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Rank Xerox Limited
Directors' Report & Financial
Statements to 31 October 1985

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Rank Xerox Limited

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Directors

Chairman
H Orr-Ewing

Managing Director
R E G Magnin

P A Allaire *
H C Debuissier
J H Duerden
M B Gifford
W F Glavin *
L Gonzalez-Camino
R A Holmes *
D P Hornby
D T Kearns *

C P McColough *
J R Milligan *
B H Nicholson
R F Reiser *
J S Thomas
D A Thompson
E H van der Beugel, KCMG
D M Yates

* USA

Secretary and Registered Office

R A Reeve
Rank Xerox House
338 Euston Road
London NW1 3BH

Bankers

National Westminster Bank PLC

Auditors and Consultant Accountants

Peat, Marwick, Mitchell & Co.

Rank Xerox Limited

Directors' Report

1 Financial Statements

The Directors present the balance sheet of the Company and consolidated balance sheet as at 31 October 1985, together with the consolidated profit and loss account and consolidated statement of source and application of funds for the year ended on that date.

The profit of the Group on ordinary activities after taxation and outside shareholders' interests was £49.1m.

An interim dividend of £5.2m on the 'D' Shares of the Company was paid on 31 October 1985.

Final and special dividends of £14.7m in total are proposed on the 'B', 'D' and 'E' Shares (note 10 to the financial statements).

Transfers to reserves were £29.2m of which £16.0m was transferred to non-distributable reserves (note 20 to the financial statements).

2 Principal Activities

The Company and its subsidiaries are in the business equipment business throughout the world outside of North, Central and South America and certain related territories. Within that business, reprographics consists of the development, manufacture, marketing and maintenance of xerographic copiers and duplicators. It also includes the related marketing of paper as well as the manufacture and marketing of related toner and other supplies. Information systems consists of the development, manufacture, marketing and maintenance of electronic, impact and electrostatic printers, information processing products and systems, electronic typewriters, facsimile transceivers, and related supplies.

3 Business Review

During the year four new copiers and duplicators were introduced as successor models in the highly successful 10 Series. The Xerox 1090 duplicator reinforced the Company's leadership in the high volume sector. In the critical mid-volume sector, where the new products were the Xerox 1038 and Xerox 1040 copiers, new placements were maintained at the same high level as in 1984. The launch of the Xerox 1025 desktop copier was deliberately delayed, in spite of a temporary resultant loss of market share, until the product met its internal performance requirements established as part of the Leadership Through Quality programme. Total net placements of copiers and duplicators were 23 per cent lower than in 1985.

In July, 1985, the Committee of European Copier Manufacturers (CECOM), an association of European manufacturers of copiers, including Rank Xerox, applied to the EEC Commission to stop Japanese copier manufacturers dumping their products in Europe. Investigations are being conducted by the Commission which it is hoped will result in re-establishing fair competition in the Common Market.

The Systems Business Division had another record year with turnover up by 31 per cent.

In November, 1985, a long term systems and communications strategy for the office was announced at an international event in London. This strategy, called 'Directions', is a two-year programme designed to make Rank Xerox a full service supplier of business systems. Accompanying the announcement was the introduction of ten new products, including professional workstations, new laser printers, microcomputers, electronic typewriters and low-cost networks.

4 Directors

The Directors shown on page 1 are in office at the date of this Report.

Since 1 November 1984 the following changes in the Board occurred:

Mr M H Antonini - resigned on 1 January 1985

Mr R F Reiser - appointed on 1 January 1985

The remaining Directors served throughout the year.

Mr H Orr-Ewing, the Chairman of the Company, will be retiring from the Board on 31 March 1986.

5 Tangible Fixed Assets

The additions to tangible fixed assets of the Company and its subsidiaries during the year amounted to £209.9m, the principal categories being:

	£m
Equipment on or for rental	181.9
Factories, warehouses, offices and plant in the United Kingdom	11.7
Factories, warehouses, offices and plant overseas	16.3

Land and buildings are included in the balance sheet at net book values (note 12 to the financial statements). The Directors are of the opinion that at 31 October 1985 the aggregate of the open market values of land and buildings exceeded net book values by approximately £20.9m for the Group, and net book values of land and buildings exceeded open market values by £9.9m for the Company.

6 Research and Development

During the year the Company undertook research and development into new copier products for the mid-volume sector.

7 Charitable and Political Contributions

During the year the Group made charitable donations of £0.9m, including £0.5m made within the United Kingdom. No political contributions were made by the Group during the year.

8 South Africa

The Company produces a report each year summarising progress under the European Code of Conduct for companies with interests in South Africa. This is circulated within the Company, to other interest groups and is made publicly available.

Rank Xerox Limited

Directors' Report

9 Employment Policies

a Employee involvement

During 1985, a major impetus has been placed in Rank Xerox behind the training of its employees for, and development of, a Total Quality Process. One of the three foundations of this process is the complete involvement of employees in the issues which face them and the Company in their work.

Since there are differences in size, complexity and function between different units - for example between research groups, manufacturing plants and small specialist groups of office employees - as well as differences in national laws and practice, the methods of communication and participation vary so as to reflect these differences.

Within the units of Rank Xerox Limited based in Great Britain, the three common elements of employee involvement - communication of relevant facts to the employee; training each employee to consider these facts and solve any problems arising; and ensuring that employees communicate their responses to management and that these responses are given proper consideration - are carried out as follows:

- i Regular and up-to-date provision of information on Company performance to and within each unit is achieved by regular (at least quarterly) briefings by management through a 'cascade' system reaching every employee, and supplemented by free house magazines distributed to every employee in each specialist group. Special supplements to these magazines explain topics of particular interest, from announcements of strategic direction in the Company to publications devoted to pension fund valuations and their effect on each individual, through annual personal 'Benefacts' statements. All employees are kept up to date on the worldwide progress of Rank Xerox by an annual and comprehensive Employee Report. Every briefing specifically has time set aside for Directors and Managers to be questioned on the information presented and its implications for employees.
- ii Training in the process of problem analysis and solution, both as individuals and as teams, has been extended to every employee level during 1984/5 as part of the Quality Process. During 1984, Rank Xerox Limited's Mitcheldean plant was particularly proud to be awarded the British Quality Association Award for the most outstanding application of the process in Great Britain.
- iii Feedback of the results of employee involvement are given, in the Rank Xerox Quality Process, normally through the Company's managerial structure, but this is supplemented through regular meetings with recognised trade unions and employee representative bodies; for example, the Rank Xerox Pension Scheme, covering Great Britain employees, has equivalent numbers of employee representatives and management nominees on its Board of Trustees.

b Employment of the disabled in the United Kingdom

It is specified in Rank Xerox's personnel policies, and in the procedures to be followed by every recruiting manager, that the ability of a candidate to perform the job is the paramount criterion for selection, and that discrimination on terms of disability is specifically forbidden except in those rare instances where the nature of the work to be carried out is incapable of adaption to meet the specific disabilities of the candidate and still be carried out in accordance with the provisions of local health and safety legislation.

Rank Xerox faces unusual difficulty in attracting disabled candidates owing to the level of qualification in advanced systems required for many of the jobs in the Company, and the relatively few vacancies being offered at any one time. Accordingly, the Company resolved to take positive action in the field of the training of the unqualified disabled, and established within its Information Technology Centre (ITeC) at Colnbrook, Slough, a facility for training up to ten disabled people at any one time in information technology skills. This action included establishing a physical rehabilitation centre within the ITeC, staffing it with a qualified physical therapist and seconding to the project a senior marketing manager whose efforts on behalf of those disabled have resulted in a gratifying 100% placement rate for those individuals not medically debarred from seeking work. The Company was especially honoured that the centre was opened in March 1985 by HRH Prince Charles, the Prince of Wales.

10 Auditors

Peat, Marwick, Mitchell & Co., having signified their willingness to continue in office, will be proposed for re-appointment as auditors at the Annual General Meeting.

By order of the Board
R A Reeve
Secretary

A handwritten signature in dark ink, appearing to read 'R A Reeve', is written over a horizontal line.

29 January 1986

**Rank Xerox Limited
and Subsidiaries**

Financial Statements for the year ended 31 October 1985

Rank Xerox Limited and Subsidiaries

Consolidated Profit and Loss Account

For the year ended 31 October 1985

	1985 £m	1984 £m
Turnover (Note 3)	1854.2	1789.7
Cost of Revenue (Note 4)	<u>1164.5</u>	<u>1110.3</u>
Gross Profit	<u>689.7</u>	<u>679.4</u>
Distribution Costs (Note 5)	360.0	369.2
Administrative Expenses (Note 6)	227.8	210.1
Income from Shares in Associated Companies (Note 13)	(54.1)	(54.9)
Interest Receivable and Similar Income (Note 7)	(30.6)	(24.8)
Interest Payable and Similar Charges (Note 7)	38.6	38.7
Xerox Corporation Charges (Note 8)	<u>39.2</u>	<u>28.9</u>
	<u>580.9</u>	<u>567.2</u>
Profit on Ordinary Activities before Taxation	108.8	112.2
Tax on Profit on Ordinary Activities (Note 9)	<u>58.5</u>	<u>34.7</u>
Profit on Ordinary Activities After Taxation	50.3	77.5
Dividends Paid and Proposed (Note 10)	19.9	18.4
Outside Shareholders' Interests	<u>1.2</u>	<u>0.5</u>
Retained Profit for the Year (Note 20)	<u>29.2</u>	<u>58.6</u>

The notes on pages 12 to 30 form part of the financial statements

Rank Xerox Limited and Subsidiaries

Balance Sheets

At 31 October 1985

	Group 31 October 1985 £m	Group 31 October 1984 £m	Company 31 October 1985 £m	Company 31 October 1984 £m
Fixed Assets:				
Intangible Assets (Note 11)	-	0.2	-	-
Tangible Assets (Note 12)	439.5	580.5	27.5	25.3
Investments (Note 13)	<u>194.9</u>	<u>177.4</u>	<u>83.0</u>	<u>70.4</u>
	634.4	758.1	110.5	95.7
Current Assets:				
Stocks (Note 14)	255.5	262.5	120.8	106.3
Debtors (Note 15)	547.9	578.0	69.0	100.1
Cash at Bank and In Hand	<u>135.8</u>	<u>56.0</u>	<u>8.2</u>	<u>-</u>
	939.2	896.5	198.0	206.4
Creditors: Amounts falling due within one year (Note 16)	<u>428.2</u>	<u>554.1</u>	<u>196.2</u>	<u>171.4</u>
Net Current Assets	<u>511.0</u>	<u>342.4</u>	<u>1.8</u>	<u>35.0</u>
Total Assets less Current Liabilities	1145.4	1100.5	112.3	130.7
Creditors: Amounts falling due after more than one year (Note 17)	208.3	159.4	62.8	24.5
Provisions for Liabilities and Charges (Note 18)	<u>67.4</u>	<u>52.1</u>	<u>0.9</u>	<u>(12.6)</u>
	869.7	889.0	48.6	118.8
Capital and Reserves:				
Called Up Share Capital (Note 19)	29.9	29.9	29.9	29.9
Share Premium Account (Note 19)	3.0	3.0	3.0	3.0
Other Reserves (Note 20)	145.1	174.8	(1.6)	1.1
Profit and Loss Account (Note 20)	<u>684.1</u>	<u>670.9</u>	<u>17.3</u>	<u>84.8</u>
	862.1	878.6	48.6	118.8
Outside Shareholders' Interests	<u>7.6</u>	<u>10.4</u>	<u>-</u>	<u>-</u>
	869.7	889.0	48.6	118.8

Hamish Orr-Ewing
Chairman, Rank Xerox Limited

R Magnin
Managing Director, Rank Xerox Limited

Approved by the Board of Directors on 29 January 1986

The notes on pages 12 to 30 form part of the financial statements

Rank Xerox Limited and Subsidiaries
Consolidated Statement of Source and Application of Funds

For the year ended 31 October 1985

	1985 £m	1984 £m
SOURCE OF FUNDS		
Funds from Operations		
Profit on Ordinary Activities before Taxation	108.8	112.2
<i>less</i> Profit before Taxation Retained by Associated Companies	<u>50.8</u>	<u>51.5</u>
	58.0	60.7
<i>add</i> Depreciation and Other Items not involving the movement of funds:	<u>157.1</u>	<u>188.5</u>
Total Funds from Operations	215.1	249.2
Other Sources		
Disposal of Fixed Assets at Net Book Value	155.3	95.1
Additional Creditors falling due after more than one year	<u>48.9</u>	<u>-</u>
	<u>419.3</u>	<u>344.3</u>
APPLICATION OF FUNDS		
Additions to Fixed Assets	214.7	316.4
Decrease in Creditors falling due after more than one year	-	0.4
Taxation Paid	15.4	23.3
Dividends Paid	<u>16.3</u>	<u>18.5</u>
	<u>246.4</u>	<u>358.6</u>
Increase/(Decrease) in Working Capital	<u>172.9</u>	<u>(14.3)</u>

The notes on pages 12 to 30 form part of the financial statements

	1985 £m	1984 £m
ANALYSIS OF CHANGE IN WORKING CAPITAL		
(Decrease)/Increase in Stocks	(7.0)	41.0
(Decrease)/Increase in Debtors	(30.1)	96.3
Decrease/(Increase) in Creditors falling due within one year	<u>44.3</u>	<u>(58.7)</u>
	<u>7.2</u>	<u>78.6</u>
Increase/(Decrease) in Net Liquid Funds:		
Cash at Bank and In Hand	79.8	(58.0)
Bank Overdrafts and Acceptances	<u>85.9</u>	<u>(34.9)</u>
	<u>165.7</u>	<u>(92.9)</u>
Increase/(Decrease) in Working Capital	<u>172.9</u>	<u>(14.3)</u>

The currency impacts arising from the translation to current rates of exchange of the opening balances on fixed assets and current and deferred taxation, and those relating to the Group's associated companies, have been eliminated from the movements shown in the above statement.

The notes on pages 12 to 30 form part of the financial statements

Rank Xerox Limited and Subsidiaries

Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

1 Principles of consolidation and accounting policies

The Group's major accounting policies are summarised below.

a Accounting Convention

The financial statements are prepared under the historical cost accounting rules.

b Basis of Consolidation

The financial statements incorporate the financial statements of Rank Xerox Limited and its subsidiaries, after elimination of intra-group transactions and the profits thereon.

c Translation of Foreign Currencies

The Group has adopted Statement of Financial Accounting Standards No. 52 issued by the United States Financial Accounting Standards Board relating to the translation of foreign currencies. There is no material difference, so far as the Group's financial statements are concerned, between the requirements of this Statement and those of Statement of Standard Accounting Practice No. 20, issued by the United Kingdom Accounting Standards Committee.

Assets and liabilities of individual Group companies that are denominated in non-local currencies are translated into the local currency of those companies at rates approximating to the mid-market rates ruling at 31 October 1985. Gains and losses arising from this translation, along with gains and losses on trading transactions during the year, involving non-local currencies, are dealt with in the respective profit and loss accounts of the companies concerned.

The Group enters into contracts to purchase and sell foreign currencies in order to fix the exchange rates applicable to future payments and receipts of amounts denominated in foreign currencies. Discounts and premiums on these contracts are amortised on a straight line basis over the life of individual contracts. Gains and losses on forward contracts are offset against losses and gains arising on revaluation of the associated foreign currency transactions.

Balance sheets of individual Group companies that are denominated in foreign currencies are translated into Sterling at rates approximating to mid-market rates ruling at 31 October 1985 for consolidation. Profit and loss items are translated at rates approximating to the rates ruling when the transactions occurred and unrealised profits on intra-group transfers are eliminated at the rates ruling when such profits arose. Translation differences, which principally represent the gain or loss arising on overseas net assets as a result of changes in exchange rates during the year, are dealt with in the currency translation account.

Gains and losses on loans to subsidiaries that represent a long-term investment by the Group are dealt with in the currency translation account.

d Deferred Taxation

This 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, and for certain provisions on stocks and debtors, over the corresponding cumulative amounts charged in the financial statements, together with tax on the profits recognised on sales-type leases in advance of receipt of rental income. Offset against this is the taxation on unrealised intra-group profits referred to in notes 1g and 18c below.

Under Statement of Standard Accounting Practice No. 15 issued by the United Kingdom Accounting Standards Committee, tax deferred or accelerated by the effect of timing differences should be provided for to the extent that it is probable that a liability or asset will crystallise, and should not be provided for to the extent that it is probable that a liability or asset will not crystallise. It is considered that in the environment of a changing equipment rental/sales mix in which the Group operates, it would be neither realistic nor prudent to use forecasts of future rental/sales activity for accounting purposes.

The Group has a large deferred tax asset comprising tax on unrealised intra-group profits which principally relates to rental assets and which it is considered should be retained. Deferred tax provisions on other items are not significant and will be retained. Accordingly, deferred tax continues to be provided in full on all timing differences between profits as computed for taxation purposes and profits as stated in the financial statements.

e Tangible Fixed Assets

These are carried 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	40-100 years
Leasehold Land and Buildings	Term of lease
Plant and Machinery	12-13 years
Fixtures and Fittings	10-20 years
Vehicles	3-5 years
Rental Equipment	2-5 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.

Expenditure on tools, jigs and machine fixtures is deferred and recovered as part of the manufacturing cost of a predetermined volume of equipment and spare parts. (Equipment for this purpose includes both products intended for resale and products intended for capitalisation as rental equipment within the Group.)

f Pension Costs

The Group operates various schemes in its overseas subsidiaries and a contributory scheme covering the

employees of the Company and its United Kingdom subsidiaries. The latter scheme is independent of the Group's finances and is fully funded, its assets being administered by trustees.

Contributions to the Group's schemes are determined on the basis of independent actuarial advice and any relevant local statutory requirements, and the amounts charged to the profit and loss account are designed to reflect the full actuarial cost attributable to the period. Provisions for pensions and similar obligations in certain overseas subsidiaries are reflected in the consolidated balance sheet (note 18).

g Unrealised Intra-Group Profits

Profits arising on the sale of equipment and supplies between Group companies, and on similar sales to the associated companies, are deferred in the consolidated balance sheet along with the related taxation paid or payable on them. The unrealised element of profit is deducted from the carrying value of equipment and supplies, while the related taxation is carried forward as a component of the deferred taxation balance (note 18). Deferred profits, and the taxation attributable to them, are recognised in the profit and loss account when realised, in the case of supplies and equipment intended for sale, and, in the case of rental equipment, evenly over its estimated useful life.

h Development Expenditure

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

i Stocks

These 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, and, in the case of stock that has been shipped across national boundaries, normally includes import duties, insurance and freight costs up to the point of customs clearance (note 14). Subsequent local carriage costs are normally expensed as incurred.

j Leasing Arrangements

The Group has adopted lease accounting policies in compliance with Statement of Financial Accounting Standards No 13 issued by the United States Financial Accounting Standards Board. There is no material difference, so far as the Group's financial statements are concerned, between the requirements of this statement and those of Statement of Standard Accounting Practice No 21, issued by the United Kingdom Accounting Standards Committee.

As lessor: sales are recorded when assets are leased either directly to customers under agreements classified as sales-type leases, or under direct finance leases written by external or Group finance companies (note 23). Both types of agreement transfer substantial risks of ownership to the lessee and have the economic substance of a credit sale agreement.

Sales revenue is computed using the present value of the minimum lease payments calculated at a commercial rate of interest, and the cost or carrying values of the leased assets are charged to cost of revenue when the sales are recognised.

The difference between the gross value and the present value of minimum lease payments is recognised as interest receivable and similar income (note 7), to provide an approximately constant rate of return on the net investment in the leases. The net investment in sales-type leases, which is reduced over the term of the leases by gross minimum lease payments less interest receivable, is included in trade debtors due within one year or due in more than one year as appropriate.

Any charges made under such leases for equipment maintenance and service are recognised in the profit and loss account as earned.

All other lease agreements with customers are classified as operating leases. Assets leased or intended to be leased under operating leases are classified as rental equipment within tangible fixed assets (note 12) and depreciated over their estimated useful lives. Rentals receivable from customers under operating leases are recognised in the profit and loss account as earned, and associated costs are charged to cost of revenue (note 4) as incurred.

As lessee: assets employed under agreements classified as capital leases, which have the economic substance of a purchase secured by a specific borrowing, are capitalised as tangible fixed assets (note 12). The cost of such assets is recorded at the lower of (a) the present value of the minimum lease payments when the lease begins, and (b) market value at that date. Depreciation is charged on a straight line basis over the lease term, or, if title will ultimately pass to the Group as lessee, the estimated useful life of the asset on bases consistent with note 1e above.

All other leases are classified as operating leases, and the rentals payable under such agreements are charged against profits as incurred.

Rank Xerox Limited and Subsidiaries

Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

2 Consolidated financial statements

a These statements include the results of a significant volume of transactions, covering equipment, goods and services, between the Rank Xerox Limited Group and the Rank Xerox Holding BV Group. Rank Xerox Holding BV is a Dutch company directly owned by Xerox Corporation and The Rank Organisation Group.

b No profit and loss account for Rank Xerox Limited ('The Company') is presented in these statements.

3 Turnover

a This consists of revenue earned in the year from the rental and sale of equipment, from the sale of paper and supplies and from the provision of service and maintenance. Turnover includes sales to the Group's associated companies, after adjustments for unrealised profit (note 1g).

b Turnover is analysed by geographic markets as follows:

	1985	1984
Europe	1650.2	1610.8
Other	204.0	178.9
Total	1854.2	1789.7

The category 'Other' includes the Group's operations in Africa, Australasia and South-East Asia.

4 Cost of revenue

The prescribed format for the profit and loss account in the Companies Act uses the term 'Cost of Sales'. The Group's turnover, as described in note 3 above, contains significant income from equipment rentals and service

contracts, and, in the opinion of the Directors, is more meaningfully described by the term 'Cost of Revenue'.

5 Distribution costs

These include staff costs and overheads attributable to distribution centres in the Group's manufacturing

locations, and salaries, commissions, support costs and other marketing expenses related to the Group's salesforce.

6 Administrative expenses

Administrative expenses are stated after taking into account foreign exchange impacts on transactions

(note 1c) which in 1985 represented a loss of £3.2m (1984 - loss of £3.6m), and costs of £9.2m (1984 - £4.0m) in respect of redundancy programmes.

7 Interest

a Interest receivable and similar income comprises:

	1985	1984
Short term deposits and banks	8.7	4.0
Sales-type leases and credit sale agreements	13.5	16.9
Rank Xerox Holding BV and subsidiaries	3.9	2.5
Other sources	4.5	1.4
	<u>30.6</u>	<u>24.8</u>

b Interest payable and similar charges comprises:

	1985	1984
Loans, other than from banks, not fully repayable within five years	6.2	3.7
Bank loans and other loans repayable within five years	30.4	32.6
Capital leases	2.0	2.4
	<u>38.6</u>	<u>38.7</u>

8 Xerox Corporation charges

Since 1 November 1976, the Company has been charged with a proportion of research and development and corporate overhead expenses incurred by its ultimate holding company, Xerox Corporation. These charges

reflect the benefits that the Rank Xerox Limited Group receives from these activities, and amounted to £39.2m for the year ended 31 October 1985 (1984 - £28.9m).

9 Taxation

a Tax on profit on ordinary activities comprises:

	1985	1984
Rank Xerox Limited and subsidiaries (note 9b)	26.9	2.6
Associated companies	<u>31.6</u>	<u>32.1</u>
	<u>58.5</u>	<u>34.7</u>

Losses in certain overseas subsidiaries, which cannot be utilised for tax purposes in the current year, have increased the overall tax rate compared with 1984.

The deferred tax rate change element of the prior year adjustments for 1984 represents the restatement of the opening deferred tax liability to account for the changes in tax rates introduced by the United Kingdom Finance Act 1984.

b The Group provision for the year is calculated as follows:

	1985	1984
United Kingdom Corporation tax		
- Current tax at 42% (1984 - 47%) (£18.4m before double taxation relief: 1984 - £13.8m)	1.4	2.8
- Deferred	-	3.3
- Irrecoverable Advance Corporation Tax	<u>2.0</u>	-
	3.4	6.1
Overseas:		
- Current	34.2	20.4
- Deferred	(0.1)	(5.3)
Prior year adjustments:		
- Current	(8.1)	(6.3)
- Deferred - rate change	(1.0)	(10.8)
- other	<u>(1.5)</u>	<u>(1.5)</u>
	<u>26.9</u>	<u>2.6</u>

The tax charge for 1984 was reduced by £2.3m owing to stock relief for which no deferred taxation provision is required.

10 Dividends paid and proposed

	1985	1984
Interim - paid	5.2	7.2
Special - proposed	6.9	1.5
Final - proposed*	<u>7.8</u>	<u>9.7</u>
	<u>19.9</u>	<u>18.4</u>

*Includes a final dividend of £32,252 (1984 - £29,333) on the 'E' shares.

11 Fixed assets - intangible assets

This is goodwill which represents the excess of acquiring subsidiary companies over their net asset value at the time of joining the Group. Goodwill is amortised over a ten year period.

Rank Xerox Limited and Subsidiaries

Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

12 Fixed assets - tangible assets

	Land and Buildings	Plant and Machinery	Fixtures, Fittings, Tools and Equipment	Assets in course of construction	Rental Equipment	Total
a Group						
Cost:						
At 1 November 1984	129.1	64.5	174.3	1.8	844.4	1214.1
Additions	2.9	4.0	19.0	2.1	181.9	209.9
Transfers	0.3	0.7	4.9	(2.4)	(3.5)	-
Disposals	(6.4)	(8.0)	(18.1)	(0.2)	(347.8)	(380.5)
Currency translation	(4.9)	(1.6)	(9.3)	0.3	(48.1)	(63.6)
At 31 October 1985	<u>121.0</u>	<u>59.6</u>	<u>170.8</u>	<u>1.6</u>	<u>626.9</u>	<u>979.9</u>
Depreciation provision:						
At 1 November 1984	30.9	35.5	86.3	-	480.9	633.6
Charge for period	4.6	4.4	27.6	-	132.1	168.7
Transfers	-	(0.1)	(6.0)	-	6.1	-
Disposals	(1.7)	(6.3)	(11.7)	-	(205.5)	(225.2)
Currency translation	(1.3)	(0.8)	(4.4)	-	(30.2)	(36.7)
At 31 October 1985	<u>32.5</u>	<u>32.7</u>	<u>91.8</u>	<u>-</u>	<u>383.4</u>	<u>540.4</u>
Net book value:						
At 31 October 1985	<u>88.5</u>	<u>26.9</u>	<u>79.0</u>	<u>1.6</u>	<u>243.5</u>	<u>439.5</u>
At 31 October 1984	<u>98.2</u>	<u>29.0</u>	<u>88.0</u>	<u>1.8</u>	<u>363.5</u>	<u>580.5</u>
b Company						
Cost:						
At 1 November 1984	16.9	5.1	12.7	0.2	3.4	38.3
Additions	0.2	1.7	4.8	1.1	0.2	8.0
Transfers	-	0.6	0.2	(0.6)	(0.2)	-
Disposals	(0.1)	(0.2)	(1.9)	(0.2)	(1.0)	(3.4)
Currency translation	-	-	(0.2)	-	(0.3)	(0.5)
At 31 October 1985	<u>17.0</u>	<u>7.2</u>	<u>15.6</u>	<u>0.5</u>	<u>2.1</u>	<u>42.4</u>
Depreciation provision:						
At 1 November 1984	3.8	1.9	6.3	-	1.0	13.0
Charge for period	0.6	0.7	2.1	-	0.6	4.0
Transfers	-	-	(0.1)	-	0.1	-
Disposals	(0.1)	(0.2)	(1.1)	-	(0.6)	(2.0)
Currency translation	-	-	-	-	(0.1)	(0.1)
At 31 October 1985	<u>4.3</u>	<u>2.4</u>	<u>7.2</u>	<u>-</u>	<u>1.0</u>	<u>14.9</u>
Net book value:						
At 31 October 1985	<u>12.7</u>	<u>4.8</u>	<u>8.4</u>	<u>0.5</u>	<u>1.1</u>	<u>27.5</u>
At 31 October 1984	<u>13.1</u>	<u>3.2</u>	<u>6.4</u>	<u>0.2</u>	<u>2.4</u>	<u>25.3</u>
c						
i Rental equipment consists of xerographic and other equipment on or available for rental to customers under operating leases. In view of the material amounts involved, it has been disclosed separately.						
ii Rental equipment includes £6.8m (1984 - £27.3m) representing equipment in the course of manufacture.						
iii Rental equipment disposals and additions include equipment transferred to and from remodelling centres within the Group and in the Rank Xerox Holding BV Group.						

d
Land and buildings includes, at net book value, the following amounts:

	Group 1985	Group 1984	Company 1985	Company 1984
Freehold	<u>52.9</u>	<u>61.2</u>	<u>0.3</u>	<u>0.3</u>
Long leasehold	<u>5.2</u>	<u>4.8</u>	<u>4.5</u>	<u>4.4</u>
Short leasehold	<u>30.4</u>	<u>32.2</u>	<u>7.9</u>	<u>8.4</u>

Long leasehold property is defined as having leases with more than 50 years unexpired at the balance sheet date.

13 Fixed assets - Investments

a These comprise:

	Group 1985	Group 1984	Company 1985	Company 1984
Shares in Group companies (note c)	-	-	44.8	38.5
Loans to Group companies	-	-	25.3	20.1
Associated companies (note b)	191.8	174.7	9.8	9.2
Other loans (note d)	<u>3.1</u>	<u>2.7</u>	<u>3.1</u>	<u>2.6</u>
	<u>194.9</u>	<u>177.4</u>	<u>83.0</u>	<u>70.4</u>

b Associated Companies

There are no related companies, within the terms of the Companies Act, other than those dealt with as associates under Statement of Standard Accounting Practice No.1 issued by the United Kingdom Accounting Standards Committee.

The Group's share of the net assets of associated companies increased by £17.1m. Of this, £19.3m represented retained profits, currency translation effects reduced net assets by £5.6m, and there were additional investments of £3.4m, of which £0.6m was made by the Company.

The principal associated company is Fuji Xerox Co., Ltd., incorporated in Japan, in which the Company owns 50 per cent of the issued ordinary share capital. Fuji Xerox Co., Ltd. manufactures and markets xerographic equipment and related supplies in Japan and the Far East and prepares its accounts to 20 October in each financial year. Transactions between 20 October and 31 October, the Group's balance sheet date, are not material. There are various minority interest joint ventures with finance companies and distributors in several countries which are not material.

The Company's balance sheet reflects the Company's investment at cost in associated companies. The Group's share of the net assets of associated companies is reflected in the consolidated balance sheet and translated from overseas currencies in accordance with the principles stated in note 1c.

Dividends receivable from the associated companies for the period were £3.3m (1984 - £3.4m). No provision has been made for any additional taxation which would arise if the investments in those companies were disposed of at their balance sheet values, or if their retained profits, treated as non-distributable reserves in note 20, were subject to distribution.

The summarised financial information set out below is based on the audited consolidated financial statements of Fuji Xerox Co., Ltd. for the years ended 20 October 1985 and 20 October 1984.

	1985	1984		1985	1984
Turnover	<u>1130.2</u>	<u>939.8</u>	Rental equipment and other non-current assets	468.3	425.0
Depreciation and amortisation	<u>118.7</u>	<u>113.4</u>	Net current assets	<u>23.6</u>	<u>33.6</u>
Profit on ordinary activities before taxation	<u>109.7</u>	<u>107.5</u>	Capital and reserves	372.0	342.0
			Creditors falling due after more than one year	<u>119.9</u>	<u>116.6</u>
				<u>491.9</u>	<u>458.6</u>

Rank Xerox Limited and Subsidiaries

Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

13 Fixed assets - Investments (continued)

c Group companies	Country of incorporation	Percentage of ordinary share capital owned		Total
		Direct	Indirect	
The principal subsidiaries of Rank Xerox Limited are as follows:				
Rank Xerox (Copy Bureaux) Limited	England	-	100	100
Rank Xerox Equipment Services Limited	England	100	-	100
Rank Xerox Exports Limited	England	100	-	100
Rank Xerox Finance Limited				
(formerly Rank Xerox de Espana Limited)	England	-	100	100
Rank Xerox (Ireland) Limited*	England	100	-	100
Rank Xerox Leasing International Limited	England	100	-	100
Rank Xerox (Management) Limited	England	100	-	100
Rank Xerox (Overseas) Limited	England	100	-	100
Rank Xerox (R & S) Limited	England	-	100	100
Rank Xerox (UK) Limited	England	100	-	100
Rank Xerox (Australia) Pty Limited	Australia	-	75	75
Rank Xerox Austria GmbH	Austria	-	100	100
NV Rank Xerox Credit SA	Belgium	-	100	100
NV Rank Xerox SA	Belgium	-	100	100
Rank Xerox A/S	Denmark	-	100	100
Rank Xerox Finance A/S	Denmark	-	100	100
Rank Xerox Oy	Finland	-	100	100
Burofinance SA	France	-	66	66
Office de Transformation Papetiere SA	France	-	100	100
Rank Xerox SA	France	100	-	100
Rank Xerox GmbH	Germany	-	100	100
Rank Xerox Greece SA	Greece	55.2	44.8	100
Rank Xerox SpA	Italy	-	100	100
Rank Xerox Kenya Limited	Kenya	100	-	100
Rank Xerox (Nederland) BV	The Netherlands	-	100	100
Rank Xerox Finance (Nederland) BV	The Netherlands	100	-	100
Rank Xerox Leasing International Finance BV	The Netherlands	-	100	100
Rank Xerox Rentalease BV	The Netherlands	-	100	100
Rank Xerox (Hong Kong) Limited	Hong Kong	-	100	100
Rank Xerox Finance Limited	New Zealand	-	100	100
Rank Xerox New Zealand Limited	New Zealand	100	-	100
Rank Xerox (Nigeria) Limited	Nigeria	60	-	60
Rank Xerox A/S	Norway	-	100	100
Rank Xerox Portugal Equipamentos de Escritorio Limitada	Portugal	-	100	100
Rank Xerox (Singapore) Pte Limited	Singapore	-	100	100
Rank Xerox (Proprietary) Limited	South Africa	-	100	100
Rank Xerox Espanola SA	Spain	100	-	100
Rank Xerox AB	Sweden	-	100	100
Rank Xerox Credit AB	Sweden	-	100	100
Rank Xerox AG	Switzerland	-	100	100
Rank Xerox Uganda Limited	Uganda	-	100	100

*Operates in the Republic of Ireland

The Group also has branches operating outside the UK.

The 25% minority shareholding in Rank Xerox New Zealand Limited was purchased during the year.

Following the settlement with the Islamic Republic of Iran in September 1984, the shares in Rank Xerox Limited's Iranian subsidiaries have been disposed of during 1985. All amounts relating to these subsidiaries have now been eliminated from the Group's accounts.

Albinstar Properties Limited, a wholly owned subsidiary of Rank Xerox Limited, has been excluded from consolidation on the grounds that control is intended to be temporary (note 15).

d Other loans consist of advances from the Company to the trustees of the Rank Xerox Share Purchase Scheme, and the National Westminster Jersey Trust Company Limited as trustees of a discretionary settlement, to enable them to acquire 'E' shares in the Company. The loans do not currently bear interest. The gross amount of loans outstanding at 31 October 1985 was £11.0m for the Group and the Company (1984 - Group £11.0m, Company £10.9m) against which provision of £7.9m (1984 - £8.3m) has been made.

e During the year the Company purchased shares in Group companies at a cost of £7.8m, and disposed of shares held at a net book value of £1.5m. Movements on loans to Group companies comprised additional loans of £8.3m, repayments of £1.2m, and currency effects which reduced the value of loans to Group companies by £1.9m.

14 Stocks

a The Group's principal activity is the sale and rental of xerographic equipment to customers. Equipment on, or intended for, rental (including equipment held by the Company) is accordingly held as fixed assets in the Group balance sheet, while equipment intended for resale is held as stock. Rental equipment in the process of manufacture is also classified with fixed assets.

The Company's principal activity is the manufacture and sale of xerographic equipment to subsidiary companies.

b Stocks comprise:

	Group 1985	Group 1984	Company 1985	Company 1984
Raw materials and consumables	16.5	13.8	5.8	4.6
Work in progress	21.3	18.8	29.2	33.2
Finished goods and goods for resale:				
Consumables, spares and paper	99.7	105.8	27.6	26.6
Equipment	<u>118.0</u>	<u>124.1</u>	<u>58.2</u>	<u>41.9</u>
	<u>255.5</u>	<u>262.5</u>	<u>120.8</u>	<u>106.3</u>

c Stocks are valued in accordance with the principles stated in note 1*i*, and include costs of distribution up to the point of customs clearance for finished goods that have been transported across national boundaries. The Group follows Statement of Standard Accounting Practice No 9, issued by the United Kingdom Accounting Standards Committee, which includes in its definition of cost that expenditure which has been incurred in the normal course of business in bringing a product or service to its present location and condition. If the requirements of the Companies Act were followed in excluding distribution costs, the effect would have been to reduce the balance sheet value of stocks by £14.3m (1984 - £14.9m) and to reduce Distribution Costs in the profit and loss account by £0.6m (1984 - £2.0m).

Rank Xerox Limited and Subsidiaries

Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

15 Debtors

a These comprise:	Group 1985	Group 1984	Company 1985	Company 1984
Due within one year:				
Trade debtors	304.4	336.4	18.4	15.9
Owed by the Rank Xerox Holding BV Group	1.4	-	-	9.2
Amounts owed by Group companies				
- dividends	-	-	9.4	6.4
- other	-	-	20.3	50.5
Amounts owed by associated companies	3.3	-	3.3	3.3
Other debtors	8.9	10.2	1.2	1.8
Prepayments and accrued income (note d)	116.9	132.2	13.0	9.3
	<u>434.9</u>	<u>478.8</u>	<u>65.6</u>	<u>96.4</u>
Due in more than one year:				
Trade debtors (note b)	41.8	38.5	0.4	0.8
Owed by fellow subsidiaries	20.8	35.1	-	-
Other debtors (note c)	50.4	25.6	3.0	2.9
	<u>113.0</u>	<u>99.2</u>	<u>3.4</u>	<u>3.7</u>
	<u>547.9</u>	<u>578.0</u>	<u>69.0</u>	<u>100.1</u>

b Trade debtors due in more than one year represent amounts owed by customers under sales-type leases and credit sale agreements.

c Other debtors include a loan of £10,000 (1984 - £10,000) to an officer of the Company.

d Prepayments and accrued income include the Company's investment of £1.1m (1984 - £1.1m) in Albinstar Properties Limited, which has fixed assets of £21.0m, represented by capital and reserves of £0.7m, bank loans of £17.6m, and creditors and accruals of £2.7m. The issued share capital of that company is £100 in ordinary shares of £1 each.

16 Creditors: amounts falling due within one year

a These comprise:	Group 1985	Group 1984	Company 1985	Company 1984
Bank loans and overdrafts				
- overdrafts and acceptances	35.4	121.3	-	15.8
- long term loans due within one year (note 17)	19.5	32.8	0.5	17.8
- bills of exchange payable (note 17)	6.1	6.2	-	-
Trade creditors	82.8	111.3	28.6	19.5
Amounts owed to Xerox Corporation and subsidiaries	35.8	37.7	28.9	11.5
Amounts owed to Rank Xerox Holding BV and subsidiaries	-	22.9	0.8	-
Amounts owed to Group companies	-	-	98.0	60.1
Amounts owed to Associated companies	0.7	1.2	0.3	4.9
Other creditors including taxation and social security (note b)	78.5	58.4	19.6	24.3
Accruals and deferred income	169.4	162.3	19.5	17.5
	<u>428.2</u>	<u>554.1</u>	<u>196.2</u>	<u>171.4</u>

b Other creditors including taxation and social security includes dividends payable of £14.7m (1984 - £11.2m) for both the Group and the Company, and current taxation payable of £36.1m for the Group (1984 - £35.4m) and £3.7m for the Company (1984 - £10.6m).

17 Creditors: amounts falling due after more than one year

a These comprise:

	Group 1985	Group 1984	Company 1985	Company 1984
Long term loans (note b)				
- Debenture loans (note c)	137.3	70.8	3.5	3.5
- Bank loans and overdrafts	47.7	40.9	10.0	10.0
- Other loans	22.8	44.5	3.4	4.0
- Bills of exchange payable	0.5	3.2	-	-
Amounts owed to Group companies	-	-	45.9	7.0
	<u>208.3</u>	<u>159.4</u>	<u>62.8</u>	<u>24.5</u>

b Long term loans include £69.3m (1984 - £32.9m) and £3.5m (1984 - £3.5m), for the Group and the Company respectively, of loans not fully repayable within 5 years. Of these loans, amounts repayable by instalments were £5.9m (1984 - £7.8m) for the Group and Nil (1984 - Nil) for the Company. Aggregate instalments due after more than 5 years totalled £3.4m (1984 - £5.9m) for the Group and Nil (1984 - Nil) for the Company.

c Debenture loans comprise:

- i The Company's 7½% Guaranteed Unsecured Loan Stock 1986/1991, guaranteed as to payment of capital and interest 60% by Xerox Corporation and 40% by The Rank Organisation Group. Since 1971, £0.1m nominal of the stock has been required to be redeemed at par by drawings, which can be satisfied by purchase and cancellation of the stock. After 14 December 1986, the Company may at three months' notice redeem at par all or part of the stock outstanding. Any previously unredeemed stock is redeemable at par on 15 December 1991. £0.5m (1984 - £0.5m) was outstanding at 31 October 1985, at which date £4.5m nominal stock had been purchased and cancelled.
- ii The Company's 7½% Subordinated Unsecured Loan Notes 1992, of which £3.0m (1984 - £3.0m) was outstanding at 31 October 1985. The Notes are not repayable without the consent of the Trustees of the 7½% Guaranteed Unsecured Loan Stock 1986/1991, and until all capital and interest on that stock has been paid.
- iii Rank Xerox Finance (Nederland) BV's 8% Bonds 1985/1990, issued during 1985 for a consideration of 100m Guilders. The issue was made at par to meet working capital requirements, and is guaranteed as to payment of capital, interest and premium on redemption, if any, by the company. £23.5m was outstanding at 31 October 1985.
- iv Rank Xerox Finance (Nederland) BV's 11% Guaranteed Bonds 1985/1992 issued during 1985 for a consideration of £40m. The issue was made at par to meet working capital requirements, and is guaranteed as to payment of capital, interest and premium on redemption, if any, by the Company. £40m was outstanding at 31 October 1985.
- v Rank Xerox Finance (Nederland) BV's 8½% Guaranteed Bonds due 1989, 11 3/8% Guaranteed Bonds due 1988 and 7½% Bonds due 1983/1993. All issues are guaranteed as to payment of capital, interest and premium on redemption, if any, by the Company. £66.8m and £68.4m respectively were outstanding at 31 October 1985 and 31 October 1984.
- vi Rank Xerox A/S's 13 3/8% Loan Notes due 1983/1988, guaranteed as to payment of capital, interest and premium on redemption, if any, by the Company. £3.5m and £3.8m respectively were outstanding at 31 October 1985 and 31 October 1984.

d The aggregate amount of secured loans was £5.3m (1984 - £5.3m) for the Group. There were no secured loans to the Company. Such loans to Group companies are generally secured on land and buildings. The category 'Other Loans' also includes certain amounts (note 22a) in respect of obligations under capital leases, which are specifically secured on the leased assets involved.

Rank Xerox Limited and Subsidiaries

Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

17 Creditors: amounts falling due after more than one year (continued)

e Repayments are due in the following years after the balance sheet date:

	Group 1985	Group 1984	Company 1985	Company 1984
First year	25.6	39.0	0.5	17.8
Second year	24.8	21.1	0.5	0.5
Third year	55.5	34.0	0.4	0.5
Fourth year	32.7	42.3	10.3	0.5
Fifth year	24.5	30.4	45.9	10.3
Sixth to tenth years	69.1	30.1	5.7	12.7
Thereafter	1.7	1.5	-	-
	<u>233.9</u>	<u>198.4</u>	<u>63.3</u>	<u>42.3</u>

f Loans are denominated in the following currencies:

	Average interest rate (Group 1985)	Group 1985	Group 1984	Company 1985	Company 1984
Not fully repayable within 5 years:					
Sterling	10.7%	44.3	4.2	3.5	10.5
German marks	7.5%	19.9	19.9	-	-
Other currencies	11.0%	5.6	6.7	-	-
		69.8	30.8	3.5	10.5
Fully repayable within 5 years, and capital leases.					
Sterling	11.6%	44.5	68.4	58.1	31.8
US Dollars	9.6%	1.7	1.2	1.7	-
ECU	11.4%	29.3	29.8	-	-
French Francs	11.0%	4.9	10.0	-	-
Other currencies	11.4%	83.7	58.2	-	-
		<u>233.9</u>	<u>198.4</u>	<u>63.3</u>	<u>42.3</u>

Rank Xerox Limited and Subsidiaries
Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

17 Creditors: amounts falling due after more than one year (continued)

e Repayments are due in the following years after the balance sheet date:

	Group 1985	Group 1984	Company 1985	Company 1984
First year	25.6	39.0	0.5	17.8
Second year	24.8	21.1	0.5	0.5
Third year	55.5	34.0	0.4	0.5
Fourth year	32.7	42.3	10.3	0.5
Fifth year	24.5	30.4	45.9	10.3
Sixth to tenth years	69.1	30.1	5.7	12.7
Thereafter	1.7	1.5	-	-
	<u>233.9</u>	<u>198.4</u>	<u>63.3</u>	<u>42.3</u>

f Loans are denominated in the following currencies:

	Average interest rate (Group 1985)	Group 1985	Group 1984	Company 1985	Company 1984
Not fully repayable within 5 years:					
Sterling	10.7%	44.3	4.2	3.5	10.5
German marks	7.5%	19.9	19.9	-	-
Other currencies	11.0%	5.6	6.7	-	-
		69.8	30.8	3.5	10.5
Fully repayable within 5 years, and capital leases:					
Sterling	11.6%	44.5	68.4	58.1	31.8
US Dollars	9.6%	1.7	1.2	1.7	-
ECU	11.4%	29.3	29.8	-	-
French Francs	11.0%	4.9	10.0	-	-
Other currencies	11.4%	83.7	58.2	-	-
		<u>233.9</u>	<u>198.4</u>	<u>63.3</u>	<u>42.3</u>

18 Provisions for liabilities and charges

a These comprise:

	Group 1985	Group 1984	Company 1985	Company 1984
Pensions and similar obligations (note b)	49.8	45.9	(1.4)	(0.2)
Deferred taxation (notes c and d)	5.2	(1.5)	(1.8)	(16.8)
Other provisions (note b)	12.4	7.7	4.1	4.4
	<u>67.4</u>	<u>52.1</u>	<u>0.9</u>	<u>(12.6)</u>

b Movements on the above provisions were as follows:

	Pensions & similar obligations		Other Provisions	
	Group	Company	Group	Company
Balance at 1 November 1984	45.9	(0.2)	7.7	4.4
Additions charged to the profit and loss account	11.9	1.5	18.1	4.3
Utilised during the period	(7.4)	(2.7)	(13.0)	(4.6)
Currency translation	(0.6)	-	(0.4)	-
Balance at 31 October 1985	<u>49.8</u>	<u>(1.4)</u>	<u>12.4</u>	<u>4.1</u>

c Deferred taxation shown above comprises:

	Group 1985	Group 1984	Company 1985	Company 1984
Deferred taxation	49.6	69.6	2.1	3.4
less				
Advance Corporation Tax	(14.2)	(24.2)	(3.9)	(20.2)
less				
Taxation on unrealised intra-Group profits (note 1g)				
- Stocks and rental equipment	(27.0)	(41.1)	-	-
- Other tangible fixed assets	(3.2)	(5.8)	-	-
	<u>5.2</u>	<u>(1.5)</u>	<u>(1.8)</u>	<u>(16.8)</u>

The deferred tax asset of £3.2m (1984 - £5.8m) has arisen from the sale of fixed assets by Rank Xerox Limited to a United Kingdom subsidiary.

The deferred taxation balance at 31 October comprises:

	Group	Company
Timing differences:		
Fixed assets	38.0	4.1
Sales-type leases	16.3	0.3
Other (including tax loss offsets)	(4.7)	(2.3)
	<u>49.6</u>	<u>2.1</u>
		<u>3.4</u>

Advance Corporation Tax is recoverable in the future against deferred taxation liabilities of the Company or its United Kingdom subsidiaries.

d Movements on the taxation provision were as follows:

	Group	Company
Balance at 1 November 1984	(1.5)	(16.8)
Profit and loss account	(0.6)	0.7
Net Advance Corporation Tax utilisations	8.0	14.3
Currency translation	(0.7)	-
Balance at 31 October 1985	<u>5.2</u>	<u>(1.8)</u>

Rank Xerox Limited and Subsidiaries

Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

19 Called up share capital and share premium account.

a The Company's share capital consists of shares of £1 each, divided into classes as follows:

	Authorised	Issued and fully paid	
		1985	1984
'A' shares	7.6	7.4	7.4
'B' shares	7.6	7.4	7.4
'C' shares	7.8	7.5	7.5
'D' shares	7.6	7.5	7.5
'E' shares	0.1	0.1	0.1
	<u>30.7</u>	<u>29.9</u>	<u>29.9</u>

b The share premium account of £3.0m (1984 - £3.0m) is wholly attributable to the 'E' shareholders in the event of a winding up of the Company.

20 Other reserves and profit and loss account

a Other reserves in the balance sheet comprise:

	Group 1985	Group 1984	Company 1985	Company 1984
Non-distributable reserves:				
- Group companies	50.4	53.7	-	-
- Associated companies	128.3	109.0	-	-
Currency translation account (note 1c)	<u>(33.6)</u>	<u>12.1</u>	<u>(1.6)</u>	<u>1.1</u>
	<u>145.1</u>	<u>174.8</u>	<u>(1.6)</u>	<u>1.1</u>

b Movements in reserves during the year were as follows:

i Currency translation account:

	Group 1985	Group 1984	Company 1985	Company 1984
At 1 November 1984	12.1	(36.7)	1.1	0.3
Movement in year	<u>(45.7)</u>	<u>48.8</u>	<u>(2.7)</u>	<u>0.8</u>
At 31 October 1985	<u>(33.6)</u>	<u>12.1</u>	<u>(1.6)</u>	<u>1.1</u>

ii Other reserves and profit and loss account

	Profit and loss account Group	Non-distributable reserves		Profit and loss account Company
		Group Companies	Associated Companies	
At 1 November 1984	670.9	53.7	109.0	84.8
Retained profit for the year	29.2	-	-	(67.5)
Transfers	<u>(16.0)</u>	<u>(3.3)</u>	<u>19.3</u>	<u>-</u>
At 31 October 1985	<u>684.1</u>	<u>50.4</u>	<u>128.3</u>	<u>17.3</u>

c The profit and loss account and non-distributable reserves have been allocated, in accordance with the Company's Articles of Association, as follows:

	Group	Group Companies	Associated Companies	Company
'A' shares reserves	16.3	0.5	2.4	0.4
'B' shares reserves	16.3	0.5	2.4	0.4
General reserves	<u>651.5</u>	<u>49.4</u>	<u>123.5</u>	<u>16.5</u>
	<u>684.1</u>	<u>50.4</u>	<u>128.3</u>	<u>17.3</u>

d/ The Group profit after taxation includes a loss of £47.5m (1984 - £12.4m) attributable to the shareholders of Rank Xerox Limited which has been dealt with in the financial statements of the Company.

In the event of the distribution of the retained profit and loss account balances reflected in the consolidated financial statements, withholding and other taxes would become payable by certain overseas subsidiaries and associated companies. The sums retained have been invested locally in trading assets, and the Company has no intention of taking any action to cause the payment of such additional taxes.

21 Directors and employees

	1985	1984	Other directors	1985	1984
a The average number of persons employed by the Group (including directors) during the year was:	Number	Number		Number	Number
			Nil	4	7
			£5,001- £10,000	1	-
			£15,001- £20,000	3	3
Manufacturing operations	2,265	2,327	£20,001- £25,000	1	-
Marketing operations	26,304	27,250	£30,001- £35,000	1	-
			£40,001- £45,000	-	1
	<u>28,569</u>	<u>29,577</u>	£65,001- £70,000	1	-
			£70,001- £75,000	-	1
The aggregate payroll costs of these persons were as follows:	1985	1984	£75,001- £80,000	1	1
			£80,001- £85,000	-	1
			£85,001- £90,000	1	1
Wages and salaries	376.9	398.2	£110,001- £115,000	-	1
Social security costs	37.5	33.8	£130,001- £135,000	1	-
Other pension costs	23.5	26.6	£135,001- £140,000	-	2
			£155,001- £160,000	2	-
	<u>437.9</u>	<u>458.6</u>	£160,001- £165,000	-	1
			£175,001- £180,000	-	1
			£200,001- £205,000	1	-
			£210,001- £215,000	1	-
b Remuneration of directors and senior employees (pursuant to Schedule 5, Companies Act 1985) was as follows:					
i Remuneration of directors of Rank Xerox Limited.	1985	1984	ii Remuneration of employees, excluding directors, receiving more than £30,000.	1985	1984
	£000's	£000's		Number	Number
			£30,001- £35,000	35	26
Emoluments for services as executives	1691	1652	£35,001- £40,000	27	21
			£40,001- £45,000	8	5
Ex gratia payment	289	-	£45,001- £50,000	4	3
			£50,001- £55,000	1	3
	<u>1980</u>	<u>1652</u>	£55,001- £60,000	3	-
Emoluments of individual directors:	1985	1984			
	£	£			
Chairman	45,790	100,454			
Highest paid director	288,400	222,808			

Rank Xerox Limited and Subsidiaries

Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

21 Directors and employees (continued)

c The only interests of the directors of Rank Xerox Limited (including family interests) in the shares or debentures of Xerox Corporation were as follows:

		Common Stock par value \$1.00 Holding	Common Stock par value \$1.00 Options	Class 'B' Stock par value \$1.00	6% Convertible Subordinated Debentures due 1985
P A Allaire	a	500	33,223	-	-
	b	500	50,077	-	-
W F Glavin	a	5,678	68,520	8,500	-
	b	5,678	74,432	8,500	-
R A Holmes	a	-	15,075	-	-
	b	-	17,675	-	-
D P Hornby	a	-	14,278	-	-
	b	-	16,258	-	-
D T Kearns	a	8,464	123,475	9,250	-
	b	10,564	134,075	9,250	-
R E G Magnin	a	-	16,000	-	-
	b	-	16,000	-	-
C P McColough	a	21,744	56,650	-	\$3,200
	b	24,442	69,250	-	\$3,200
J R Milligan	a	1,930	7,700	-	-
	b	1,807	9,700	-	-
R F Reiser	a	-	24,420	1,625	-
	b	-	39,480	1,625	-
E H van der Beugel	a	100	-	-	-
	b	100	-	-	-

a Holding at 31 October 1985

b Holding at 1 November 1984

The Company has a Share Purchase Scheme for the provision by the Company and certain 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 1985 Mr. D M Yates, Mr. D T Kearns and Mr. R E G Magnin were the Trustees of the Scheme and 57,475 'E' Shares were held by the Trustees at that date (1 November 1984 - 57,165 'E' Shares).

Apart from the interests set out above, no other Director in office at 31 October 1985 was interested in the shares or debentures of the Company, Xerox Corporation or other associated companies during the year under review.

22 Leasing arrangements

a As lessee

The Group leases certain tangible assets under capital and operating leases, which expire over varying periods up to 2062. Rentals under operating leases charged against profits amounted to £41.0m (1984 - £48.7m) for the Group and £7.0m (1984 - £7.6m) for the Company. Hire of plant and machinery amounted to £0.6m (1984 - £0.7m) for the Group, and Nil for the Company (1984 - Nil). Future minimum lease payments required under capital leases, and operating leases with more than one year to run before expiry, are summarised below:

Year ending 31 October:	Group Capital Leases	Group Operating Leases	Company Capital Leases	Company Operating Leases
1986	7.4	34.3	0.8	7.6
1987	6.3	30.3	0.8	9.6
1988	5.3	23.6	0.6	9.5
1989	3.6	17.7	0.5	7.6
1990	0.8	14.7	0.2	5.6
Later years	17.5	155.7	14.9	76.5
Total minimum lease payments	40.9	276.3	17.8	116.4
<i>Less:</i>				
Executory costs	2.9		2.9	
Interest element	15.2		11.0	
	18.1		13.9	
Present value of net minimum payments	22.8		3.9	

b As lessor

The Group leases equipment to customers under both operating leases and finance leases. Rentals payable under operating leases normally include maintenance, service and parts, and may also include the provision of supplies such as toner and paper. Total rentals receivable in 1985 amounted to £441.0m (1984 - £482.1m) of which £134.2m (1984 - £142.5m) represented contingent rentals for equipment usage in excess of the contractual minimum. Minimum future rental revenues are calculated as: 1986 - £174.7m; 1987 - £39.6m; 1988 - £13.2m; total - £227.5m, based on operating leases with minimum terms ranging from one month to three years.

The net investment in sales-type leases at 31 October 1985 consisted of minimum lease payments due in the following years after the balance sheet date:

	Group 1985	Group 1984	Company 1985	Company 1984
First year	30.5	31.4	1.2	1.4
Second year	21.4	18.8	0.1	0.7
Third year	12.8	9.8	0.1	0.2
Fourth year	6.0	4.7	-	0.1
Fifth year	1.9	1.7	-	-
Thereafter	1.4	1.2	-	-
Total minimum lease payments receivable	74.0	67.6	1.4	2.4
<i>Less:</i>				
Executory costs included in rentals	-	3.8	-	-
Deferred interest income	16.4	13.2	0.3	0.4
Allowance for doubtful debts	2.3	2.1	0.2	0.1
	18.7	19.1	0.5	0.5
Net investment in sales-type leases	55.3	48.5	0.9	1.9

Rank Xerox Limited and Subsidiaries

Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

23 Finance Companies

Rank Xerox obtained approval at the start of 1985 from its shareholders to expand its financing activities:

- as an aid in the sale of equipment to Rank Xerox customers
- as a stand alone and profitable financial services business

Prior to this, customer financing of equipment sales was restricted to a few countries and mainly handled through internal divisions, joint ventures or marketing programmes. The approved strategy has now been implemented in ten countries with the formation of ten new legal entities (including a holding company in the UK), that started trading in 1985.

Set out below are the combined financial statements of the finance companies, shown against the same line items, as they are included in the results of the Group, after taking account of intra-group elimination entries.

COMBINED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1985

Interest receivable and similar income	1.2
Interest payable and similar charges	(0.8)
Administrative expenses	<u>(0.4)</u>
Profit on ordinary activities before taxation	-
Tax on profit on ordinary activities	<u>(0.2)</u>
Retained profit for the year	0.2
Unappropriated earnings at 1 November 1984*	<u>7.7</u>
Unappropriated earnings at 31 October 1985*	<u>7.9</u>

*These earnings arise in Rank Xerox Finance Limited (formerly Rank Xerox d'España Limited), the finance company associated with Rank Xerox (UK) Limited.

COMBINED BALANCE SHEET AT 31 OCTOBER 1985

Current assets:	
Debtors*	49.3
Cash at bank and in hand	<u>22.3</u>
	71.6
Creditors: Amounts falling due within one year	<u>16.5</u>
Net current assets	<u>55.1</u>
Total assets less current liabilities	55.1
Creditors: amounts falling due after more than one year	28.5
Provisions for liabilities and charges	<u>9.3</u>
	<u>17.3</u>
Capital and reserves:	
Called up share capital	7.4
Other reserves	0.2
Unappropriated earnings at 31 October 1985	<u>7.9</u>
	15.5
Outside shareholders' interest	<u>1.8</u>
	17.3

*Debtors includes finance lease receivables of £39.3m of which £14.2m is due within one year.

24 Capital expenditure

No provision has been made in the financial statements for the following capital expenditure, which excludes acquisitions of rental equipment in the ordinary course of business:

	Group 1985	Group 1984	Company 1985	Company 1984
Expenditure contracted for	2.4	3.3	0.5	1.1
Expenditure authorised but not committed	<u>6.7</u>	<u>6.3</u>	<u>0.3</u>	<u>0.6</u>
	<u>9.1</u>	<u>9.6</u>	<u>0.8</u>	<u>1.7</u>

Rank Xerox Limited and Subsidiaries

Notes to Financial Statements

Figures in £millions (except where otherwise indicated)

25 Contingent liabilities

a The Group

There are contingent liabilities, arising from the ordinary activities of the Group, which amount to approximately £23.4m (1984 - £24.4m) in respect of bills discounted, guarantees and other liabilities.

b The Company

Loans and bank overdrafts of Group companies have been guaranteed by the Company up to a maximum of £210.4m (1984 - £119.6m). At 31 October 1985, £177.1m (1984 - £105.5m) was outstanding.

26 Remuneration of auditors

	1985 £000's	1984 £000's
Rank Xerox Limited	222	230
Subsidiaries	<u>811</u>	<u>640</u>
	<u>1033</u>	<u>870</u>

27 Ultimate holding company

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

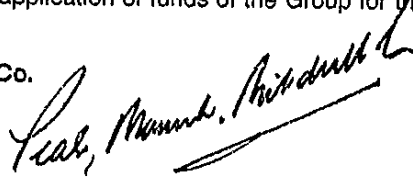
Report of the Auditors

To the Members of Rank Xerox Limited

We have audited the financial statements on pages 8 to 30 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared on the basis of the accounting policies set out on pages 12 and 13, give a true and fair view of the state of affairs of the Company and the Group at 31 October 1985 and of the profit and source and application of funds of the Group for the year ended on that date and comply with the Companies Act 1985.

Peat, Marwick, Mitchell & Co.
Chartered Accountants
London



29 January 1986

Rank Xerox Limited and Subsidiaries

Five Year Financial Summary

Consolidated Profit and Loss Account	1985 £m	1984 £m	1983 £m	1982 £m	1981 £m
Turnover	<u>1,789.7</u>	<u>1,789.7</u>	<u>1,462.3</u>	<u>1,329.3</u>	<u>1,251.7</u>
Income from associated companies	<u>54.1</u>	<u>54.9</u>	<u>40.7</u>	<u>31.7</u>	<u>26.5</u>
Xerox Corporation charges	<u>39.2</u>	<u>28.9</u>	<u>48.3</u>	<u>50.4</u>	<u>37.6</u>
Profit on ordinary activities before taxation	<u>108.8</u>	<u>112.2</u>	<u>77.5</u>	<u>88.4</u>	<u>183.8</u>
Tax on profit on ordinary activities	<u>58.5</u>	<u>34.7</u>	<u>33.4</u>	<u>33.9</u>	<u>65.2</u>
Dividends paid and proposed	<u>50.3</u> <u>19.9</u>	<u>77.5</u> <u>18.4</u>	<u>44.1</u> <u>16.1</u>	<u>54.5</u> <u>16.5</u>	<u>118.6</u> <u>42.0</u>
Outside shareholders' interests	<u>30.4</u> <u>1.2</u>	<u>59.1</u> <u>0.5</u>	<u>28.0</u> <u>(1.0)</u>	<u>38.0</u> <u>2.6</u>	<u>76.6</u> <u>1.7</u>
Amount set aside to reserves	<u>29.2</u>	<u>58.6</u>	<u>29.0</u>	<u>35.4</u>	<u>74.9</u>
Consolidated Balance Sheet					
Fixed assets	<u>634.4</u>	<u>758.1</u>	<u>648.8</u>	<u>633.1</u>	<u>682.0</u>
Net current assets	<u>511.0</u>	<u>342.4</u>	<u>347.5</u>	<u>261.9</u>	<u>212.0</u>
Creditors falling due after more than one year	<u>1,145.4</u> <u>208.3</u>	<u>1,100.5</u> <u>159.4</u>	<u>996.3</u> <u>159.8</u>	<u>895.0</u> <u>102.2</u>	<u>894.0</u> <u>91.1</u>
Provisions for liabilities and charges	<u>67.4</u>	<u>52.1</u>	<u>54.1</u>	<u>76.7</u>	<u>88.4</u>
	<u>869.7</u>	<u>889.0</u>	<u>782.4</u>	<u>716.1</u>	<u>714.5</u>
Share capital and premium	<u>32.9</u>	<u>32.9</u>	<u>32.9</u>	<u>32.9</u>	<u>32.9</u>
Other reserves	<u>145.1</u>	<u>174.8</u>	<u>107.3</u>	<u>55.1</u>	<u>79.5</u>
Profit and loss account	<u>684.1</u>	<u>670.9</u>	<u>631.0</u>	<u>617.1</u>	<u>592.2</u>
Outside shareholders' interests	<u>862.1</u> <u>7.6</u>	<u>878.6</u> <u>10.4</u>	<u>771.2</u> <u>11.2</u>	<u>705.1</u> <u>11.0</u>	<u>704.6</u> <u>9.9</u>
	<u>869.7</u>	<u>889.0</u>	<u>782.4</u>	<u>716.1</u>	<u>714.5</u>

Note:-

i The figures for 1983 cover the full year ended 31 October 1983.

Rank Xerox Limited and Subsidiaries

Five Year Financial Summary

Consolidated Profit and Loss Account	1985 £m	1984 £m	1983 £m	1982 £m	1981 £m
Turnover	<u>1,854.2</u>	<u>1,789.7</u>	<u>1,462.3</u>	<u>1,329.3</u>	<u>1,251.7</u>
Income from associated companies	<u>54.1</u>	<u>54.9</u>	<u>40.7</u>	<u>31.7</u>	<u>26.6</u>
Xerox Corporation charges	<u>39.2</u>	<u>28.9</u>	<u>48.3</u>	<u>50.4</u>	<u>37.6</u>
Profit on ordinary activities before taxation	<u>108.8</u>	<u>112.2</u>	<u>77.5</u>	<u>88.4</u>	<u>183.8</u>
Tax on profit on ordinary activities	<u>58.5</u>	<u>34.7</u>	<u>33.4</u>	<u>33.9</u>	<u>65.2</u>
Dividends paid and proposed	<u>50.3</u> <u>19.9</u>	<u>77.5</u> <u>18.4</u>	<u>44.1</u> <u>16.1</u>	<u>54.5</u> <u>16.5</u>	<u>118.6</u> <u>42.0</u>
Outside shareholders' interests	<u>30.4</u> <u>1.2</u>	<u>59.1</u> <u>0.5</u>	<u>28.0</u> <u>(1.0)</u>	<u>38.0</u> <u>2.6</u>	<u>76.6</u> <u>1.7</u>
Amount set aside to reserves	<u>29.2</u>	<u>58.6</u>	<u>29.0</u>	<u>35.4</u>	<u>74.9</u>
Consolidated Balance Sheet					
Fixed assets	<u>634.4</u>	<u>758.1</u>	<u>648.8</u>	<u>633.1</u>	<u>682.0</u>
Net current assets	<u>511.0</u>	<u>342.4</u>	<u>347.5</u>	<u>261.9</u>	<u>212.0</u>
	<u>1,145.4</u>	<u>1,100.5</u>	<u>996.3</u>	<u>895.0</u>	<u>894.0</u>
Creditors falling due after more than one year	<u>208.3</u>	<u>159.4</u>	<u>159.8</u>	<u>102.2</u>	<u>91.1</u>
Provisions for liabilities and charges	<u>67.4</u>	<u>52.1</u>	<u>54.1</u>	<u>76.7</u>	<u>88.4</u>
	<u>869.7</u>	<u>889.0</u>	<u>782.4</u>	<u>716.1</u>	<u>714.5</u>
Share capital and premium	<u>32.9</u>	<u>32.9</u>	<u>32.9</u>	<u>32.9</u>	<u>32.9</u>
Other reserves	<u>145.1</u>	<u>174.8</u>	<u>107.3</u>	<u>55.1</u>	<u>79.5</u>
Profit and loss account	<u>684.1</u>	<u>670.9</u>	<u>631.0</u>	<u>617.1</u>	<u>592.2</u>
	<u>862.1</u>	<u>878.6</u>	<u>771.2</u>	<u>705.1</u>	<u>704.6</u>
Outside shareholders' interests	<u>7.6</u>	<u>10.4</u>	<u>11.2</u>	<u>11.0</u>	<u>9.9</u>
	<u>869.7</u>	<u>889.0</u>	<u>782.4</u>	<u>716.1</u>	<u>714.5</u>

Note:-

i The figures for 1983 cover the full year ended 31 October 1983.