

5/15/76
1193

RANK XEROX

Rank Xerox Limited

**Directors' Report and Accounts
For the year ended 31 October 1976**

This is a true copy of every balance sheet and a true copy of the Report of the Auditors on, and of the Report of the Directors accompanying, such balance sheet laid before the Company in General Meeting during the period to which the accompanying Return relates.

[Signature]
Director

[Signature]
Secretary



RANK XEROX

5759/4

Rank Xerox Limited

Contents

	Page
Directors	3
Directors' Report	5 to 9
The Accounts of Rank Xerox Limited	10 to 24
Consolidated Profit and Loss Account	10 and 11
Consolidated Balance Sheet	12 and 13
Baiance Sheet	14 and 15
Consolidated Statement of Source and Application of Funds	16 and 17
Notes to the Accounts	18 to 24
Report of the Auditors	25
Ten Year Financial Review	26 and 27

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

W. F. Glavin (U.S.A.)

P. A. Allaire (U.S.A.)
M. Clèdes
H. C. Debuissier
J. C. Delafon
Russell W. Evans M.C.
A. J. Greiner
C. R. P. Hamilton C.M.G.
M. A. Hynes
D. T. Kearns (U.S.A.)
Archie R. McCardell (U.S.A.)
T. Maksimovic
James P. O'Neill (U.S.A.)
H. Orr-Ewing
G. H. Peregrine
F. J. Pipp (U.S.A.)
D. R. Portman
P. Ranque
D. E. Riley (U.S.A.)
Harry Smith
M. Smith (U.S.A.)
D. A. Thompson

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.

Directors' Report

1 Accounts

The Directors present the Balance Sheet of the Company and Consolidated Balance Sheet at 31 October 1976, 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, Taxation, and excluding Minority Interests was	100,081
To which were added Transfers from Non-Distributable Reserves	219
	<hr/>
	100,294
<i>Deduct:</i> Amount not dealt with in the Accounts of Rank Xerox Limited	62,852
	<hr/>
	37,442
<i>*Add:</i> Balance brought forward, after restatement	69,369
	<hr/>
	106,811
Leaving the amount dealt with in the Accounts of Rank Xerox Limited out of which the Directors have declared and paid an interim dividend of £8,012,000 and propose a final dividend of £16,056,000 on 'A', 'B', 'C', 'D' and 'E' Shares	24,068
	<hr/>
Leaving an amount to be carried forward in the Accounts of Rank Xerox Limited	£ 82,743
	<hr/>

**See Note 1 on Translation of Overseas Accounts within the Notes to the Accounts.*

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.

RANK XEROX LIMITED

Directors' Report

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. W. F. Glavin, Mr. P. A. Allaire, Mr. J. C. Delafon, Mr. Russell W. Evans, Mr. A. J. Greiner, Mr. C. R. P. Hamilton, Mr. M. A. Hynes, Mr. Archie R. McCardell, Mr. James P. O'Neill, Mr. H. Orr-Ewing, Mr. G. H. Peregrine, Mr. F. J. Pipp, Mr. D. R. Portman, Mr. P. Ranque, Mr. D. E. Riley and Mr. Harry Smith.

The following were appointed to the Board during the year:

Mr. D. T. Kearns—on 9 December 1975, Dr. M. Smith—on 22 March 1976, and Mr. M. Clèdes, Mr. H. C. Debuissier, Mr. T. Maksimovic and Mr. D. A. Thompson on 15 June 1976.

The following who were Directors on 1 November 1975 resigned as Directors on the dates indicated:

Mr. Joseph B. Flavin—on 14 November 1975, Dr. D. T. N. Williamson—on 22 March 1976 and Mr. J. Buckingham-Burr—on 2 April 1976.

5 Directors' Interests

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

		Rank Xerox Limited	Xerox Corporation		Class 'B' Shares par value*** \$1.00	6% Convertible Subordinated Debentures due 1995****
		'E' Shares of £1 each*	Common Shares par value \$1.00 Holding	Options**		
C. Peter McColough	(a)	—	52,529	74,537	—	\$5,200
	(b)	—	54,071	56,250	—	\$5,200
J. M. Thomas	(a)	2,490	100	—	—	—
	(b)	4,150	100	—	—	—
W. F. Glavin	(a)	—	—	27,758	9,360	—
	(b)	—	—	20,400	10,000	—
P. A. Allaire	(a)	—	240	13,715	—	—
	(b)	—	240	9,965	—	—
M. Clèdes	(a)	300	—	—	—	—
	(b)	300	—	—	—	—
A. J. Greiner	(a)	1,000	—	—	—	—
	(b)	1,000	—	—	—	—
D. T. Kearns	(a)	—	—	58,069	9,250	—
	(b)	—	—	49,275	10,000	—
Archie R. McCardell	(a)	—	50	73,217	23,668	\$600
	(b)	—	50	57,750	23,743	\$600
James P. O'Neill	(a)	—	—	25,044	13,380	—
	(b)	—	—	16,250	16,725	—
H. Orr-Ewing	(a)	810	—	—	—	—
	(b)	1,350	—	—	—	—
G. H. Peregrine	(a)	510	—	—	—	—
	(b)	850	—	—	—	—

RANK XEROX LIMITED

Directors' Report

		Rank Xerox Limited	Xerox Corporation		Class 'B' Shares par value*** \$1.00	6% Convertible Subordinated Debentures due 1995****
		'E' Shares of £1 each*	Common Shares par value \$1.00 Holding	Options**		
F. J. Pipp	(a)	—	—	17,691	3,000	—
	(b)	—	—	13,500	3,000	—
D. R. Portman	(a)	810	—	—	—	—
	(b)	1,350	—	—	—	—
D. E. Riley	(a)	—	—	5,901	—	—
	(b)	—	80	3,561	—	—
M. Smith	(a)	—	—	4,458	3,700	—
	(b)	—	—	1,891	3,700	—
D. A. Thompson	(a)	510	—	—	—	—
	(b)	510	—	—	—	—

(a) Holding at 31 October 1976

(b) Holding at 1 November 1975 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. At 31 October 1976 Mr. Russell W. Evans, Mr. W. F. Glavin and Mr. D. T. Kearns were the Trustees of the Scheme and a total of 44,940 'E' Shares was held on behalf of the Trustees at that date (1 November 1975—43,075 'E' Shares).

**Xerox Corporation ("Xerox") has in force Plans under which employees of Xerox and its subsidiaries have been or may hereafter be granted stock options, stock appreciation rights, performance unit rights and incentive stock rights. Stock appreciation rights are and performance unit rights may be granted in conjunction with a stock option so that exercise of such rights reduces or extinguishes the related stock option and vice-versa. A stock option entitles the holder to subscribe Shares of Xerox Common Stock at the option price. A stock appreciation right entitles the holder to receive, without payment to Xerox, a number of Shares of Xerox Common Stock in lieu of the Shares comprised in the related stock option. A performance unit right entitles the holder to receive, without payment to Xerox, either cash up to a maximum figure or at the option of Xerox its equivalent (at the fair market value then current) in Shares of Xerox Common Stock, if predetermined objectives are achieved and stipulated conditions met. An incentive stock right entitles the holder to receive, without payment to Xerox, a number of shares of Xerox Common Stock after the lapse of a defined period. In the table above, the heading "Options" shows the maximum number of shares of Xerox Common Stock issuable to each Director having options or rights under the Plans save that no account is taken of performance unit rights since the number of shares issuable thereunder, if any, is not presently determinable.

***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 at the rate of \$92 principal amount for each share.

Apart from the interests set out or indicated above, no Director at the end of the year was interested in the shares in or debentures of the Company or of Xerox Corporation either at the end of the year, or at 1 November 1975 or later date of appointment as a Director.

8. Directors Report

6 Share Capital

During the year under review, 1,250 'E' Shares of £1 each were issued to National Westminster Jersey Trust Company Limited as Trustees of a Discretionary Settlement established in Jersey, Channel Islands, for employees of those subsidiary companies in respect of which it was not possible to implement the Rank Xerox Share Purchase Scheme. The total consideration for the issue of the 1,250 'E' Shares was £94,822.

7 Fixed Assets

The additions to Fixed Assets of the Company and its Subsidiaries during the year under review amounted to £163,181,000, the principal categories being:

	£000's
Equipment on or for Rental	137,482
Factories, Warehouses, Offices and Plant in the United Kingdom	8,054
Factories, Warehouses, Offices and Plant Overseas	17,645

8 Exports

The Company exported goods from the United Kingdom in the year to 31 October 1976 to the value of £90,767,000 (1975—£68,650,000). In addition royalties, dividends and other income receivable by the Group from overseas amounted to £63,657,000 (1975—£54,424,000).

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:

	Average Number	Aggregate Remuneration
		£000's
Employees in the United Kingdom	11,264	49,977
Employees outside the United Kingdom	19,049	129,024
	<u>30,313</u>	<u>£179,001</u>

10 Charitable and Political Contributions

During the year the Group made charitable donations of £283,000 including £246,000 made within the United Kingdom. No political contributions were made by the Group during the year.

11 Monopolies and Mergers Commission

The report of the Monopolies and Mergers Commission on their enquiry into the supply in the United Kingdom of Indirect Electrostatic Reprographic Equipment was published on 16 December 1976. The Company will shortly be holding discussions with the Director General of Fair Trading.

Directors Report

12 South Africa

A report on the Company's employment policy and practices in South Africa is in course of preparation and copies will be available on request.

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

17 January 1977

RANK XEROX LIMITED and Subsidiaries
Consolidated Profit and Loss Account
for the year ended 31 October 1976

	Schedule Reference	1975			
		£000's	£000's	£000's	£000's
Turnover	A		759,454		613,598
Trading Profit before charging depreciation			308,960		263,073
Depreciation—Rental Equipment		89,853		73,075	
—Other		10,431		7,720	
			100,284		80,795
Interest Receivable	B		208,676		182,278
			5,754		5,568
Interest Payable	C		214,430		187,846
			29,160		27,911
Profit before Taxation and Extraordinary Item of Rank Xerox Limited and Subsidiaries			185,270		159,935
Share of Profit before Taxation of Associated Company (Note 8)			1,325		4,895
Profit before Taxation and Extraordinary Item			186,595		164,830
Taxation based thereon:					
Rank Xerox Limited and Subsidiaries	D	81,518		74,109	
Associated Company (Note 8)		4,127		4,302	
			85,645		78,411
Profit after Taxation before Extraordinary Item Extraordinary Item			100,950		86,419
Losses arising from Withdrawal from Computer Mainframe Business (net of taxation relief £4,182,000)					4,996
Profit after Taxation and Extraordinary Item			100,950		81,423
Profit attributable to Minority Interests			869		749
Profit after Taxation attributable to the Shareholders of Rank Xerox Limited of which £37,442,000 (1975—£35,695,000) has been dealt with in the accounts of Rank Xerox Limited Dividends on 'A', 'B', 'C', 'D' and 'E' Shares (Note 5)	E		100,081		80,674
Retained Earnings for the Year			76,013		55,264
Transfers to/(from) Non-Distributable Reserves:					
Rank Xerox Limited and Subsidiaries		4,590		3,049	
Associated Company		(4,803)		(1,005)	
			(213)		2,044
			76,226		53,220
Unappropriated Earnings at 1 November 1975					
As previously reported		218,112		169,631	
Prior year adjustment—Currency Translation (Note 1)		(1,663)		(6,402)	
			216,449		163,229
Unappropriated Earnings at 31 October 1976			£292,675		£216,449

The schedules on page 11 and the notes on pages 18 to 24 form part of the accounts.

RANK XEROX LIMITED and Subsidiaries

11

Schedules to Consolidated Profit and Loss Account

	£000's	1975 £000's
A Turnover consists of equipment rentals, sales of goods and services, and includes royalties amounting to £8,351,000 (1975—£6,296,000)		
B Interest Receivable		
Short Term Deposits and Bank	1,784	983
Rank Xerox Holding BV and Subsidiaries	2,632	3,319
Other	1,338	1,266
	<u>£ 5,754</u>	<u>£ 5,568</u>
C Interest Payable		
Loans other than from banks not fully repayable within 5 years	4,384	2,263
Bank loans and other Loans repayable within 5 years	24,776	25,648
	<u>£29,160</u>	<u>£27,911</u>
D Taxation		
United Kingdom:		
Corporation Tax at 52% (1975—52%)		
Current (£60,297,000 before double taxation relief: 1975—£48,844,000)	15,586	2,881
Deferred	2,821	3,116
	<u>18,407</u>	<u>5,997</u>
Overseas:		
Current	63,279	57,412
Deferred	9,766	12,411
Prior Year Adjustments (including rate changes)	(9,934)	(1,711)
	<u>£81,518</u>	<u>£74,109</u>
<p>Prior year adjustments include £5,993,000 of U.K. deferred taxation now no longer required, relating to a subsidiary which has relinquished the U.K. element of its dual residence.</p>		
E Dividends		
Interim—paid	8,012	5,309
since paid	—	10,101
Final—proposed	16,056	10,000
	<u>£24,068</u>	<u>£25,410</u>
F Remuneration of Directors of Rank Xerox Limited (pursuant to Section 196, Companies Act 1948)		
Emoluments for services as Executives	878	727
Pension to former Director	5	4
Pension to widow of former Director	2	2
Compensation for loss of office paid to former Directors of Rank Xerox Limited	35	—
	<u>£ 920</u>	<u>£ 733</u>
<p>One Director waived emoluments amounting to £1,684 during the year.</p>		
G Remuneration of Auditors		
Rank Xerox Limited (includes £5,000 credit in respect of prior year: 1975—£20,000 charge)	95	129
Subsidiaries (includes £8,000 in respect of prior year: 1975—£27,000)	327	304
	<u>£ 422</u>	<u>£ 433</u>

RANK XEROX LIMITED and Subsidiaries
Consolidated Balance Sheet
at 31 October 1976

	31 October 1975			
	£000's	£000's	£000's	£000's
Issued Share Capital of Rank Xerox Limited (Note 3)				
'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	57		56	
	<u> </u>	26,082	<u> </u>	26,081
Share Premium Account (Note 4)		3,017		2,923
Retained Profits (Note 5)				
Non-Distributable Reserves	24,153		19,563	
Non-Distributable Earnings relating to Associated Company (Note 8)	9,693		14,496	
Unappropriated Earnings	292,675		216,449	
	<u> </u>	326,521	<u> </u>	250,508
Total Equity attributable to the Shareholders of Rank Xerox Limited		355,620		279,512
Minority Interests		5,782		4,536
Loan Capital and Borrowed Money (Note 6)				
Not fully repayable within five years:				
7½% Guaranteed Unsecured Loan Stock 1986/1991	670		1,265	
7½% Subordinated Unsecured Loan Notes 1992:				
Xerox Corporation	1,800		1,800	
The Rank Organisation Limited and Subsidiary	1,200		1,200	
	3,000		3,000	
Commercial Loans	14,554		10,947	
Unsecured Bank Loans	19,713		13,337	
Secured Indebtedness of Subsidiaries	9,834		5,672	
Other Loans and Advances	1,017		533	
Loan from Fellow Subsidiary	21,700		21,700	
	<u> </u>		<u> </u>	
	70,488		56,454	
Fully repayable within five years:				
Bank Loans and Overdrafts	120,037		134,193	
Acceptance Credits	3,928		26,036	
Commercial Loan	7,500		7,500	
Secured Indebtedness of Subsidiaries	3,678		2,935	
Other Loans and Advances	1,724		728	
Loans from Xerox Corporation	12,678		8,615	
	<u> </u>		<u> </u>	
	220,033		236,461	
Less Repayable within one year	53,640		57,245	
Parallel Commercial Loan	7,500		7,500	
	<u> </u>		<u> </u>	
	61,140		64,745	
		158,893		171,716
Taxation				
Deferred Taxation (Note 1)	79,057		73,375	
Less Taxation on Unrealised Intra-Group Profits (Note 1)	31,320		29,719	
	<u> </u>	47,737	<u> </u>	43,656
		<u> </u>		<u> </u>
		£568,032		£499,420

		31 October 1975	
	£000's	£000's	£000's
Fixed Assets (Notes 1 and 7)			
Land, Buildings and Plant	127,652		111,833
Equipment on or for rental including £15,859,000 (October 1975—£17,333,000) in respect of equipment in course of manufacture	334,273		303,668
Tools, Jigs and Machine Fixtures	7,098		9,172
	<u>469,023</u>		<u>424,673</u>
Associated Company (Note 8)			
Share of Net Assets	15,960		20,763
Advances	1,652		4,329
	<u>17,612</u>		<u>25,092</u>
Amounts due by Rank Xerox Holding B.V. and Subsidiaries (Note 2)		30,079	42,172
Loans for the Purchase of 'E' Shares (Note 10)		3,212	3,144
Current Assets			
Stocks and Stores (Note 1)	93,047		64,287
Amounts due by Fellow Subsidiaries	1,716		1,661
Debtors and Prepayments (Note 11)	231,042		187,049
Short Term Deposits, Bank Balances and Cash	42,450		27,472
	<u>368,255</u>		<u>280,469</u>
Deduct: Current Liabilities and Provisions			
Amounts due to Xerox Corporation	13,400		7,841
Amounts due to Rank Xerox Holding B.V. and Subsidiaries (Note 2)	65,877		61,256
Creditors and Accrued Expenses	112,838		86,773
Loan Capital and Borrowed Money repayable within one year	53,640		57,245
Taxation	67,099		49,407
Dividends	16,056		20,101
	<u>328,910</u>	<u>39,345</u>	<u>282,623</u>
Deferred Pre-Production Expenditure (Note 1)		8,761	6,493
		<u>£568,032</u>	<u>£499,420</u>

J. M. Thomas }
W. F. Glavin } *Directors*

The notes relating to this Balance Sheet which appear on pages 18 to 24 form part of the accounts.

Balance Sheet

at 31 October 1976

	£000's	£000's	£000's	31 October 1975 £000's	£000's
	Authorised	Issued and Fully paid			
Share Capital (Note 3)					
'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	57		56	
	<u>£27,000</u>	<u> </u>	26,082	<u> </u>	26,081
Share Premium Account (Note 4)			3,017		2,923
Unappropriated Earnings (Note 5)			82,743		69,369
			<u>111,842</u>		<u>98,373</u>
Loan Capital and Borrowed Money (Note 6)					
Not fully repayable within five years:					
7½% Guaranteed Unsecured Loan Stock 1986/1991		670		1,265	
7½% Subordinated Unsecured Loan Notes 1992:					
Xerox Corporation		1,800		1,800	
The Rank Organisation Limited and Subsidiary		1,200		1,200	
		3,000		3,000	
Commercial Loans		14,554		10,947	
Unsecured Bank Loans		19,713		12,616	
Loan from Fellow Subsidiary		—		21,700	
		<u>37,937</u>		<u>49,528</u>	
Fully repayable within five years:					
Bank Loans and Overdrafts		78,826		92,967	
Acceptance Credits		—		21,000	
Commercial Loan		7,500		7,500	
Loans from Xerox Corporation		1,257		8,461	
		<u>125,320</u>		<u>179,456</u>	
Less Repayable within one year		25,572		34,665	
Parallel Commercial Loan		7,500		7,500	
		<u>33,072</u>		<u>42,165</u>	
			92,448		137,291
Taxation					
Deferred Taxation (Note 1)			11,166		3,879
			<u>£215,456</u>		<u>£239,543</u>

Balance Sheet at 31 October 1976

		31 October 1975	
	£000's	£000's	£000's
Fixed Assets (Notes 1 and 7)			
Land, Buildings and Plant	26,092	26,891	
Equipment on or for Rental	6,903	6,734	
Tools, Jigs and Machine Fixtures	7,098	9,172	
		<u>40,093</u>	<u>42,857</u>
Associated Company (Note 8)			
Investment, at cost	6,288	6,288	
Advances	1,652	4,329	
		<u>7,940</u>	<u>10,617</u>
Subsidiaries (Note 9)			
Shares, at cost less provisions	29,415	29,273	
Amounts due by Subsidiaries (excluding dividends)	93,520	140,811	
		<u>170,084</u>	
Amounts due to Subsidiaries	1,207	1,224	
		<u>121,728</u>	<u>168,860</u>
Loans for the Purchase of 'E' Shares (Note 10)		274	877
Current Assets			
Stocks and Stores (Note 1)	70,662	63,464	
Amounts due by Fellow Subsidiaries	1,709	1,535	
Amounts due by Rank Xerox Holding B.V. and Subsidiaries	2,195	13,310	
Debtors and Prepayments (Note 11)	19,777	19,913	
Dividends receivable from Subsidiaries	26,644	15,984	
Short Term Deposits, Bank Balances and Cash	10,255	491	
		<u>131,242</u>	<u>114,697</u>
Deduct: Current Liabilities and Provisions			
Amounts due to Xerox Corporation	12,450	6,780	
Creditors and Accrued Expenses	23,852	29,225	
Loan Capital and Borrowed Money repayable within one year	25,572	34,665	
Taxation	16,645	13,976	
Dividends	16,056	20,101	
		<u>94,576</u>	<u>104,747</u>
		<u>36,666</u>	<u>9,950</u>
Deferred Pre-Production Expenditure (Note 1)		8,755	6,382
		<u>£2,5456</u>	<u>£239,543</u>

J. M. Thomas }
W. F. Glavin } Directors

The notes relating to this Balance Sheet which appear on pages 18 to 24 form part of the accounts.

10 **RANK XEROX LIMITED and Subsidiaries**
Consolidated Statement of Source and Application of Funds
for the year ended 31 October 1976

	£000's	1975 £000's
Source of Funds:		
Operations:		
Profit after Taxation attributable to the Shareholders of Rank Xerox Limited	100,081	80,674
Add back: Transfer from Non-Distributable Reserve of Associated Company	4,803	1,005
	<u>104,884</u>	<u>81,679</u>
Charges Not Requiring Funds:		
Depreciation (Includes £nil for Computer Mainframe Business—1975 £1,375,000)	100,284	82,170
Tooling Expenditure written off	4,542	1,035
Deferred Pre-Production Expenditure written off	3,466	2,170
Deferred Taxation	5,682	8,947
Provision against loss on loans for the purchase of 'E' shares	1,270	—
Minority Interests	869	749
	<u>220,997</u>	<u>176,750</u>
Total Funds from Operations	95	615
Proceeds from Share Issue	392	—
Minority Interest in New Subsidiary	33,695	76,565
Additional Loan Capital and Borrowed Money	16,473	10,135
Disposals of Fixed Assets	—	—
Reduction in amounts due by Rank Xerox Holding B.V. and Subsidiaries	12,093	3,503
Reduction in advances to Associated Company	3,069	—
	<u>£286,814</u>	<u>£267,568</u>
Total Funds Received		
Application of Funds:		
Additions to Fixed Assets:		
Land, Buildings and Plant	25,699	27,677
Equipment or for Rental	137,482	135,932
Tools, Jigs and Machine Fixtures	2,468	4,713
Dividends Payable to Minority Shareholders Associated Company—Revaluation of Advances (1975—Revaluation of Advances/Further Investment)	15	14
Loans for the Purchase of 'E' Shares	392	458
Additional Deferred Expenditure:	1,338	859
Taxation on Unrealised Intra-Group Profits	1,601	7,163
Pre-Production Expenditure	5,734	4,587
Reduction of Loan Capital and Borrowed Money	46,518	12,639
Reduction of Non-Current United Kingdom Corporation Tax	—	97
Dividends	24,068	25,410
	<u>£245,315</u>	<u>£219,549</u>
Total Application of Funds		
Increase in Net Current Assets	<u>£41,499</u>	<u>£48,019</u>

**Consolidated Statement of Source and Application of Funds
for the year ended 31 October 1976**

	1975
	£000's
	£000's
Analysis of Increase in Net Current Assets	
Current Assets—Increase/(Decrease)	
Stocks and Stores	22,423
Amounts due by Fellow Subsidiaries	(1,649)
Debtors and Prepayments	37,815
Short Term Deposits, Bank Balances and Cash	1,822
	<u>£87,786</u>
Current Liabilities and Provisions—Increase/(Decrease)	
Amounts due to Xerox Corporation	957
Amounts due to Rank Xerox Holding B.V. and Subsidiaries	(20,064)
Creditors and Accrued Expenses	21,085
Loan Capital and Borrowed Money repayable within one year	(34,045)
Taxation	24,358
Dividends	20,101
	<u>£46,287</u>
Increase in Net Current Assets	<u>£41,499</u>

This Statement should be read in conjunction with the accounts and the notes to the accounts, which appear on pages 18 to 24.

RANK XEROX LIMITED and Subsidiaries

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 these 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.

Translation of Overseas Accounts

The accounts of overseas subsidiaries, branches, and the associated company are translated 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 1976.
- (b) Stocks and stores and non-monetary assets (including fixed assets and related depreciation) at rates ruling at the time the assets were acquired; deferred taxation is likewise translated at historic rates.
- (c) Loan Capital and Borrowed Money at rates approximating to the mid-market rates ruling at 31 October 1976.
- (d) 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.

The above translation policies reflect the adoption of currency translation procedures in compliance with the Statement of Financial Accounting Standards No. 8 issued by the United States Financial Accounting Standards Board in October 1975. In restating the results for the year ended 31 October 1975 on the basis of the new policy, Trading Profit has been increased by £4,739,000. The Share of Profit before Taxation of Associated Company has been decreased by £1,444,000 with a corresponding adjustment to the Transfer to Non-Distributable Reserves. Unappropriated Earnings at 31 October 1974 have been reduced by £6,402,000 as a result of the change of policy.

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 deferred pre-production 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

Expenditure on product development is written off to profit and loss account as incurred.

Deferred Pre-Production Expenditure

The policy followed in accounting for pre-production expenditure was modified with effect from 1 November 1974. Such expenditure was previously deferred and recovered generally as part of the manufacturing cost of a predetermined number of related machines. Pre-production expenditure deferred at 31 October 1974 relating to programmes in production at that date continues to be amortised in line with this policy. An increasing percentage of 1975 and subsequent years' expenditure is charged directly against profit and the deferred amount is amortised over a five year period on a straight line basis.

Tools, Jigs and Machine Fixtures

Expenditure is deferred and recovered generally 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.

Pension Costs

Pension costs are provided for generally by charging against profits contributions made for the year to the various schemes operated by the Group. Normal contributions are determined on the basis of actuarial advice taking into account projected retirement salaries.

Unrealised Intra-Group Profits arise on sales of equipment and supplies by certain companies to other Group 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.

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 Transactions with Rank Xerox Holding B.V. and Subsidiaries

With effect from 1 November 1973, Rank Xerox (Nederland) B.V. sold the assets of its manufacturing division at Venray, Holland, to Rank Xerox Manufacturing (Nederland) B.V., a subsidiary of Rank Xerox Holding B.V. The latter is a Dutch company directly owned by Xerox Corporation and The Rank Organisation Group. An additional profit on the sale of the manufacturing division of £1,499,000, after taxation of £1,385,000 has arisen as a result of an adjustment to the sale proceeds.

The amounts due to Rank Xerox Holding B.V. and Subsidiaries of £65,877,000 (1975—£61,256,000), shown under current liabilities in the consolidated balance sheet, include amounts owing in respect of the supply of rental equipment to Rank Xerox Limited and its subsidiaries of which some £216,000 (1975—£3,740,000) is in practice payable from one to two years after 31 October 1976.

These accounts reflect the results of a significant volume of transactions in machines, other goods and services between the Rank Xerox Limited Group and the Rank Xerox Holding B.V. Group.

3 Issued Share Capital

The total issued share capital of the Company was increased during the year by £1,250 on the issue of 1,250 'E' Shares of £1 each under the terms of a discretionary settlement of which National Westminster Jersey Trust Company Limited are trustees.

4 Share Premium Account

Of the 1,250 'E' Shares referred to in note 3 above 850 were issued at a premium of £67.93 per share and 400 at a premium of £89.58 per share. In the event of a winding up of the Company, the share premium account of £3,017,000 is wholly attributable to the 'E' Shareholders.

5 Retained Profits

(a) The profits of the Group and the Company for the year ended 31 October 1976 have been allocated among 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:

	£000's				
(i) The Group	186,595				
Profit before Taxation	186,595				
Deduct: Minority Shareholders' share of Subsidiaries' profits (before charging taxation of £865,000)	1,734				
Profit before Taxation attributable to Rank Xerox Limited.	£184,861				
Unappropriated Earnings	'A'	'B'	'C'	'D'	Total
	£000's	£000's	£000's	£000's	£000's
Profit before Taxation as above	3,701	3,701	118,306	59,153	184,861
Deduct: Taxation thereon (excluding the figure of £865,000 referred to above)	(1,697)	(1,697)	(54,257)	(27,129)	(84,780)
Transfers to Non-Distributable Reserves	(92)	(92)	(2,938)	(1,468)	(4,590)
Add: Transfer from Non-Distributable Earnings relating to Associated Company	163	163	2,985	1,492	4,803
	2,075	2,075	64,096	32,048	100,294
Unappropriated Earnings at 1 November 1975 (as restated)	7,050	7,050	134,899	67,450	216,449
	9,125	9,125	198,995	99,498	316,743
Deduct: Dividends 'A', 'B', 'C' and 'D' Shares	656	656	15,164	7,581	24,057
'E' Shares	—	—	7	4	11
	656	656	15,171	7,585	24,068
Unappropriated Earnings at 31 October 1976	£8,469	£8,469	£183,824	£91,913	£292,675

	'A' £000's	'B' £000's	'C' £000's	'D' £000's	Total £000's
Non-Distributable Reserves					
At 1 November 1975	75	75	12,942	6,473	19,565
Transfers as above	92	92	2,938	1,468	4,590
At 31 October 1976	<u>£167</u>	<u>£167</u>	<u>£15,880</u>	<u>£7,941</u>	<u>£24,153</u>
Non-Distributable Earnings relating to Associated Company					
At 1 November 1975 (as restated)	491 (163)	491 (163)	9,009 (2,985)	4,505 (1,492)	14,496 (4,803)
Transfer to Unappropriated Earnings	£328	£328	£6,024	£3,013	£9,693
At 31 October 1976	<u>£328</u>	<u>£328</u>	<u>£6,024</u>	<u>£3,013</u>	<u>£9,693</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' £000's	'B' £000's	'C' £000's	'D' £000's	Total £000's
Unappropriated Earnings at 31 October 1976	<u>£2,394</u>	<u>£2,394</u>	<u>£51,970</u>	<u>£25,985</u>	<u>£82,743</u>

- (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 1976 and retained earnings at that date are accordingly £9,630,000 and £66,230,000 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 the distribution of retained profits as reflected in the Group Accounts by certain overseas Subsidiaries and the Associated Company. Such taxes calculated at current rates amount to approximately £37,612,000 and £2,774,000 respectively. These retained profits have been re-invested locally in trading assets and it is not the Company's intention to initiate any action which would precipitate the payment of these additional taxes.

6 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. £4,330,000 nominal of the Stock has been purchased and cancelled at 31 October 1976.
- (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	1976 £000's	1975 £000's
Commercial Loan				
Rank Xerox Limited	1985	*9.00%	<u>£14,554</u>	<u>£10,947</u>
Unsecured Bank Loans				
Rank Xerox Limited	1979/81	—	—	1,442
	1979/81	—	—	4,806
	1980/82	*8.49% (average)	15,713	6,368
	1980/82	*13.13%	4,000	—
			<u>19,713</u>	<u>12,616</u>
Subsidiaries	1979/81	—	—	721
			<u>£19,713</u>	<u>£13,337</u>
Secured Indebtedness of Subsidiaries				
	1977/86	9.00%	3,757	2,752
	1971/95	8.50%	1,470	1,545
	1976/2009	9.75%	2,986	—
	1974/83	*10.25%	516	402
Others (none exceeding £500,000)			1,105	973
			<u>£9,634</u>	<u>£5,672</u>
Loan from Fellow Subsidiary				
Rank Xerox Limited	1987	—	—	£21,700
Subsidiary	1987	11.00%	<u>£21,700</u>	<u>—</u>

*Indicates loan for which the interest rate is not fixed. The rate applicable at 31 October 1976 is shown.

	'A' £000's	'B' £000's	'C' £000's	'D' £000's	Total £000's
Non-Distributable Reserves					
At 1 November 1975	75	75	12,942	6,471	19,563
Transfers as above	92	92	2,938	1,468	4,590
	<u>£167</u>	<u>£167</u>	<u>£15,880</u>	<u>£7,939</u>	<u>£24,159</u>
At 31 October 1976					
Non-Distributable Earnings relating to Associated Company					
At 1 November 1975 (as restated)	491	491	9,009	4,505	14,496
Transfer to Unappropriated Earnings	(163)	(163)	(2,985)	(1,492)	(4,803)
	<u>£328</u>	<u>£328</u>	<u>£6,024</u>	<u>£3,013</u>	<u>£9,693</u>
At 31 October 1976					

(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' £000's	'B' £000's	'C' £000's	'D' £000's	Total £000's
Unappropriated Earnings at 31 October 1976	<u>£2,394</u>	<u>£2,394</u>	<u>£51,970</u>	<u>£25,985</u>	<u>£82,743</u>

- (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 1976 and retained earnings at that date are accordingly £9,630,000 and £66,230,000 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 Company. Such taxes calculated at current rates amount to approximately £37,612,000 and £2,774,000 respectively. These retained profits have been re-invested locally in trading assets and it is not the Company's intention to initiate any action which would precipitate the payment of these additional taxes.

6 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. £4,330,000 nominal of the Stock has been purchased and cancelled at 31 October 1976.

- (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	1976 £000's	1975 £000's
Commercial Loan				
Rank Xerox Limited	1985	*9.00%	<u>£14,554</u>	<u>£10,947</u>
Unsecured Bank Loans				
Rank Xerox Limited	1979/81	—	—	1,442
	1979/81	—	—	4,806
	1980/82	*8.49% (average)	15,713	6,368
	1980/82	*13.13%	4,000	—
			<u>19,713</u>	<u>12,616</u>
Subsidiaries	1979/81	—	—	721
			<u>£19,713</u>	<u>£13,337</u>
Secured Indebtedness of Subsidiaries				
	1977/86	9.00%	3,757	2,752
	1971/95	8.50%	1,470	1,545
	1976/2009	9.75%	2,986	—
	1974/83	*10.25%	516	402
Others (none exceeding £500,000)			1,105	973
			<u>£9,834</u>	<u>£5,672</u>
Loan from Fellow Subsidiary				
Rank Xerox Limited	1987	—	—	£21,700
Subsidiary	1987	11.00%	<u>£21,700</u>	<u>—</u>

*Indicates loan for which the interest rate is not fixed. The rate applicable at 31 October 1976 is shown.

- (d) The Company has borrowed £7,500,000 from a third party the consideration for which was a dollar loan of an equivalent amount (the Parallel Commercial Loan) the funds for which were provided by a loan from Xerox Corporation. The loan from Xerox Corporation has subsequently been transferred to a Subsidiary of the Company.

Although the loans are repayable in 1984, the Company and the third party each has the right in December 1979 to require repayment. In this case Xerox Corporation has the right to require repayment of its loan.

7 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 1975	40,899	17,181	9,187	71,927	139,194	629,193
Additions	602	2,113	7,741	15,249	25,699	197,482
Transfers	5,216	992	(7,258)	4,937	3,887	(3,887)
Other Disposals	(245)	(558)	—	(8,451)	(9,254)	(91,679)
Exchange Rate Adjustments	1,099	433	—	2,371	3,903	33,667
Cost at 31 October 1976	£47,571	£20,161	£9,670	£86,027	£163,429	£764,776
Depreciation Provision at 1 November 1975	2,311	3,099	—	21,951	27,361	325,525
Charge for Year	(58)	1,145	—	9,344	10,431	89,853
Transfers	110	(109)	—	(955)	(954)	954
Other Disposals	(1)	(233)	—	(4,730)	(4,964)	(19,496)
Exchange Rate Adjustments	1,099	433	—	2,371	3,903	33,667
Depreciation Provision at 31 October 1976	£3,461	£4,335	—	£27,981	£35,777	£430,503
Net Book Value at 31 October 1976	£44,110	£15,826	£9,670	£58,046	£127,652	£334,273
Net Book Value at 31 October 1975	£38,588	£14,082	£9,187	£49,976	£11	£303,668
(b) The Company						
Cost at 1 November 1975	1,328	7,045	5,369	21,016	34,758	13,490
Additions	148	1,217	909	2,674	4,948	4,507
Transfers	861	729	(1,446)	(229)	(85)	85
Other Disposals	(686)	(990)	—	(1,429)	(3,105)	(5,698)
Exchange Rate Adjustments	—	18	—	27	45	432
Cost at 31 October 1976	£1,651	£8,019	£4,832	£22,059	£36,561	£12,816
Depreciation Provision at 1 November 1975	148	827	—	6,892	7,867	6,696
Charge for Year	381	414	—	2,476	3,271	1,591
Transfers	109	(108)	—	(27)	(26)	26
Other Disposals	(28)	(189)	—	(471)	(688)	(2,832)
Exchange Rate Adjustments	—	18	—	27	45	432
Depreciation Provision at 31 October 1976	£610	£962	—	£8,897	£10,469	£5,913
Net Book Value at 31 October 1976	£1,041	£7,057	£4,832	£13,162	£26,092	£6,903
Net Book Value at 31 October 1975	£1,180	£6,218	£5,369	£14,124	£26,891	£6,794

- (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 predetermined basis (subject to a maximum of ten years), of the difference between historic and current rates. Thus, where the depreciable 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 1976 includes for the Group £11,470,000 (1975—£8,023,000) and for the Company £2,179,000 (1975—£946,000) 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 year amounted to £2,468,000 for both the Group and the Company.

8 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 1976 translated at rates of exchange consistent with the principles stated in note 1. The impact of adopting the new currency translation policy has been to reduce the share of profit before taxation by £2,722,000 (1975—£1,444,000). The non-distributable earnings relating to prior years have been reduced by £1,698,000 (1975—£254,000).

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 1976 was £2,001,000 (1975—£1,598,000).

The high effective tax rate applying to the profits of the Associated Company arises as a result of exchange losses on translation on which no tax relief is applicable.

9 Subsidiaries

Details of the principal Subsidiaries are as follows:

	Country of Incorporation	Class of Capital	Percentage of Capital Owned		
			Direct	Indirect	Total
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 S.A.	France	Ordinary	100%		100%
Rank Xerox Kenya Limited	Kenya	Ordinary	100%		100%
Rank Xerox (N.Z.) Limited	New Zealand	Ordinary	75%		75%
Rank Xerox (Nigeria) Limited	Nigeria	Ordinary	60%		60%
University Microfilms International Limited	England	Pref./Ord.	100%		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 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 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%
Office de Transformation Papetière S.A.	France	Ordinary		67%	67%

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

10 Loans for the Purchase of 'E' Shares

Rank Xerox Limited and certain of its 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 3 above, to enable them to acquire 'E' shares. These loans do not currently bear interest. The gross amount of the loans outstanding at 31 October 1976 was £4,482,000 for the Group and £1,544,000 for the Company against which provision has been made amounting to £1,270,000.

11 Debtors and Prepayments include amounts due in respect of loans to Officers of the Company amounting to £466,000 (1975—£445,000), of which £335,000 was outstanding at 31 October 1975. Loans made during the year amounted to £131,000.

12 Contingent Liabilities

(a) The Group

There are contingent liabilities in respect of bills discounted, guarantees and others amounting to approximately £10,231,000 (1975—£3,780,000);

(b) The Company has guaranteed loans and bank overdrafts of Subsidiaries up to a maximum of £70,053,000 (1975—£19,200,000) of which £47,041,000 was outstanding at 31 October 1975 (1975—£8,508,000).

13 Capital Expenditure

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

	The Group		The Company	
	1976	1975	1976	1975
	£000's	£000's	£000's	£000's
Expenditure contracted for	5,625	5,130	1,027	1,539
Expenditure authorised but not committed	5,292	11,957	2,246	3,056
	<u>£10,917</u>	<u>£17,087</u>	<u>£3,273</u>	<u>£4,595</u>

14 Particulars of Directors' Emoluments and Remuneration of Employees

(a) Directors' Emoluments (pursuant to Section 6, Companies' Act 1967)

	1976	1975
Chairman	£38,038	£37,968
Highest-paid Director	£77,602	£74,030
All Directors, including above:	Number	Number
Nil	10	10
£2,501—£5,000	—	2
£7,501—£10,000	1	—
£10,001—£12,500	2	—
£15,001—£17,500	—	1
£17,501—£20,000	1	1
£22,501—£25,000	1	—
£25,001—£27,500	3	3
£27,501—£30,000	1	1
£30,001—£32,500	1	—
£32,501—£35,000	1	1
£35,001—£37,500	1	—
£37,501—£40,000	1	2
£40,001—£42,500	—	1
£42,501—£45,000	1	—
£50,001—£52,500	—	1
£52,501—£55,000	—	1
£60,001—£62,500	1	—
£67,501—£70,000	1	1
£72,501—£75,000	—	1
£75,001—£77,500	1	—
£77,501—£80,000	1	—

(b) Remuneration of Employees receiving more than £10,000 (pursuant to Section 8, Companies' Act 1967)

	1976	1975
	Number	Number
£10,001—£12,500	93	54
£12,501—£15,000	40	28
£15,001—£17,500	21	14
£17,501—£20,000	12	15
£20,001—£22,500	8	3
£22,501—£25,000	7	2
£25,001—£27,500	3	1
£27,501—£30,000	2	3
£30,001—£32,500	2	1
£32,501—£35,000	—	1
£35,001—£37,500	2	1
£37,501—£40,000	1	1
£40,001—£42,500	—	1
£42,501—£45,000	1	1
£45,001—£47,500	1	1
£47,501—£50,000	1	—
£50,001—£52,500	2	—
£55,001—£57,500	2	—
£60,001—£62,500	1	—

- (c) The particulars of Directors' Emoluments and Remuneration of Employees set out above include amounts paid to (i) Directors whose responsibilities as executives of overseas subsidiaries were undertaken outside the United Kingdom and (ii) Directors and others who remain in the employment of Xerox Corporation or Overseas Subsidiaries of the Company but who are on secondment to the Company. In both cases, the remuneration reflects salaries and other benefits in accordance with the levels prevalent in the executives' home countries, and, where such remuneration is payable in a foreign currency, there is an increase in sterling terms between 1975 and 1976, because of the higher value of that currency when expressed in sterling.

15 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 accounts set out on pages 10 to 24 which have been prepared under the historical cost convention. In our opinion they give, under that convention, a true and fair view of the state of affairs of the company and of the group at 31 October 1976 and of the profit and source and application of funds of the group for the year to that date and comply with the Companies Acts 1949 and 1967.

London
17 January 1977

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

RANK XEROX LIMITED and Subsidiaries

Ten Year Financial Review

	1976 October (year) £000's	1975 October (year) £000's
Consolidated Profit and Loss Account		
Turnover	759,454	6,3,598
Trading Profit before charging Depreciation	308,960	263,073
Depreciation	100,284	30,795
	208,676	182,278
Interest and Dividends Receivable	5,754	3,368
	214,430	187,846
Interest Payable	29,160	27,911
Profit before Taxation of Rank Xerox Limited and Subsidiaries	185,270	159,935
Share of Profit before Taxation of Associated Company	1,325	4,895
Profit before Taxation	186,595	164,830
Taxation	85,645	78,411
Profit after Taxation before Extraordinary Items	100,950	86,419
Extraordinary Items	—	(4,996)
Profit after Extraordinary Items	100,950	81,423
Profit attributable to Minority Interests	869	749
Profit attributable to the Shareholders of Rank Xerox Limited	100,081	80,674
Dividends	24,068	25,410
	76,013	55,264
Amount Capitalised	—	—
Increase (Decrease) in Retained Profits	£76,013	£55,264
Consolidated Balance Sheet		
Capital Employed:		
Share Capital	26,082	26,081
Share Premium Account	3,017	2,923
Retained Profits	326,521	250,508
Total Shareholders' Equity	355,620	279,512
Minority Interests	5,782	4,536
Loan Capital and Borrowed Money Repayable after one year	158,893	171,716
Non-Current United Kingdom Corporation Tax	—	—
Deferred Taxation	79,057	73,375
Taxation on Unrealised Intra-Group Profits	(31,320)	(29,719)
	£568,032	£499,420
Represented by:		
Fixed Assets	469,023	424,673
Goodwill and Patent Rights	—	—
Associated Company	17,612	25,092
Amounts due by Rank Xerox Holding B.V. and Subsidiaries	30,079	42,172
Loans for the Purchase of 'E' Shares	3,212	3,144
Net Current Assets/(Liabilities)	39,345	(2,154)
Deferred Development Expenditure	8,761	6,493
	£568,032	£499,420

Notes

- The figures for the periods from June 1967 have been restated to reflect the retroactive accounting policy changes adopted from November 1974 with regard to Development and Deferred Pre-Production Expenditure, and from November 1975 with regard to Currency Translation procedures.
- The figures for the periods from June 1967 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.
- The figures for the periods from June 1969 are presented on the equity basis of accounting for the Associated Company (Fuji Xerox Co., Ltd.).

Memorandum								
1974 October (year) £000's	1973 October (year) £000's	1972 October (year) £000's	1971 October (year) £000's	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
482,357	370,341	268,131	207,132	206,372	163,444	115,275	84,361	61,812
227,720	185,690	139,604	111,140	116,372	91,594	66,119	45,170	31,819
60,670	48,045	37,446	28,847	29,163	22,699	17,475	13,609	10,510
167,050	137,645	102,158	82,293	87,209	68,895	48,644	31,561	21,309
3,931	1,464	1,430	940	1,261	976	643	702	702
170,981	139,109	103,588	83,233	86,470	69,871	49,287	32,263	22,011
21,803	13,346	6,133	5,179	5,326	4,216	3,671	3,458	2,974
149,178	125,763	97,455	78,054	82,944	65,655	45,616	28,805	19,037
10,140	6,729	4,203	5,020	4,979	4,111	1,783	—	—
159,318	132,492	101,658	83,074	87,923	69,766	47,399	28,805	19,037
71,401	63,772	49,319	38,086	40,090	32,029	22,073	13,304	8,618
87,917	66,720	52,339	44,988	47,833	37,737	25,326	15,501	10,419
2,219	—	—	—	—	—	—	514	(33)
90,136	66,720	52,339	44,988	47,833	37,737	25,326	16,015	10,386
885	563	165	223	226	160	171	114	71
89,251	66,157	52,174	44,765	47,607	37,577	25,155	15,901	10,315
14,000	23,711	58,000	21,711	22,715	—	12,000	5,000	2,000
75,251	42,446	(5,826)	23,054	24,892	—	13,155	10,901	8,315
—	—	—	—	—	—	2,189	3,063	3,316
£75,251	£42,446	£(5,826)	£23,054	£24,892	—	£10,966	£7,838	£4,999
26,074	26,064	26,052	26,025	26,025	—	26,025	23,836	20,772
2,315	1,626	1,061	—	—	—	—	—	—
195,244	119,993	77,547	83,373	60,319	—	35,427	23,350	15,512
223,633	147,683	104,660	109,398	86,344	—	61,452	47,186	36,284
3,801	2,313	1,285	1,120	897	—	556	386	226
107,792	93,673	71,416	45,911	20,890	—	21,276	21,328	20,597
97	3,526	4,900	8,900	14,589	—	7,800	5,286	5,137
64,428	46,225	24,042	13,486	8,589	—	5,910	3,463	2,687
(22,556)	(26,382)	(18,939)	(12,631)	(10,126)	—	(7,595)	(7,301)	(7,380)
£377,195	£267,543	£187,364	£166,184	£121,183	—	£89,339	£70,348	£57,551
349,691	251,032	192,701	152,736	116,911	—	86,718	71,212	60,080
—	—	—	—	—	—	90	90	90
25,641	16,587	13,740	11,675	5,915	—	2,363	427	397
45,675	—	—	—	—	—	—	—	—
2,287	1,756	1,112	—	—	—	—	—	—
(50,173)	(6,015)	(22,737)	974	(1,918)	—	228	(1,381)	(3,016)
4,076	4,383	2,548	799	275	—	—	—	—
£377,195	£267,543	£187,364	£166,184	£121,183	—	£89,339	£70,348	£57,551