

Directors'  
Report  
1986

Director  
Report  
1986

Directors'  
Report  
1986

Directors'  
Report  
1986

Directors'  
Report  
1986

COMPANIES REGISTRATION  
3 AUG 1987  
M OFFICE 11

Directors'  
Report  
1986 DIRECTORS  
FOR THE

FINANCIAL STATEMENTS  
1986

---

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

---

## DIRECTORS

**Chairman**  
D T Kearns \*

**Managing Director and Chief Executive Officer**  
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

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.

---

# Contents

---

|   |             |
|---|-------------|
| <b>Directors' report</b>                                  | <b>5-8</b>  |
| <b>Financial statements</b>                               | <b>9-35</b> |
| Consolidated profit and loss account                      | 10          |
| Balance sheets  | 11          |
| Consolidated statement of source and application of funds | 12-13       |
| Notes to financial statements                             | 14-35       |
| <b>Report of the auditors</b>                             | <b>36</b>   |
| <b>Five year financial summary</b>                        | <b>37</b>   |

---

# Directors' report

## Rank Xerox Limited

---

### 1 Financial statements

The Directors present the balance sheet of the Company and consolidated balance sheet as at 31 October 1986, 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 £47.1m.

An interim dividend of £7.2m on the 'D' Shares of the Company was paid on 31 October 1986.

Further interim, final and special dividends of £63.4m in total are proposed on the 'B', 'D' and 'E' Shares (note 10 to the financial statements).

Transfers from reserves were £23.5m. In addition £18.2m was transferred to non-distributable reserves (note 19 to the financial statements).

### 2 Principal activities

The Company and its subsidiaries are in the office equipment business throughout the world outside 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

Net placements of copiers and duplicators rose by 6 per cent during the year. A number of new copiers and duplicators were introduced in the highly successful 10 Series, notably the Xerox 1050 and Xerox 1012. The 1050 was the first mid-volume copier to be launched after the establishment of the Xerox Mid-Volume Business Unit at Welwyn Garden City which is responsible for developing mid-volume copiers to meet the requirements of Xerox customers worldwide. The 1012 copier reinforced our position in the low volume market.

Our leadership in quality was recognised by the grant of the British Quality Award for 1986 to our manufacturing operation at Welwyn Garden City.

Net placements of office systems products - including executive workstations, local area networks, facsimile transceivers, electronic typewriters, word processors and microcomputers - rose by 50 per cent. A number of new products were introduced, including a desk-top publishing system called Documenter which comprises a work station and desk top laser printer. The importance of Documenter is that it enables customers to manage documents without a network. It therefore broadens the market by lowering the price.

Electronic printing, now a separate division, increased net placements threefold over 1985, reflecting Rank Xerox leadership in this expanding market. Major resources are being put into this division with five new products introduced in 1986, a 50 per cent increase in the salesforce, and the appointment of dealers.

In August 1986 the European Commission imposed provisional duties on Japanese exporters following the application made by the Committee of European Copier Manufacturers (CECOM) against dumping by Japanese exporters. A decision on whether to render these duties "definitive", whereupon they will last for five years, is imminent.

Two Rank Xerox initiatives were announced which will harness European research efforts in office systems. The first was the launch of the University Grant Programme under which Rank Xerox is providing advanced hardware and software worth £4.0m to universities in Europe for research in office systems. The second was the announcement of the planned opening of a European systems research laboratory to be called EuroPARC, at Cambridge, England, focusing on human-computer interaction.

#### 4 Directors

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

Since 1 November 1985 the only change in the Board was the retirement of Mr H Orr-Ewing on 31 March 1986.

The remaining Directors served throughout the year under review.

Mr D T Kearns was appointed Chairman of the Company with effect from 1 April 1986 following the retirement of Mr H Orr-Ewing on 31 March 1986. Mr R E G Magnin was appointed Chief Executive Officer in March 1986.

#### 5 Tangible fixed assets

The additions to tangible fixed assets of the Company and its subsidiaries during the year amounted to £177.4m, the principal categories being:

|  | <u>£m</u> |
|--|-----------|
| Equipment on or for rental                                     | 94.0      |
| Factories, warehouses, offices and plant in the United Kingdom | 58.7      |
| Factories, warehouses, offices and plant overseas              | 24.7      |

Land and buildings are included in the balance sheet at net book values (note 11 to the financial statements). The Directors are of the opinion that at 31 October 1986 the aggregate of the open market values of land and buildings exceeded net book values by approximately £23.3m for the Group, and net book values of land and buildings exceeded open market values by £8.6m 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 £1.1m, including £0.3m 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 interest groups and is made publicly available.

## 9 Employment policies

### *a Employee involvement*

During 1986, Rank Xerox continued its major emphasis on training of its employees for, and development of, a Total Quality Process. One of the three foundations of this process remains 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 beginning with the Managing Director of Rank Xerox Limited 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 relocation of its offices (e.g. to Marlow) and 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, with invitations for written questions to be submitted beforehand.
- ii Training in the process of problem analysis and solution, both as individuals and as teams, was extended to every employee level during 1984/5 as part of the Quality Process. During 1986 Rank Xerox Limited's Welwyn Garden City plant was particularly proud to be awarded the British Quality Association Award for the most outstanding application of the process in Great Britain, the second time this prestigious award has been won by Rank Xerox in three years (the last occasion by the Mitcheldean Plant in 1984).
- 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 the 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 disability of the candidate and still be carried out in accordance with the provisions of local health and safety legislation.

Rank Xerox continues to face 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. The Company continues to take positive action in the field of the training of the unqualified disabled, through 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 had 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 gratifying 100% placement rate for those individuals not medically debarred from seeking work.

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 Ræve  
Secretary

29 January 1987

---

**Financial statements for the year ended**  
**31 October 1986**  
Rank Xerox Limited and subsidiaries

---



## Consolidated profit and loss account

For the year ended 31 October 1986

|  | 1986<br>£m    | 1985<br>£m   |
|--|---------------|--------------|
| Turnover (note 3)                                    | 1968.7        | 1854.2       |
| Cost of revenue (note 4)                             | 1225.3        | 1164.5       |
| <b>Gross profit</b>                                  | <b>743.4</b>  | <b>689.7</b> |
| Distribution costs (note 5)                          | 419.9         | 360.0        |
| Administrative expenses (note 6)                     | 235.2         | 227.8        |
| Income from shares in associated companies (note 12) | (57.6)        | (54.1)       |
| Interest receivable and similar income (note 7)      | (42.3)        | (30.6)       |
| Interest payable and similar charges (note 7)        | 35.0          | 38.6         |
| Xerox Corporation charges (note 8)                   | 43.5          | 39.2         |
|  | <b>633.7</b>  | <b>580.9</b> |
| <b>Profit on ordinary activities before taxation</b> | <b>109.7</b>  | <b>108.8</b> |
| Tax on profit on ordinary activities (note 9)        | 62.1          | 73.3         |
| <b>Profit on ordinary activities after taxation</b>  | <b>47.6</b>   | <b>35.5</b>  |
| Dividends paid and proposed (note 10)                | 70.6          | 19.9         |
| Outside shareholders' interests                      | 0.5           | 1.2          |
| <b>Retained (loss)/profit for the year (note 19)</b> | <b>(23.5)</b> | <b>14.4</b>  |

The notes on pages 14 to 35 form part of the financial statements

**Balance sheets**

At 31 October 1986

|  | Group<br>31 October<br>1986<br>£m | Group<br>31 October<br>1985<br>£m | Company<br>31 October<br>1986<br>£m | Company<br>31 October<br>1985<br>£m |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| <b>Fixed assets</b>  |                                   |                                   |                                     |                                     |
| Tangible assets (note 11)  | 443.4                             | 439.5                             | 39.3                                | 27.5                                |
| Investments (note 12)  | 284.6                             | 194.9                             | 120.7                               | 83.0                                |
|  | <u>728.0</u>                      | <u>634.4</u>                      | <u>160.0</u>                        | <u>110.5</u>                        |
| <b>Current assets</b>  |                                   |                                   |                                     |                                     |
| Stocks (note 13)   | 297.8                             | 255.5                             | 99.1                                | 120.8                               |
| Debtors (note 14)  | 777.4                             | 547.9                             | 74.4                                | 69.0                                |
| Cash at bank and in hand   | 204.4                             | 135.8                             | 76.8                                | 8.2                                 |
|  | <u>1279.6</u>                     | <u>939.2</u>                      | <u>250.3</u>                        | <u>198.0</u>                        |
| <b>Creditors: Amounts falling due within one year (note 15)</b>          | <u>644.0</u>                      | <u>428.2</u>                      | <u>247.6</u>                        | <u>196.2</u>                        |
| <b>Net current assets</b>  | <u>635.6</u>                      | <u>511.0</u>                      | <u>2.7</u>                          | <u>1.8</u>                          |
| <b>Total assets less current liabilities</b>                             | <u>1363.6</u>                     | <u>1145.4</u>                     | <u>162.7</u>                        | <u>112.3</u>                        |
| <b>Creditors: Amounts falling due after more than one year (note 16)</b> | <u>283.5</u>                      | <u>208.3</u>                      | <u>110.5</u>                        | <u>62.8</u>                         |
| <b>Provisions for liabilities and charges (note 17)</b>                  | <u>75.3</u>                       | <u>63.0</u>                       | <u>3.9</u>                          | <u>2.7</u>                          |
|  | <u>1004.8</u>                     | <u>874.1</u>                      | <u>48.3</u>                         | <u>46.8</u>                         |
| <b>Capital and reserves</b>  |                                   |                                   |                                     |                                     |
| Called up share capital (note 18)  | 29.9                              | 29.9                              | 29.9                                | 29.9                                |
| Share premium account (note 18)  | 3.0                               | 3.0                               | 3.0                                 | 3.0                                 |
| Other reserves (note 19)   | 319.4                             | 145.1                             | (3.0)                               | (1.6)                               |
| Profit and loss account (note 19)  | 646.8                             | 688.5                             | 18.4                                | 15.5                                |
|  | <u>999.1</u>                      | <u>866.5</u>                      | <u>48.3</u>                         | <u>46.8</u>                         |
| <b>Outside shareholders' interests</b>                                   | <u>5.7</u>                        | <u>7.6</u>                        | <u>-</u>                            | <u>-</u>                            |
|  | <u>1004.8</u>                     | <u>874.1</u>                      | <u>48.3</u>                         | <u>46.8</u>                         |

  
**R Maghin**  
 Managing Director

  
**J R Milligan**  
 Director, Finance & Control

Approved by the Board of Directors on 29 January 1987

The notes on pages 14 to 35 form part of the financial statements

## Consolidated statement of source and application of funds

For the year ended 31 October 1986

|  | <u>1986</u><br>£m | <u>1985</u><br>£m |
|--|-------------------|-------------------|
| <b>SOURCE OF FUNDS</b>   |                   |                   |
| <b>Funds from operations</b>   |                   |                   |
| Profit on ordinary activities before taxation                        | 109.7             | 108.8             |
| less profit before taxation retained by associated companies         | 53.1              | 50.8              |
|  | <u>56.6</u>       | <u>58.0</u>       |
| add depreciation and other items not involving the movement of funds | 220.7             | 157.1             |
| <b>Total funds from operations</b>                                   | <b>277.3</b>      | <b>215.1</b>      |
| <b>Other sources</b>   |                   |                   |
| Disposal of fixed assets at net book value                           | 73.0              | 155.3             |
| Additional creditors falling due after more than one year            | 75.2              | 48.9              |
|  | <u>425.5</u>      | <u>419.3</u>      |
| <b>APPLICATION OF FUNDS</b>  |                   |                   |
| Additions to fixed assets  | 177.4             | 214.7             |
| Taxation paid  | 43.8              | 15.4              |
| Dividends paid   | 22.0              | 16.3              |
|  | <u>243.2</u>      | <u>246.4</u>      |
| <b>Increase in working capital</b>                                   | <b>182.3</b>      | <b>172.9</b>      |

The notes on pages 14 to 35 form part of the financial statements

Consolidated statement of source and application of funds

|  | 1986<br>£m   | 1985<br>£m   |
|--|--------------|--------------|
| <b>ANALYSIS OF CHANGE IN WORKING CAPITAL</b>                 |              |              |
| Increase/(Decrease) in stocks                                | 42.3         | (7.0)        |
| Increase/(Decrease) in debtors                               | 229.5        | (30.1)       |
| (Increase)/Decrease in creditors falling due within one year | (169.1)      | 44.3         |
|  | <u>102.7</u> | <u>7.2</u>   |
| Increase in net liquid funds:                                |              |              |
| Cash at bank and in hand                                     | 68.6         | 79.8         |
| Bank overdrafts and acceptances                              | 11.0         | 85.9         |
|  | <u>79.6</u>  | <u>165.7</u> |
| <b>Increase in working capital</b>                           | <u>182.3</u> | <u>172.9</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 14 to 35 form part of the financial statements

## 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 1986. 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 1986 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*

Deferred taxation is computed under the liability method on differences arising when items of income and expenditure are included in the financial statements in periods which differ from those in which they are included in taxation computations.

Provision for such differences is made to the extent that it is probable that a liability or asset will crystallise. No provision is made where it is probable that an asset or liability will not crystallise. This represents a change in accounting policy (note 17).

The Group has a large deferred tax asset comprising tax on unrealised intra-group profits referred to in note 1g.

#### *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 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.)

Interest is capitalised on long term construction projects where the amounts involved are material (note 11).

#### *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 17).

#### *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 17). 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 13). 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. 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 11) 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 11). 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.

## 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:

|        | 1986   | 1985   |
|--------|--------|--------|
| Europe | 1758.4 | 1650.2 |
| Other  | 210.3  | 204.0  |
| Total  | 1968.7 | 1854.2 |

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 1986 represented a loss of £0.6m (1985 - £3.2m), and costs of £8.3m (1985 - £9.2m) in respect of redundancy programmes.

## 7 Interest

a Interest receivable and similar income comprises:

|  | 1986        | 1985        |
|--|-------------|-------------|
| Short term deposits and banks                | 13.6        | 8.7         |
| Sales-type leases and credit sale agreements | 17.5        | 13.5        |
| Rank Xerox Holding BV and subsidiaries       | 4.2         | 3.9         |
| Other sources                                | 7.0         | 4.5         |
|  | <u>42.3</u> | <u>30.6</u> |

b Interest payable and similar charges comprises:

|   | 1986        | 1985        |
|---|-------------|-------------|
| Loans, other than from banks, not fully repayable within five years | 9.4         | 6.2         |
| Bank loans and other loans repayable within five years              | 24.0        | 30.4        |
| Capital leases  | 1.6         | 2.0         |
|   | <u>35.0</u> | <u>38.6</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 £43.5m for the year ended 31 October 1986 (1985 - £39.2m).

## 9 Taxation

a Tax on profit on ordinary activities comprises:

|   | 1986        | 1985        |
|---|-------------|-------------|
| Rank Xerox Limited and subsidiaries (note 9b) | 27.1        | 41.7        |
| Associated companies                          | 35.0        | 31.6        |
|   | <u>62.1</u> | <u>73.3</u> |

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

|   | 1986        | 1985        |
|---|-------------|-------------|
| United Kingdom Corporation tax:   |             |             |
| Current tax at 37% (1985 - 42%) (£44.6m before double taxation relief: 1985 - £18.4m) | (1.9)       | 1.4         |
| Deferred  | 2.0         | 16.4        |
|   | <u>0.1</u>  | <u>17.8</u> |
| Overseas:   |             |             |
| Current   | 50.5        | 34.2        |
| Deferred  | (18.4)      | (0.7)       |
| Prior year adjustments:   |             |             |
| Current   | (0.4)       | (8.1)       |
| Deferred  | (4.7)       | (1.5)       |
|   | <u>27.1</u> | <u>41.7</u> |

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



## 10 Dividends paid and proposed

|                     | 1985        | 1986        |
|---------------------|-------------|-------------|
| Interim - paid      | 7.2         | 5.2         |
| Interims - proposed | 56.6        | -           |
| Special - proposed  | 6.8         | 6.9         |
| Final - proposed*   | -           | 7.8         |
|                     | <u>70.5</u> | <u>19.9</u> |

\*A final dividend of £34,065 (£1565 - £32,252) is proposed on the 'E' shares.

## 11 Fixed assets - tangible assets

|                         | Land and buildings | Plant and machinery | Fixtures, fittings, tools and equipment | Assets in course of construction | Rental equipment | Total         |
|-------------------------|--------------------|---------------------|---|----------------------------------|------------------|---------------|
| <i>a Group</i>          |                    |                     |   |                                  |                  |               |
| Cost:                   |                    |                     |   |                                  |                  |               |
| At 1 November 1985      | 121.0              | 59.6                | 170.8                                   | 1.6                              | 626.9            | 979.9         |
| Additions               | 5.9                | 5.6                 | 28.8                                    | 43.1                             | 94.0             | 177.4         |
| Transfers               | 0.5                | 0.7                 | 6.7                                     | (1.2)                            | (6.7)            | -             |
| Disposals               | (7.7)              | (5.1)               | (14.6)                                  | (0.2)                            | (234.6)          | (262.2)       |
| Currency translation    | 19.5               | 4.0                 | 21.8                                    | (1.2)                            | 112.0            | 156.1         |
| At 31 October 1986      | <u>139.2</u>       | <u>64.8</u>         | <u>213.5</u>                            | <u>42.1</u>                      | <u>591.6</u>     | <u>1051.2</u> |
| Depreciation provision: |                    |                     |   |                                  |                  |               |
| At 1 November 1985      | 32.5               | 32.7                | 91.8                                    | -                                | 383.4            | 540.4         |
| Charge for period       | 4.9                | 4.7                 | 27.6                                    | -                                | 119.9            | 157.1         |
| Transfers               | -                  | -                   | (10.3)                                  | -                                | 10.3             | -             |
| Disposals               | (4.7)              | (3.4)               | (6.9)                                   | -                                | (174.2)          | (189.2)       |
| Currency translation    | 5.6                | 2.8                 | 11.6                                    | -                                | 79.5             | 99.5          |
| At 31 October 1986      | <u>38.3</u>        | <u>36.8</u>         | <u>113.8</u>                            | <u>-</u>                         | <u>418.9</u>     | <u>607.8</u>  |
| Net book value:         |                    |                     |   |                                  |                  |               |
| At 31 October 1986      | <u>100.9</u>       | <u>28.0</u>         | <u>99.7</u>                             | <u>42.1</u>                      | <u>172.7</u>     | <u>443.4</u>  |
| 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>  |

|                         | Land and buildings | Plant and machinery | Fixtures, fittings, tools and equipment | Assets in course of construction | Rental equipment | Total |
|-------------------------|--------------------|---------------------|---|----------------------------------|------------------|-------|
| <b>b Company</b>        |                    |                     |   |                                  |                  |       |
| Cost:                   |                    |                     |   |                                  |                  |       |
| At 1 November 1985      | 17.0               | 7.2                 | 15.6                                    | 0.5                              | 2.1              | 42.4  |
| Additions               | 0.8                | 2.9                 | 14.1                                    | -                                | 0.7              | 18.5  |
| Transfers               | -                  | 0.3                 | -                                       | (0.3)                            | -                | -     |
| Disposals               | (0.6)              | (0.5)               | (1.1)                                   | (0.2)                            | (1.3)            | (3.7) |
| Currency translation    | -                  | -                   | -                                       | -                                | (0.1)            | (0.1) |
| At 31 October 1986      | 17.2               | 9.9                 | 28.6                                    | -                                | 1.4              | 57.1  |
| Depreciation provision: |                    |                     |   |                                  |                  |       |
| At 1 November 1985      | 4.3                | 2.4                 | 7.2                                     | -                                | 1.0              | 14.9  |
| Charge for period       | 0.6                | 1.1                 | 2.3                                     | -                                | 0.5              | 4.5   |
| Transfers               | -                  | -                   | -                                       | -                                | -                | -     |
| Disposals               | (0.2)              | (0.3)               | (0.5)                                   | -                                | (0.5)            | (1.5) |
| Currency translation    | -                  | -                   | -                                       | -                                | (0.1)            | (0.1) |
| At 31 October 1986      | 4.7                | 3.2                 | 9.0                                     | -                                | 0.9              | 17.8  |
| Net book value:         |                    |                     |   |                                  |                  |       |
| At 31 October 1986      | 12.5               | 6.7                 | 19.6                                    | -                                | 0.5              | 39.3  |
| At 31 October 1985      | 12.7               | 4.8                 | 8.4                                     | 0.5                              | 1.1              | 27.5  |

- 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 of the group includes £6.8m (1985 - £6.8m) 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.
- iv Assets in course of construction in the group include £4.8m (1985 - £ Nil) in respect of interest capitalised on long term construction projects.

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

|                 | Group 1986 | Group 1985 | Company 1986 | Company 1985 |
|-----------------|------------|------------|--------------|--------------|
| Freehold        | 63.9       | 52.9       | 0.3          | 0.3          |
| Long leasehold  | 6.0        | 5.2        | 4.2          | 4.5          |
| Short leasehold | 31.0       | 30.4       | 8.0          | 7.9          |

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

## 12 Fixed assets - investments

| a These comprise:                  | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|------------------------------------|---------------|---------------|-----------------|-----------------|
| Shares in Group companies (note c) | -             | -             | 44.8            | 44.8            |
| Loans to Group companies           | -             | -             | 63.0            | 25.3            |
| Associated companies (note b)      | 281.5         | 191.8         | 9.8             | 9.8             |
| Other loans (note d)               | 3.1           | 3.1           | 3.1             | 3.1             |
|                                    | <u>284.6</u>  | <u>194.9</u>  | <u>120.7</u>    | <u>83.0</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 £89.7m. Of this, £18.1m represented retained profits, and currency translation effects increased net assets by £71.6m.

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 £4.5m (1985 - £3.3m). 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 19, 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 1986 and 20 October 1985.

|   | 1986   | 1985   |  | 1986         | 1985         |
|---|--------|--------|--|--------------|--------------|
| Turnover                                      | 1401.3 | 1130.2 | Rental equipment and other non-current assets  | 643.2        | 468.3        |
| Depreciation and amortisation                 | 142.4  | 118.7  | Net current assets                             | 105.2        | 23.6         |
| Profit on ordinary activities before taxation | 115.4  | 109.7  |  | <u>748.4</u> | <u>491.9</u> |
|   |        |        | Capital and reserves                           | 555.5        | 372.0        |
|   |        |        | Creditors falling due after more than one year | 192.9        | 119.9        |
|   |        |        |  | <u>748.4</u> | <u>491.9</u> |

## c Group companies

The principal subsidiaries of Rank Xerox Limited are as follows:

|   | Country of incorporation | Percentage of ordinary share capital owned |          |       |
|---|--------------------------|--|----------|-------|
|   |                          | Direct                                     | Indirect | Total |
| Albinstar Properties Limited                            | England                  | 100  | -        | 100   |
| 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                              | 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   |
| Rank Xerox Vertriebs 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 Finans 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 Leasing 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 Ltd                          | Singapore                | -  | 100      | 100   |
| Rank Xerox (Proprietary) Limited                        | South Africa             | -  | 100      | 100   |
| Rank Xerox Espanola SA                                  | Spain                    | 100  | -        | 100   |
| Rank Xerox de Financiacion 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, principally in Angola, Malaysia and Mozambique.

The 25% minority shareholding in Rank Xerox (Australia) Pty Limited was purchased by the Group on 10 November 1986.

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 1986 was £11.0m for the Group and the Company (1985 - £11.0m) against which provision of £7.9m (1985 - £7.9m) has been made.

e During the year there were no movements in the Company's holdings of shares in Group companies. Movements on loans to Group companies comprised additional loans of £37.7m.

### 13 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<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|--------------------------------------|---------------|---------------|-----------------|-----------------|
| Raw materials and consumables        | 13.1          | 16.5          | 3.1             | 5.8             |
| Work in progress                     | 17.5          | 21.3          | 22.1            | 29.2            |
| Finished goods and goods for resale: |               |               |                 |                 |
| Consumables, spares and paper        | 135.1         | 99.7          | 28.5            | 27.6            |
| Equipment                            | 132.1         | 118.0         | 45.4            | 58.2            |
|                                      | 297.8         | 255.5         | 99.1            | 120.8           |

c Stocks are valued in accordance with the principles stated in note 1i, 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 £15.3m (1985 - £14.3m) and to increase distribution costs in the profit and loss account by £1.0m (1985 - reduction of £0.6m).

## 14 Debtors

a These comprise:

|   | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|---|---------------|---------------|-----------------|-----------------|
| Due within one year:                    |               |               |                 |                 |
| Trade debtors                           | 372.4         | 304.4         | 15.4            | 18.4            |
| Owed by the Rank Xerox Holding BV Group | -             | 1.4           | 3.1             | -               |
| Amounts owed by Group companies:        |               |               |                 |                 |
| - dividends                             | -             | -             | 14.5            | 9.4             |
| - other                                 | -             | -             | 14.2            | 20.3            |
| Amounts owed by associated companies    | 12.6          | 3.3           | 9.2             | 3.3             |
| Other debtors                           | 9.9           | 8.9           | 1.7             | 1.2             |
| Prepayments and accrued income          | 159.5         | 116.9         | 12.4            | 13.0            |
|   | <u>553.5</u>  | <u>434.9</u>  | <u>70.5</u>     | <u>65.6</u>     |
| Due in more than one year:              |               |               |                 |                 |
| Trade debtors (note b)                  | 133.8         | 41.8          | 0.6             | 0.4             |
| Owed by fellow subsidiaries             | 20.7          | 20.8          | -               | -               |
| Other debtors (note c)                  | 69.4          | 50.4          | 3.3             | 3.0             |
|   | <u>223.9</u>  | <u>113.0</u>  | <u>3.9</u>      | <u>3.4</u>      |
|   | <u>777.4</u>  | <u>547.9</u>  | <u>74.4</u>     | <u>69.0</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 (1985 - £10,000) to an officer of the Company.

## 15 Creditors: amounts falling due within one year

| a These comprise:   | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|---|---------------|---------------|-----------------|-----------------|
| Bank loans and overdrafts:                                      |               |               |                 |                 |
| Overdrafts and acceptances                                      | 24.4          | 35.4          | 10.3            | -               |
| Long term loans due within one year (note 16)                   | 38.0          | 19.5          | 1.4             | 0.5             |
| Bills of exchange payable (note 16)                             | 0.5           | 6.1           | -               | -               |
| Trade creditors   | 174.0         | 82.8          | 32.5            | 28.6            |
| Amounts owed to Xerox Corporation and subsidiaries              | 56.1          | 35.8          | 42.3            | 28.9            |
| Amounts owed to Rank Xerox Holding BV and subsidiaries          | -             | -             | -               | 0.8             |
| Amounts owed to Group companies                                 | -             | -             | 75.9            | 98.0            |
| Amounts owed to Associated companies                            | -             | 0.7           | 0.2             | 0.3             |
| Other creditors including taxation and social security (note b) | 146.4         | 78.5          | 62.3            | 19.6            |
| Accruals and deferred income                                    | 202.6         | 169.4         | 22.7            | 19.5            |
|   | <u>644.0</u>  | <u>428.2</u>  | <u>247.6</u>    | <u>196.2</u>    |

b Other creditors including taxation and social security includes dividends payable of £63.4m (1985 - £14.7m) for both the Group and the Company, and current taxation payable of £45.2m for the Group (1985 - £36.1m) and recoverable of £2.1m for the Company (1985 - payable of £3.7m).

## 16 Creditors: amounts falling due after more than one year

| a These comprise:               | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|---------------------------------|---------------|---------------|-----------------|-----------------|
| Long term loans (note b):       |               |               |                 |                 |
| Debenture loans (note c)        | 167.0         | 137.3         | 3.4             | 3.5             |
| Bank loans and overdrafts       | 98.0          | 47.7          | 10.3            | 10.0            |
| Other loans                     | 18.5          | 22.8          | 5.5             | 3.4             |
| Bills of exchange payable       | -             | 0.5           | -               | -               |
| Amounts owed to Group companies | -             | -             | 91.3            | 45.9            |
|                                 | <u>283.5</u>  | <u>208.3</u>  | <u>110.5</u>    | <u>62.8</u>     |

b Long term loans include £82.4m (1985 - £69.3m) and £3.0m (1985 - £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 £4.8m (1985 - £5.9m) for the Group and Nil (1985 - Nil) for the Company. Aggregate instalments due after more than 5 years totalled £2.8m (1985 - £3.4m) for the Group and Nil (1985 - 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. £0.4m (1985 - £0.5m) was outstanding at 31 October 1986, at which date £4.6m nominal stock had been purchased and cancelled.
- ii The Company's 7½% Subordinated Unsecured Loan Notes 1992, of which £3.0m (1985 - £3.0m) was outstanding at 31 October 1986. 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 3% 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. £30.5m was outstanding at 31 October 1986.
- iv Rank Xerox Finance (Nederland) BV's 11% Guaranteed Bonds 1985/1992 issued during 1985 for a consideration of £40.0m. 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. £40.0m was outstanding at 31 October 1986.
- 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. £84.7m and £66.8m respectively were outstanding at 31 October 1986 and 31 October 1985.
- 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. £3.0m and £3.5m respectively were outstanding at 31 October 1986 and 31 October 1985.
- vii Rank Xerox Leasing International Finance BV's 16.5% Guaranteed Bonds 1988, issued during 1985 for a consideration of NZ\$15m. 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. £5.4m was outstanding at 31 October 1986.

d The aggregate amount of secured loans was £5.0m (1985 - £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 21a) in respect of obligations under capital leases, which are specifically secured on the leased assets involved.

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

|                      | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|----------------------|---------------|---------------|-----------------|-----------------|
| First year           | 38.5          | 25.6          | 1.4             | 0.5             |
| Second year          | 93.6          | 24.8          | 1.1             | 0.5             |
| Third year           | 55.4          | 55.5          | 10.7            | 0.4             |
| Fourth year          | 41.6          | 32.7          | 0.4             | 10.3            |
| Fifth year           | 3.8           | 24.5          | 92.3            | 45.9            |
| Sixth to tenth years | 85.3          | 69.1          | 4.2             | 5.7             |
| Thereafter           | 3.8           | 1.7           | 1.8             | -               |
|                      | <u>322.0</u>  | <u>233.9</u>  | <u>111.9</u>    | <u>63.3</u>     |



f Loans are denominated in the following currencies:

|   | Average interest rate<br>(Group 1986) | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|---|---------------------------------------|---------------|---------------|-----------------|-----------------|
| Not fully repayable within 5 years:                 |                                       |               |               |                 |                 |
| Sterling  | 10.7%                                 | 43.1          | 44.3          | 3.0             | 3.5             |
| German marks  | 7.5%                                  | 25.8          | 19.9          | -               | -               |
| French Francs                                       | 8.0%                                  | 11.8          | 1.7           | -               | -               |
| Other currencies                                    | 11.0%                                 | 3.0           | 3.9           | -               | -               |
|   |                                       | <u>83.7</u>   | <u>69.8</u>   | <u>3.0</u>      | <u>3.5</u>      |
| Fully repayable within 5 years, and capital leases: |                                       |               |               |                 |                 |
| Sterling  | 11.6%                                 | 60.2          | 44.5          | 103.3           | 58.1            |
| Dutch guilders                                      | 8.1%                                  | 60.1          | 54.8          | -               | -               |
| US Dollars  | 9.6%                                  | 1.7           | 1.7           | -               | 1.7             |
| ECU   | 11.4%                                 | 35.9          | 29.3          | -               | -               |
| French Francs                                       | 11.0%                                 | 17.8          | 4.9           | -               | -               |
| Other currencies                                    | 14.5%                                 | 62.6          | 28.9          | 0.6             | -               |
|   |                                       | <u>322.0</u>  | <u>233.9</u>  | <u>111.9</u>    | <u>63.3</u>     |

## 17 Provisions for liabilities and charges

a These comprise:

|   | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|---|---------------|---------------|-----------------|-----------------|
| Pensions and similar obligations (note b) | 70.5          | 49.8          | -               | (1.4)           |
| Deferred taxation (notes c and d)         | (11.4)        | 0.8           | -               | -               |
| Other provisions (note b)                 | 16.2          | 12.4          | 3.9             | 4.1             |
|   | <u>75.3</u>   | <u>63.0</u>   | <u>3.9</u>      | <u>2.7</u>      |

b Movements on the above provisions were as follows:

|  | Pensions & similar obligations |          | Other provisions |            |
|--|--------------------------------|----------|------------------|------------|
|  | Group                          | Company  | Group            | Company    |
| Balance at 1 November 1985                       | 49.8                           | (1.4)    | 12.4             | 4.1        |
| Additions charged to the profit and loss account | 16.4                           | 1.8      | 13.1             | 1.0        |
| Utilised during the period                       | (10.0)                         | (0.4)    | (11.8)           | (1.2)      |
| Currency translation                             | 14.3                           | -        | 2.5              | -          |
| Balance at 31 October 1986                       | <u>70.5</u>                    | <u>-</u> | <u>16.2</u>      | <u>3.9</u> |

c Deferred taxation shown above comprises:

|   | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|---|---------------|---------------|-----------------|-----------------|
| Deferred taxation   | 21.2          | 31.0          | -               | -               |
| less taxation on unrealised intra-Group profits<br>(note 1g): |               |               |                 |                 |
| Stocks and rental equipment                                   | (28.2)        | (27.0)        | -               | -               |
| Other tangible fixed assets                                   | (4.4)         | (3.2)         | -               | -               |
|   | <u>(11.4)</u> | <u>0.8</u>    | <u>-</u>        | <u>-</u>        |

The deferred tax asset of £4.4m (1985 - £3.2m) 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:

|                     | 1986<br>Potential<br>liability | 1986<br>Provision<br>in<br>accounts | 1985<br>Potential<br>liability | 1985<br>Provision<br>in<br>accounts |
|---------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|
| <b>Group</b>        |                                |                                     |                                |                                     |
| Timing differences: |                                |                                     |                                |                                     |
| Fixed assets        | 10.7                           | 16.7                                | 38.0                           | 25.2                                |
| Sales-type leases   | 29.1                           | 6.4                                 | 16.3                           | 1.2                                 |
| Other               | 6.4                            | (1.9)                               | (4.7)                          | 4.6                                 |
|                     | <u>46.2</u>                    | <u>21.2</u>                         | <u>49.6</u>                    | <u>31.0</u>                         |
| <b>Company</b>      |                                |                                     |                                |                                     |
| Timing differences: |                                |                                     |                                |                                     |
| Fixed assets        | 0.7                            | -                                   | 4.1                            | -                                   |
| Sales-type leases   | 0.1                            | -                                   | 0.3                            | -                                   |
| Other               | 0.1                            | -                                   | (2.3)                          | -                                   |
|                     | <u>0.9</u>                     | <u>-</u>                            | <u>2.1</u>                     | <u>-</u>                            |

d Movements on the deferred taxation provision were as follows:

|                                     | Group  | Company |
|-------------------------------------|--------|---------|
| Balance at 1 November 1985          | 5.2    | (1.8)   |
| Prior year adjustment               | (4.4)  | 1.8     |
| Balance at 1 November 1985 restated | 0.8    | -       |
| Profit and loss account             | (21.1) | -       |
| Currency translation                | 8.9    | -       |
| Balance at 31 October 1986          | (11.4) | -       |

e The Group has changed its accounting policy with regard to deferred taxation. In previous financial statements the Group had provided deferred taxation on a full provision basis. The continuing move towards higher sales activity coupled with the growth of stable long-term leasing arrangements has resulted in a decline in rental activity. The full provision basis is therefore no longer thought to be the most appropriate and the Group has adopted the partial provision method.

The comparative figures for 1985 have been restated accordingly. The effect is to increase retained profits as at 31 October 1985 by £4.4m, which represents an additional charge for the year ended 31 October 1985 of £16.8m and a release for the year ended 31 October 1984 and prior years of £21.2m (notes 9 and 19b).

## 18 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 |      |
|------------|------------|-----------------------|------|
|            |            | 1986                  | 1985 |
| '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  |
|            | 30.7       | 29.9                  | 29.9 |

b The share premium account of £3.0m (1985 - £3.0m) is wholly attributable to the 'E' shareholders in the event of a winding up of the Company.

## 19 Other reserves and profit and loss account

| a Other reserves in the balance sheet comprise: | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|---|---------------|---------------|-----------------|-----------------|
| Non-distributable reserves:                     |               |               |                 |                 |
| Group companies                                 | 50.5          | 50.4          | -               | -               |
| Associated companies                            | 146.4         | 128.3         | -               | -               |
| Currency translation account (note 1c)          | 122.5         | (33.6)        | (3.0)           | (1.6)           |
|   | <u>319.4</u>  | <u>145.1</u>  | <u>(3.0)</u>    | <u>(1.6)</u>    |

## b Movements in reserves during the year were as follows:

| i Currency translation account: | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|---------------------------------|---------------|---------------|-----------------|-----------------|
| At 1 November 1985              | (33.6)        | 12.1          | (1.6)           | 1.1             |
| Movement in year                | 156.1         | (45.7)        | (1.4)           | (2.7)           |
| At 31 October 1986              | <u>122.5</u>  | <u>(33.6)</u> | <u>(3.0)</u>    | <u>(1.6)</u>    |

## ii Other reserves and profit and loss account

|                              | Profit and<br>loss account | Non-distributable<br>reserves | Profit and<br>loss account | Profit and<br>loss account |
|------------------------------|----------------------------|-------------------------------|----------------------------|----------------------------|
|                              | Group                      | Group<br>companies            | Associated<br>companies    | Company                    |
| At 1 November 1985           | 684.1                      | 50.4                          | 128.3                      | 17.3                       |
| Prior year adjustment        | 4.4                        | -                             | -                          | (1.8)                      |
| Retained profit for the year | (23.5)                     | -                             | -                          | 2.9                        |
| Transfers                    | (18.2)                     | 0.1                           | 18.1                       | -                          |
| At 31 October 1986           | <u>646.8</u>               | <u>50.5</u>                   | <u>146.4</u>               | <u>18.4</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:

|                     |              |             |              |             |
|---------------------|--------------|-------------|--------------|-------------|
| 'A' shares reserves | 17.2         | 0.5         | 2.7          | 0.5         |
| 'B' shares reserves | 17.2         | 0.5         | 2.7          | 0.5         |
| General reserves    | 612.4        | 49.5        | 141.0        | 17.4        |
|                     | <u>646.8</u> | <u>50.5</u> | <u>146.4</u> | <u>18.4</u> |

Financial statements - Rank Xerox Limited and subsidiaries

d The Group profit after taxation includes a profit of £73.5m (1985 - loss of £47.5m) 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.

## 20 Directors and employees

a The average number of persons employed by the Group (including directors) during the year was:

|                          | 1986<br>Number | 1985<br>Number |
|--------------------------|----------------|----------------|
| Manufacturing operations | 2,601          | 2,942          |
| Marketing operations     | 25,551         | 25,627         |
|                          | <u>28,152</u>  | <u>28,569</u>  |

The aggregate payroll costs of these persons were as follows:

|                       | 1986         | 1985         |
|-----------------------|--------------|--------------|
| Wages and salaries    | 415.7        | 376.9        |
| Social security costs | 46.6         | 37.5         |
| Other pension costs   | 22.4         | 23.5         |
|                       | <u>484.7</u> | <u>437.9</u> |

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

|                                       | 1986<br>£000's | 1985<br>£000's |
|---------------------------------------|----------------|----------------|
| Emoluments for services as executives | 1775           | 1691           |
| Ex gratia payments                    | 106            | 289            |
|                                       | <u>1881</u>    | <u>1980</u>    |

## Emoluments of individual directors

|                       | 1986<br>£ | 1985<br>£ |
|-----------------------|-----------|-----------|
| Chairmen              |           |           |
| - H. Orr-Ewing        | 25,282    | 45,797    |
| - D. T. Kearns        | 8,823     | -         |
| Highest paid director | 315,469   | 288,400   |

## Other directors

|                    | 1986<br>Number | 1985<br>Number |
|--------------------|----------------|----------------|
| Nil                | 5              | 4              |
| £5,001- £10,000    | -              | 1              |
| £10,001- £15,000   | 1              | -              |
| £15,001- £20,000   | 1              | 3              |
| £20,001- £25,000   | 2              | 1              |
| £30,001- £35,000   | -              | 1              |
| £65,001- £70,000   | -              | 1              |
| £75,001- £80,000   | -              | 1              |
| £85,001- £90,000   | -              | 1              |
| £90,001- £95,000   | 1              | -              |
| £100,001- £105,000 | 1              | -              |
| £105,001- £110,000 | 1              | -              |
| £120,001-£125,000  | 1              | -              |
| £130,001- £135,000 | -              | 1              |
| £155,001- £160,000 | -              | 2              |
| £180,001- £185,000 | 1              | -              |
| £195,001- £200,000 | 1              | -              |
| £200,001- £205,000 | -              | 1              |
| £210,001- £215,000 | -              | 1              |
| £230,001- £235,000 | 2              | -              |

ii Remuneration of employees, excluding directors, receiving more than £30,000.

|                  | 1986<br>Number | 1985<br>Number |
|------------------|----------------|----------------|
| £30,001- £35,000 | 47             | 35             |
| £35,001- £40,000 | 26             | 27             |
| £40,001- £45,000 | 15             | 8              |
| £45,001- £50,000 | 4              | 4              |
| £50,001- £55,000 | 3              | 1              |
| £55,001- £60,000 | -              | 3              |
| £60,001- £65,000 | 1              | -              |
| £65,001- £70,000 | 2              | -              |
| £75,001- £80,000 | 1              | -              |

Financial statements - Rank Xerox Limited and subsidiaries

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<br>stock par<br>value \$1.00<br>holding | Common<br>stock par<br>value \$1.00<br>options | Class 'B'<br>stock par<br>value \$1.00 | 5% convertible<br>subordinated<br>debentures<br>due 1985 |
|--------------------|---|--|--|--|--|
| P A Allaire        | a | 1,780  | 22,713   | -                                      | -  |
|                    | b | 500  | 33,223   | -                                      | -  |
| W F Glavin         | a | 7,453  | 48,054   | 8,500                                  | -  |
|                    | b | 5,678  | 68,520   | 8,500                                  | -  |
| R A Holmes         | a | -  | 11,570   | -                                      | -  |
|                    | b | -  | 15,075   | -                                      | -  |
| D P Hornby         | a | -  | 5,370  | -                                      | -  |
|                    | b | -  | 14,278   | -                                      | -  |
| D T Kearns         | a | 18,603   | 101,391  | 9,250                                  | -  |
|                    | b | 10,561   | 123,475  | 9,250                                  | -  |
| R E G Magnin       | a | -  | -  | -                                      | -  |
|                    | b | -  | 16,000   | -                                      | -  |
| C P McCollough     | a | 19,339   | 63,220   | -                                      | \$3,200  |
|                    | b | 19,039   | 56,650   | -                                      | \$3,200  |
| J R Milligan       | a | 2,578  | 9,615  | -                                      | -  |
|                    | b | 1,930  | 7,700  | -                                      | -  |
| R F Reiser         | a | 880  | 17,920   | 1,625                                  | -  |
|                    | b | -  | 24,420   | 1,625                                  | -  |
| E H van der Beugel | a | 100  | -  | -                                      | -  |
|                    | b | 100  | -  | -                                      | -  |

a Holding at 31 October 1986

b Holding at 1 November 1985

The Company had 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 1986 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 1985 - 57,475 'E' Shares).

Apart from the interests set out above, no other Director in office at 31 October 1986 had any interest in the shares or debentures of the Company, Xerox Corporation or other associated companies during the year under review.

## 21 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 £47.5m (1985 - £41.0m) for the Group and £7.8m (1985 - £7.0m) for the Company. Hire of plant and machinery amounted to £0.9m (1985 - £0.6m) for the Group, and Nil for the Company (1985 - 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<br>capital<br>leases | Group<br>operating<br>leases | Company<br>capital<br>leases | Company<br>operating<br>leases |
|--|----------------------------|------------------------------|------------------------------|--------------------------------|
| 1987   | 8.3                        | 40.1                         | 1.5                          | 8.5                            |
| 1988   | 7.4                        | 32.5                         | 1.5                          | 8.2                            |
| 1989   | 5.8                        | 24.7                         | 1.4                          | 7.8                            |
| 1990   | 2.7                        | 15.5                         | 1.1                          | 4.1                            |
| 1991   | 2.0                        | 14.4                         | 0.6                          | 3.5                            |
| Later years                                  | 21.5                       | 128.5                        | 14.5                         | 38.7                           |
| <b>Total minimum lease payments</b>          | <b>47.7</b>                | <b>256.7</b>                 | <b>20.6</b>                  | <b>70.6</b>                    |
| Less:  |                            |                              |                              |                                |
| Executory costs                              | 2.8                        |                              | 2.8                          |                                |
| Interest element                             | 17.1                       |                              | 11.1                         |                                |
|  | <b>19.9</b>                |                              | <b>13.9</b>                  |                                |
| <b>Present value of net minimum payments</b> | <b>27.8</b>                |                              | <b>6.7</b>                   |                                |



*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 1986 amounted to £368.8m (1985 - £441.0m) of which £126.8m (1985 - £134.2m) represented contingent rentals for equipment usage in excess of the contractual minimum.

The net investment in sales-type leases at 31 October 1986 consisted of minimum lease payments due in the following years after the balance sheet date:

|  | Group<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|--|---------------|---------------|-----------------|-----------------|
| First year                                     | 88.5          | 30.5          | -               | 1.2             |
| Second year                                    | 71.0          | 21.4          | -               | 0.1             |
| Third year                                     | 50.4          | 12.8          | -               | 0.1             |
| Fourth year                                    | 26.9          | 6.0           | -               | -               |
| Fifth year                                     | 11.2          | 1.9           | -               | -               |
| Thereafter                                     | 1.3           | 1.4           | -               | -               |
| <b>Total minimum lease payments receivable</b> | <b>249.3</b>  | <b>74.0</b>   | <b>-</b>        | <b>1.4</b>      |
| Less:  |               |               |                 |                 |
| Unguaranteed residual values                   | 0.9           | -             | -               | -               |
| Executory costs included in rentals            | 2.2           | -             | -               | -               |
| Deferred interest income                       | 50.0          | 16.4          | -               | 0.3             |
| Allowance for doubtful debts                   | 6.8           | 2.3           | -               | 0.2             |
|  | <b>59.9</b>   | <b>18.7</b>   | <b>-</b>        | <b>0.5</b>      |
| <b>Net investment in sales-type leases</b>     | <b>189.4</b>  | <b>55.3</b>   | <b>-</b>        | <b>0.9</b>      |

## 22 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<br>1986 | Group<br>1985 | Company<br>1986 | Company<br>1985 |
|--|---------------|---------------|-----------------|-----------------|
| Expenditure contracted for               | 11.5          | 2.4           | 1.0             | 0.5             |
| Expenditure authorised but not committed | 14.0          | 6.7           | 2.0             | 0.3             |
|  | <b>25.5</b>   | <b>9.1</b>    | <b>3.0</b>      | <b>0.8</b>      |

## 23 Contingent liabilities

### a The Group

There are contingent liabilities, arising from the ordinary activities of the Group, which amount to approximately £20.7m (1985 - £23.4m) 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 £206.1m (1985 - £210.4m). At 31 October 1986, £176.7m (1985 - £177.1m) was outstanding.

## 24 Remuneration of auditors

|                    | 1986<br>£000's | 1985<br>£000's |
|--------------------|----------------|----------------|
| Rank Xerox Limited | 239            | 222            |
| Subsidiaries       | 938            | 811            |
|                    | <u>1177</u>    | <u>1033</u>    |

## 25 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 10 to 35 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 14, 15 and 16, give a true and fair view of the state of affairs of the Company and the Group at 31 October 1986 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

*Peat Marwick Mitchell & Co*

29 January 1987

## Five year financial summary

Rank Xerox Limited and subsidiaries

### Consolidated profit and loss account

|  | 1986<br>£m    | 1985<br>£m    | 1984<br>£m    | 1983<br>£m   | 1982<br>£m   |
|--|---------------|---------------|---------------|--------------|--------------|
| <b>Turnover</b>                                | 1968.7        | 1854.2        | 1789.7        | 1462.3       | 1329.3       |
| Income from associated companies               | 57.6          | 54.1          | 54.9          | 40.7         | 31.7         |
| Xerox Corporation charges                      | 43.5          | 39.2          | 28.9          | 48.3         | 50.4         |
| Profit on ordinary activities before taxation  | 109.7         | 108.8         | 112.2         | 77.5         | 88.4         |
| Tax on profit on ordinary activities           | 62.1          | 73.3          | 34.7          | 33.4         | 33.9         |
|  | <u>47.6</u>   | <u>35.5</u>   | <u>77.5</u>   | <u>44.1</u>  | <u>54.5</u>  |
| Dividends paid and proposed                    | 70.6          | 19.9          | 18.4          | 16.1         | 16.5         |
|  | <u>(23.0)</u> | <u>15.6</u>   | <u>59.1</u>   | <u>28.0</u>  | <u>38.0</u>  |
| Outside shareholders' interests                | 0.5           | 1.2           | 0.5           | (1.0)        | 2.1          |
| Amount set aside to reserves                   | <u>(23.5)</u> | <u>14.4</u>   | <u>58.6</u>   | <u>29.0</u>  | <u>35.4</u>  |
| <b>Consolidated balance sheet</b>              |               |               |               |              |              |
| Fixed assets                                   | 728.0         | 634.4         | 758.1         | 648.8        | 633.1        |
| Net current assets                             | 635.6         | 511.0         | 342.4         | 347.5        | 261.9        |
|  | <u>1363.6</u> | <u>1145.4</u> | <u>1100.5</u> | <u>996.3</u> | <u>895.0</u> |
| Creditors falling due after more than one year | 283.5         | 208.3         | 159.4         | 159.8        | 102.2        |
| Provisions for liabilities and charges         | 75.3          | 63.0          | 52.1          | 54.1         | 76.7         |
|  | <u>1004.8</u> | <u>874.1</u>  | <u>889.0</u>  | <u>782.4</u> | <u>716.1</u> |
| Share capital and premium                      | 32.9          | 32.9          | 32.9          | 32.9         | 32.9         |
| Other reserves                                 | 319.4         | 145.1         | 174.8         | 107.3        | 55.1         |
| Profit and loss account                        | 646.8         | 688.5         | 670.9         | 631.0        | 617.1        |
|  | <u>999.1</u>  | <u>866.5</u>  | <u>878.6</u>  | <u>771.2</u> | <u>705.1</u> |
| Outside shareholders' interests                | 5.7           | 7.6           | 10.4          | 11.2         | 11.0         |
|  | <u>1004.8</u> | <u>874.1</u>  | <u>889.0</u>  | <u>782.4</u> | <u>716.1</u> |

Note: Deferred taxes have been restated to a partial provision basis for 1986 and 1985 only.