year retained by Associated Company as above	91	91	2,062	1,031	3,275
At 31 October 1973	<u>£368</u>	<u>£368</u>	<u>£6,796</u>	<u>£3,398</u>	<u>£10,930</u>

(ii) The Company

The Company's unappropriated earnings have been allocated between Shareholders in accordance with the Articles in the same proportion as the consolidated unappropriated earnings as follows:

	'A'	'B'	'C'	'D'	Total
	£000's	£000's	£000's	£000's	£000's
Unappropriated Earnings at 31 October 1973	<u>1,332</u>	<u>1,332</u>	<u>18,681</u>	<u>9,340</u>	<u>30,685</u>

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- (b) In order to obtain accelerated overseas taxation relief, additional sums have been provided in the accounts of certain overseas Subsidiaries in respect of Depreciation of Rental Equipment and Other Fixed Assets, and in respect of Stock and Debtor Provisions.

The additional sums provided for this special purpose have been eliminated from the Group Accounts. The profit after taxation for the year ended 31 October 1973 and retained earnings at that date are accordingly £12,419,000 and £25,897,000 respectively in excess of the aggregate of the relative amounts shown in the accounts of the Subsidiaries concerned, calculated at current rates of exchange.

- (c) No provision has been made for withholding and other taxes that would become payable in the event of distribution of retained profits as reflected in the Group Accounts by certain overseas Subsidiaries and the Associated Companies. These taxes calculated at current rates amount to approximately £10,763,000 and £1,373,000 respectively. These taxes would have been re-invested locally and it is not the Company's intention to initiate any action which would precipitate payment of these additional taxes.

5 Loan Capital and Borrowed Money

- (a) **The 7½% Guaranteed Unsecured Loan Stock 1986/1991** is severally guaranteed as to the payment of Capital and Interest by Xerox Corporation and by The Rank Organisation Limited up to 60% and 40% respectively.

As from 15 December 1971, the Company is required to redeem at par £100,000 nominal of the Stock each year by drawings, which can be satisfied by purchase and cancellation of the Stock. The Company may after 14 December 1986, on giving three months' notice, redeem at par the whole or part of the Stock outstanding. All Stock not previously redeemed is redeemable at par on 15 December 1991. £525,000 nominal of the Stock has been purchased and cancelled at 31 October 1973.

- (b) **The 7½% Subordinated Unsecured Loan Notes 1992** are not repayable, without the consent of the Trustees for the 7½% Guaranteed Unsecured Loan Stock 1986/1991, until all monies in respect of Capital and Interest on that Stock have been paid.

- (c) Details of repayment dates and interest rates for the other principal loans not fully repayable within 5 years are as follows:—

	Repayment Period	Interest Rate	1973 £000's	1972 £000's
Unsecured Bank Loans				
Rank Xerox Limited:—				
	1977/79	*14.3% (average)	15,000	15,000
	1976/79	*12½%	10,168	10,168
	1977	—	—	327
			<u>25,168</u>	<u>25,495</u>
Subsidiaries:—				
	1977/80	7½%	6,596	—
	1981	*12½%	607	—
	1975/80	7½%	352	—
			<u>£32,723</u>	<u>£25,495</u>
Secured Indebtedness of Subsidiaries				
	1969/80	6½%	2,146	2,327
	1977/86	9%	1,740	1,724
	1971/96	8½%	1,696	1,772
	1972/78	7½%	501	555
Others (none exceeding £500,000)			—	—
			<u>727</u>	<u>681</u>
			<u>£6,810</u>	<u>£7,059</u>

*Indicates loan for which the interest rate is not fixed. The rate applicable at 31 October 1973 is shown.

6 Fixed Assets

	Freehold Land and Buildings £000's	Leasehold Land and Buildings £000's	Con- struction in Progress £000's	Plant, Vehicles and Equipment £000's	Total £000's	Equipment on or for Rental £000's
(a) The Group						
Cost at 1 November 1972	19,794	7,390	4,071	35,647	66,902	255,813
Additions	1,045	1,969	8,332	11,369	22,715	85,951
Transfers	5,682	135	(8,163)	3,089	743	(743)
Disposals	(127)	(229)	—	(2,682)	(3,038)	(6,076)
Exchange Rate Adjustments	299	118	—	680	1,097	12,646
Cost at 31 October 1973	26,693	9,383	4,240	48,103	88,419	347,591
Depreciation Provision at 1 November 1972	1,089	1,404	—	10,327	12,820	118,214
Charge for year	(2)	460	—	5,044	5,502	43,148
Transfers	—	(6)	—	(551)	(557)	557
Disposals	(4)	(131)	—	(1,528)	(1,663)	(4,037)
Exchange Rate Adjustments	299	118	—	680	1,097	12,646
Depreciation Provision at 31 October 1973	1,382	1,845	—	13,972	17,199	170,528
Net Book Value at 31 October 1973	£25,311	£7,538	£4,240	£34,131	£71,220	£177,063
Net Book Value at 1 November 1972	£18,705	£5,986	£4,071	£25,320	£54,082	£137,599
(b) The Company						
Cost at 1 November 1972	2,111	3,567	247	13,897	19,822	67,729
Additions	(34)	1,096	372	2,583	4,017	23,452
Transfers	141	90	(256)	400	375	(375)
Disposals	—	(8)	—	(3,771)	(3,779)	(1,050)
Exchange Rate Adjustments	—	2	—	8	10	68
Cost at 31 October 1973	2,218	4,747	363	13,117	20,445	89,824
Depreciation Provision at 1 November 1972	99	439	—	4,261	4,799	24,057
Charge for year	13	133	—	1,298	1,444	10,149
Transfers	—	—	—	(35)	(35)	35
Disposals	—	5	—	(880)	(875)	(619)
Exchange Rate Adjustments	—	2	—	8	10	68
Depreciation Provision at 31 October 1973	112	579	—	4,652	5,343	33,690
Net Book Value at 31 October 1973	£2,106	£4,168	£363	£8,465	£15,102	£56,134
Net Book Value at 1 November 1972	£2,112	£3,128	£247	£9,636	£15,023	£43,672

- (c) (i) Disposals and additions include machines transferred to and from remodelling centres within the Group.
- (ii) As stated in note 1 (b) above, Fixed Assets of overseas subsidiaries and branches are shown at exchange rates ruling at the date of acquisition. Depreciation is shown on a corresponding basis. Cost of and depreciation applicable to disposals are stated at the rates ruling at the time of disposal. In this respect, the exchange rate adjustments shown above represent the release, on a pre-determined basis, (subject to a maximum of ten years) of the difference between historic and current rates. Thus where the depreciation life of such assets exceeds ten years an acceleration of the reduction in depreciation has arisen; this is particularly relevant in the case of Freehold Land and Buildings.
- (iii) The net book value of Leasehold Land and Buildings at 31 October 1973 includes for the Group £7,077,000 (1972—£4,622,000) and for the Company £3,983,000 (1972—£1,886,000) in respect of leases with less than 50 years to run.
- (iv) Tools, Jigs and Machine Fixtures are stated at cost less amounts charged to date against the manufacture of equipment. Expenditure on such assets during the period amounted to £3,787,000 for the Group and £3,002,000 for the Company.

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7 Associated Company

The Associated Company is Fuji Xerox Co. Ltd. incorporated in Japan, in which the Company owns 50 per cent of the issued ordinary share capital; this investment is included in the Company's Balance Sheet at cost.

The Consolidated Balance Sheet reflects the investment at an amount equivalent to the Company's share of the net assets disclosed by the Consolidated Balance Sheet of the Associated Company at October 1973, converted at rates of exchange consistent with the principles stated in note 1.

The Non-Distributable Earnings relating to the Associated Company comprise the Company's share of the profits retained by the Associated Company including amounts capitalised £234,000; no provision has been made for any additional taxation which would arise on the distribution of the retained profits or on the disposal of the investment at the amount at which it is included in the Consolidated Balance Sheet. The dividend receivable from the Associated Company for the year to October 1973 was £802,000.

8 Subsidiaries

Details of the principal Subsidiaries are as follows:

	Country of Incorporation	Class of Capital	Percentage of Capital Owned		Total
			Direct	Indirect	
Rank Xerox (U.K.) Limited	England	Ordinary	100%		100%
Rank Xerox (Ireland) Limited	England	Ordinary	100%		100%
Rank Xerox de Espana Limited	England	Ordinary	100%		100%
Rank Xerox Espanola S.A.	Spain	Ordinary	25%	75%	100%
Rank Xerox (Management) Limited	England	Ordinary	100%		100%
Rank Xerox (Australia) Pty. Limited	Australia	Ordinary		75%	75%
Rank Xerox (Austria) G.m.b.H.	Austria	Ordinary		100%	100%
N.V. Rank Xerox S.A.	Belgium	Ordinary		100%	100%
Rank Xerox A.S.	Denmark	Ordinary		100%	100%
Rank Xerox Oy	Finland	Ordinary		100%	100%
Rank Xerox S.A.	France	Ordinary		100%	100%
Rank Xerox G.m.b.H.	Germany	Ordinary		100%	100%
Rank Xerox Greece S.A.	Greece	Ordinary		100%	100%
Rank Xerox (Nederland) B.V.	Holland	Ordinary		100%	100%
Rank Xerox Iran Private Co. Limited	Iran	Ordinary		100%	100%
Rank Xerox S.p.A.	Italy	Ordinary		100%	100%
Rank Xerox Kenya Limited	Kenya	Ordinary		75%	75%
Rank Xerox (N.Z.) Limited	New Zealand	Ordinary		100%	100%
Rank Xerox A.S.	Norway	Ordinary		100%	100%
Rank Xerox (Pty.) Limited	South Africa	Ordinary		100%	100%
Rank Xerox A.B.	Sweden	Ordinary		100%	100%
Rank Xerox A.G.	Switzerland	Ordinary		100%	100%
Rank Xerox Uganda Limited	Uganda	Ordinary		100%	100%
S.D.S. Computers Limited	Israel	Ordinary		100%	100%

In addition Rank Xerox Limited has branches in Hong Kong, Malaysia, Portugal and Singapore.

9 Loans for the Purchase of 'E' Shares

The Company and certain Subsidiaries have made loans to the trustees of the Rank Xerox Share Purchase Scheme and to the trustees of the settlement referred to in note 2 above, to enable them to acquire 'E' Shares. These loans do not currently bear interest.

10 **Debtors and Prepayments** include amounts due in respect of loans to Directors of £62,000 (1972—£40,000) for the Group and £52,000 (1972—£40,000) for the Company. The movement in the year relates to existing loans to employees who were appointed Directors during the year.

11 **Short-Term Deposits, Bank Balances and Cash** include £2,673,000 in the case of the Group and £1,138,000 in the case of the Company held by Banks to which there are equal or greater amounts due in respect of Borrowed Money.

12 Contingent Liabilities

(a) The Group

There are Contingent Liabilities in respect of:

- (i) bills discounted and guarantees amounting to approximately £3,806,000 (1972—£3,044,000); and
- (ii) customs and excise duties and taxes relating to certain overseas Subsidiaries which are under negotiation.

(b) The Company has guaranteed loans and bank overdrafts of Subsidiaries up to a maximum of £40,542,000 (1972—£24,605,000) of which £23,175,000 was outstanding at 31 October 1973 (1972—£11,665,000).

13 Capital Expenditure

No provision has been made in the accounts for the following capital expenditure, which excludes Rental Equipment:

	The Group		The Company	
	1973 £000's	1972 £000's	1973 £000's	1972 £000's
Expenditure Contracted for	14,349	9,474	6,227	3,913
Expenditure authorised but not committed	22,565	11,271	8,466	5,275
	<u>£36,914</u>	<u>£20,745</u>	<u>£14,693</u>	<u>£9,188</u>

14 The Standing Rent Charge in respect of Leasehold Property at 31 October 1973 is in the case of the Group at the rate of approximately £6,132,000 per annum and in the case of the Company approximately £2,457,000 per annum.

15 Details of Directors' Emoluments, pursuant to Section 6, Companies Act 1967.

	1973	1972
Chairman to 5 December 1972	Nil	Nil
Chairman from 6 December 1972	£37,753	—
Director	£48,263	£35,000
Number, including the above:	Number	Number
Up to £2,500	8	9
£2,501 - £10,000	1	—
£10,001 - £15,000	2	—
£15,001 - £17,500	—	2
£17,501 - £20,000	1	1
£20,001 - £22,500	2	4
£22,501 - £25,000	4	1
£25,001 - £27,500	1	—
£27,501 - £32,500	1	2
£32,501 - £35,000	1	1
£35,001 - £37,500	1	—
£37,501 - £40,000	1	—
£40,001 - £42,500	1	—
£42,501 - £50,000	1	—

16 Remuneration of Employees receiving more than £10,000 pursuant to Section 8, Companies Act 1967.

	1973 Number	1972 Number
£10,001 - £12,500	3	7
£12,501 - £15,000	7	4
£15,001 - £17,500	1	2
£17,501 - £20,000	1	—
£20,001 - £22,500	—	1
£22,501 - £25,000	1	—
£25,001 - £27,500	1	—

17 Holding Company

The Company's ultimate holding company is Xerox Corporation, which is incorporated in the United States of America.

**Report of the Auditors
to the Members of Rank Xerox Limited**

We have examined the annexed balance sheet and annexed consolidated balance sheet, consolidated profit and loss account and consolidated statement of source and application of funds set out on pages 12 to 25 inclusive.

In our opinion the balance sheet and the consolidated accounts comply with the Companies Acts 1948 and 1967 and together with the consolidated statement of source and application of funds give respectively a true and fair view of the state of the Company's affairs at 31 October 1973 and, so far as concerns members of the Company, a true and fair view of the state of affairs and of the profit of the Group and of the source and application of funds.

London,
14 January 1974.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

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RANK XEROX LIMITED

Ten Year Financial Review

Consolidated Profit and Loss Account

	1973 October (year) £000's	1972 October (year) £000's	1971 October (year) £000's
Turnover	370,341	268,131	207,132
Trading Profit before charging Depreciation	192,608	143,651	114,275
Depreciation	48,650	37,924	29,275
	143,958	105,727	83,246
Dividends and Interest Receivable	1,464	1,430	940
	145,422	107,157	84,186
Interest Payable	13,346	6,133	5,179
	132,076	101,024	79,007
Profit before Taxation of Rank Xerox Limited and Subsidiaries	7,245	4,565	5,159
Share of Profit before Taxation of Associated Company			
Profit before Taxation	139,321	105,589	84,166
Taxation	67,099	49,970	38,400
	72,222	55,619	45,766
Profit after Taxation	563	165	223
Profit attributable to Minority Interests			
	71,659	55,454	45,543
Extraordinary Items			
Profits after Taxation attributable to the Shareholders of Rank Xerox Limited	71,659	55,454	45,543
Dividends	23,711	58,000	21,711
	47,948	(2,546)	23,832
Amount Capitalised			
Increase/(Decrease) in Retained Profits	£47,948	£(2,546)	£23,832
Consolidated Balance Sheet			
<i>Capital Employed:</i>			
Share Capital	26,064	26,052	26,025
Share Premium Account	1,626	1,061	—
Retained Profits	131,332	83,384	85,930
	159,022	110,497	111,955
Total Shareholders' Equity	2,813	1,285	1,120
Minority Interests	86,569	68,623	45,431
Loan Capital and Borrowed Money Repayable after one year	48,338	25,260	14,166
Deferred Taxation	3,526	4,900	8,900
Non-Current Taxation	£300,268	£210,565	£181,572
<i>Represented by:</i>			
Fixed Assets	253,304	194,462	150,213
Goodwill and Patent Rights	—	—	—
Associated Company	17,313	14,038	11,848
Loans for the Purchase of 'E' Shares	1,756	1,112	—
Net Current Assets/(Liabilities)	(6,015)	(22,737)	974
Deferred Expenditure:			
Taxation on Unrealised Intra-Group Profits	25,246	18,235	12,040
Development Expenditure	8,664	5,455	2,497
	£300,268	£210,565	£181,572

Notes

- The figures for the periods from June 1964 to October 1971 have been restated to reflect a change in the definition of Net Current Assets/(Liabilities) which now excludes United Kingdom Tax payable beyond one year and includes Loan Capital and Borrowed Money repayable within one year.

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Memorandum

1970 October (70 weeks) £000's	1970 October (52 weeks) £000's	1969 June (52 weeks) £000's	1968 June (52 weeks) £000's	1967 June (53 weeks) £000's	1966 June (52 weeks) £000's	1965 June (52 weeks) £000's	1964 June (52 weeks) £000's
206,372	163,444	115,275	84,361	61,812	44,353	26,933	14,971
117,056	92,081	66,301	46,386	31,753	23,311	12,431	5,357
29,503	22,952	17,697	13,693	10,568	7,014	4,213	1,991
87,553	69,129	48,604	32,693	21,185	16,297	8,218	3,366
1,261	976	643	702	702	311	29	9
88,814	70,105	49,247	33,395	21,887	16,608	8,247	3,375
5,526	4,216	3,671	3,458	2,974	1,822	1,282	615
83,288	65,889	45,576	29,937	18,913	14,786	6,965	2,760
4,979	4,111	1,783	—	—	—	—	—
88,267	70,000	47,359	29,937	18,913	14,786	6,965	2,760
40,226	32,130	22,178	13,506	8,525	6,449	2,861	1,077
48,041	37,870	25,181	16,431	10,388	8,337	4,104	1,683
226	160	171	114	71	44	20	17
47,815	37,710	25,010	16,317	10,317	8,293	4,084	1,666
—	—	—	514	(33)	(273)	(49)	(115)
47,815	£37,710	25,010	16,831	10,284	8,020	4,035	1,551
22,715	—	12,000	5,000	2,000	652	470	383
25,100	—	13,010	11,831	8,284	7,368	3,565	1,168
—	—	2,189	3,063	3,316	1,046	—	—
£25,100	—	£10,821	£8,768	£4,968	£6,322	£3,565	£1,168
26,025	—	26,025	23,836	20,772	17,456	14,410	6,800
62,098	—	36,998	25,066	16,298	11,330	5,008	1,443
88,123	—	63,023	48,902	37,070	28,786	19,418	8,243
897	—	556	386	226	130	87	31
20,405	—	20,708	20,580	20,584	17,157	9,037	7,515
8,932	—	6,121	3,760	3,071	1,714	778	—
14,589	—	7,800	5,286	5,137	4,800	3,893	2,891
£132,946	—	£98,208	£78,914	£66,088	£52,587	£33,213	£18,680
118,356	—	88,073	72,197	60,406	45,527	30,990	18,124
—	—	90	90	90	187	248	320
5,915	—	2,363	427	397	397	397	198
(1,918)	—	228	(1,381)	(3,016)	(789)	(3,161)	(3,156)
9,512	—	6,985	6,882	7,250	6,092	4,119	2,980
1,081	—	469	699	961	1,173	620	214
£132,946	—	£98,208	£78,914	£66,088	£52,587	£33,213	£18,680

2. The figures for the periods from June 1969 are presented on the equity basis of accounting for the Associated Company (Fuji Xerox Co. Ltd.).