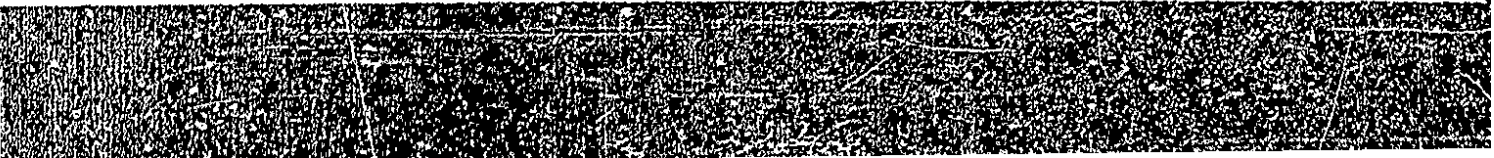


ANNUAL REPORT  
1989  
AND ACCOUNTS



The photograph on the front cover shows the studios of a major Rank Xerox customer, the West Deutscher Rundfunk, Germany's largest broadcasting company.



This report was designed and composed by Customer and Service Education, Rank Xerox, Walwyn Garden City, using the Xerox Integrated Composition System (XICS).  
Printed by the Xerox Copy Centre, Uxbridge, Middlesex.

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# RANK XEROX

## ANNUAL REPORT AND ACCOUNTS

For the year ended 31 October 1989

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### Highlights of the Proforma Group

£m	1989	1988	1987	1986	1985
Turnover	2,545	2,304	2,219	1,926	1,806
Profit before tax	265	274	223	138	126
Tax	128	118	104	67	80
Profit after tax	137	156	119	71	46
Profit Participation (Note 5 page 14):					
Due to Xerox Corporation	315	297	226	159	131
Due to The Rank Organisation Plc	160	151	115	81	68
Total Participation Profits	475	448	341	240	199
Net assets	1,337	1,205	1,077	1,046	875

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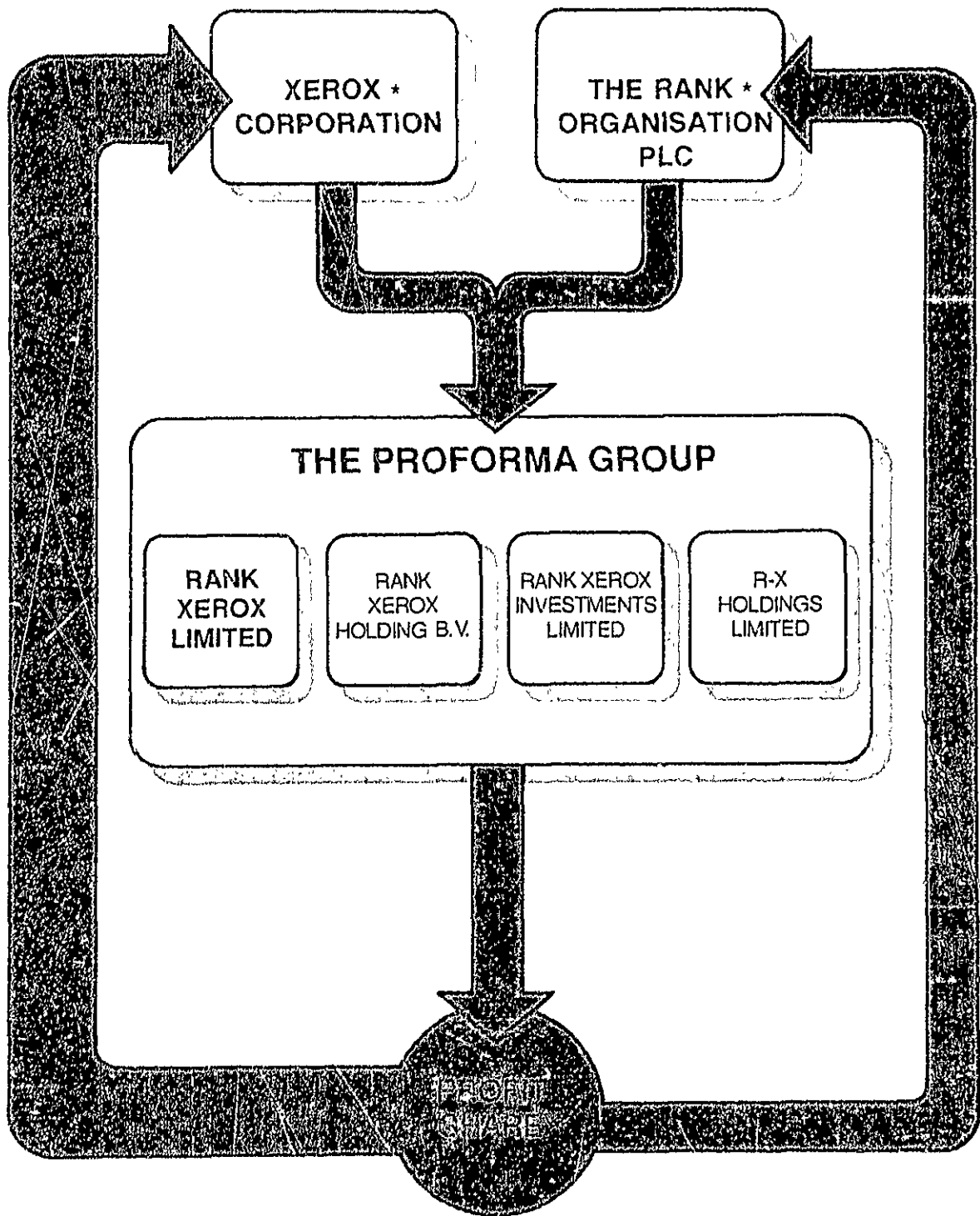
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**Diagrammatic Representation  
of the  
Rank Xerox Structure**

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\* See Introduction (page 1) and Note 5 (page 14) for detail.

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## Introduction to the Rank Xerox Structure

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Rank Xerox is composed of four holding companies, jointly owned by Xerox Corporation of the USA and The Rank Organisation Plc of the UK. Xerox Corporation has majority voting rights in all holding companies. The profit participation of Xerox Corporation and The Rank Organisation Plc in the Proforma Group's profits is governed by the provisions of an agreement made in 1977 between the two companies. The effect is set out in note 5 (page 14).

The following four holding companies, when taken together, are known as the Rank Xerox Proforma Group:

Company	Country of Registration	Activities Comprised
Rank Xerox Limited	UK	Marketing and Leasing Companies (world wide except North and South America, Canada, North Africa, Middle East and China).  Manufacturing Operations in UK, France and Spain.
Rank Xerox Holding BV	HOLLAND	Manufacturing Operations in Holland.
Rank Xerox Investments Ltd	BERMUDA	Marketing Operations in North Africa and Middle East.
R-X Holdings Ltd	BERMUDA	Joint Venture Operations in China.

Memorandum accounts of the above Rank Xerox Proforma Group are produced primarily to calculate the profits applicable to The Rank Organisation Plc; these memorandum Proforma Group accounts are shown in the green section of this document.

The Directors' Report and Financial Statements of Rank Xerox Limited and its subsidiaries produced in accordance with the Companies Act 1985, are shown in the cream section of this document.

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**Directors  
of the  
Holding Companies**

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**RANK XEROX LIMITED**

D T Kearns  
*Chairman*  
B D Fournier  
*Managing Director*

P A Allaire  
H C Debuissier  
M B Gifford  
L Gonzalez-Camino  
L L Haddon  
W R Hicks  
R A Holmes  
Sir Derek Hornby  
W C Lowe  
J R Milligan  
S B Ross  
D A Thompson  
N V Turnbull  
D M Yates

C J Payne  
*Secretary*

**RANK XEROX HOLDING BV**

*Supervisory Board*  
D T Kearns  
*Chairman*

B D Fournier  
M B Gifford  
Dr F Hewitt  
R A Holmes  
W Sonneborn  
D M Yates

**RANK XEROX INVESTMENTS LIMITED**

P A Allaire  
*President*  
B D Fournier  
*Vice President*

J D Campbell  
M B Gifford  
R S Pearman  
N Trollope  
D M Yates

**R-X HOLDINGS LIMITED**

P A Allaire  
*President*  
B D Fournier  
*Vice President*

M B Gifford  
R S Pearman  
N Trollope  
D M Yates

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## Chairman's Statement

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I am once again pleased to report that Rank Xerox achieved record revenues and profits (before tax and before Xerox charges) in 1989, the sixth consecutive year of improvement. The virtual doubling of profits since 1986 reflects not only the success of our new product ranges, but also the success of our Leadership Through Quality strategy and the dedication of our employees to satisfying the needs of customers. I extend thanks and congratulations to all the staff for their efforts and achievements.



Bernard Fournier was appointed Managing Director of Rank Xerox Limited from 1st June 1989, replacing Roland Magnin who led Rank Xerox so successfully for the previous six years. Roland is now Executive Vice President of Xerox Corporation in the USA. During the year Roland Magnin, William Glavin, Peter McColough and David Myerscough resigned from the Board of Directors of Rank Xerox Limited and Lyndon Haddon, Wayland Hicks, William Lowe and Nigel Turnbull were appointed to the Board.

We shall continue for the foreseeable future to focus on our three corporate objectives - customer satisfaction, return on assets and market share; our first priority will remain customer satisfaction.

Despite a projected slow down in the rate of economic growth within Europe during 1990, it is nevertheless my belief that the solid business base we have built over recent years, together with further introductions of new technology products, will enable Rank Xerox to look forward to the new decade with confident anticipation of continued growth.

A handwritten signature in cursive script that reads "David T. Kearns". The signature is written in dark ink on a white background.

David T Kearns,  
Chairman, Rank Xerox Limited,  
Chairman & Chief Executive Officer,  
Xerox Corporation.



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## Review of the Year

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Revenues of Rank Xerox for the year ended 31st October 1989 rose by 10% to £2,544.9 million. Excluding £12 million of year on year currency impact arising from the translation of overseas revenues, the increase remained 10%. This represents further solid progress and is due in significant part to increased equipment sales, particularly in the high volume reprographics and centralised printing business areas.

Profits before tax (and before our contribution to Xerox research and development and central overhead costs) increased for the sixth year in succession to £418.2 million, a £3m increase over record profits in 1988; these creditable profit levels reflect the continuing business success of our long term strategy of ensuring ever improving levels of customer satisfaction, coupled with our determination to maintain gross margins and control overhead costs.

Rank Xerox Operations, (excluding Fuji Xerox) enjoyed a 6% rise in profits over the previous year; excluding the effects of currency and exceptional items, the underlying growth of Rank Xerox Operations business was 18%.

Rank Xerox Group (including Fuji Xerox) profits before tax were £264.5 million (£274.2 million); taxation was £127.6 million (£117.8 million), leaving profits after tax of £136.9 million (£156.4 million).

### Customer Satisfaction

Customer satisfaction remains our first priority; our target is to be the benchmark supplier in reprographics and electronic printing by the end of 1990. Surveys in 1989 showed that Rank Xerox is already perceived as the best supplier across the range of products in a number of operating countries; the remaining companies in the group are planning to achieve leadership this year. Across Europe, more than eighty per cent of customers are satisfied or very satisfied with our products and services. That is better than our competition and it indicates that we are on the right track, but we still have more work to do.

Salary increases for the top 135 senior executives at Rank Xerox around the world have been influenced by customer satisfaction measurements in each of the past two years and this will continue to be a contributory factor. This linkage of pay to our number one priority has now been extended to all headquarters staff at Marlow and to employees of RX France. An increasing number of operating companies are now devising similar schemes for implementation in 1990.

As our number one priority, we are not prepared to trade-off customer satisfaction to meet our other corporate objectives. Nor do we need to do this because, if we satisfy our customers we shall thereby improve return on assets and market share, since it costs up to five times as much to gain a new customer as it does to keep an existing customer. Keeping customers satisfied will therefore be a corporate priority for as long as we aspire to improve our performance.

### Return on Assets

The second corporate priority is to improve return on assets. In order to achieve this objective we shall continue both to pay close attention to overhead expenses and to ensure that the ratio of overheads to revenue continues to decline. We have also introduced specific actions intended to dramatically improve our inventory management. These actions are being introduced now in anticipation of the progressive elimination of cross-border controls in Europe in 1992, which will help reduce the time and cost of transport between member countries, thereby improving delivery speeds and eliminating the requirement hitherto of maintaining high inventory levels in multiple locations throughout Europe.

### Market Share

Improving market share continues to be a major corporate priority. Nearly half of all machine installations in 1989 were 50 series products and this proportion is expected to rise further in 1990. Twenty four new products were introduced in 1989 across the whole spectrum of Rank Xerox markets. Six new 50 series copiers were introduced during the year, with the new Xerox 5090 enabling us to maintain our prominent leadership in the high volume sector. Mid and low volume reprographic placements were also higher than 1988, with the new 5028 desktop copier registering the highest quality ratings ever recorded for a low volume copier.

A significant increase in the number of placements of centralised electronic printing systems contributed to a further increase in our share of this growing market. Growth was also experienced in sales of desktop software, facsimile products and engineering systems.

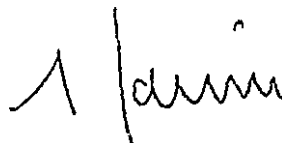
As Rank Xerox continues its transformation into a more market-driven, total quality company, thereby improving its market share, major investments are being made in order to develop a more detailed understanding of a rapidly changing market place and to be responsive to those changes as quickly as possible.

### Germany

Our subsidiary in Germany made a profit in 1989 for the first time in many years. Germany was the first European country chosen for competitive entry by the Japanese copier industry in the mid 1970's and RX Germany suffered severe and long term loss of market share to the Japanese. However in 1989 RX Germany increased its share of the heavily contested copier market for the third consecutive year, with revenue growth in the year of 10% and a significant underlying profit performance improvement. Profitability in RX Germany is expected to continue in 1990.

### Conclusion

1989 results represent record profits and therefore a very good achievement for Rank Xerox. During 1990 the European economy is expected to grow at a slower rate than 1989; nevertheless, I believe we are well placed to maintain steady business growth and I look forward to 1990 with confidence.



Bernard Fournier  
Managing Director,  
Rank Xerox Limited.

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**PROFORMA GROUP ACCOUNTS  
AND  
PROFIT PARTICIPATION**

For the year ended 31 October 1989

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## Combined Profit and Loss Account

For the year ended 31 October 1989

	1989 £m	1988 £m
Turnover	2544.9	2303.6
Cost of revenue	1462.7	1248.3
<b>Gross Profit</b>	<b>1082.2</b>	<b>1055.3</b>
Distribution costs	500.6	479.3
Administrative expenses	311.9	299.6
Income from associated companies	(117.8)	(107.5)
Interest receivable and similar income	(118.4)	(88.2)
Interest payable and similar charges	87.7	56.9
	<b>664.0</b>	<b>640.1</b>
<b>Profit on ordinary activities before Xerox Corporation charges and taxation</b>	<b>418.2</b>	<b>415.2</b>
Xerox Corporation charges	153.7	141.0
<b>Profit on ordinary activities before taxation</b>	<b>264.5</b>	<b>274.2</b>
Tax on profit on ordinary activities	127.6	117.8
<b>Profit on ordinary activities after taxation</b>	<b>136.9</b>	<b>156.4</b>
Dividends paid and proposed	58.1	19.7
Outside shareholders' interests	0.5	0.9
<b>Retained profit for the year</b>	<b>78.3</b>	<b>135.8</b>

# Combined Balance Sheet

As at 31 October 1989

	1989 £m	1988 £m
<b>Fixed assets:</b>		
Tangible assets	437.1	410.8
Investments	399.9	359.3
	837.0	770.1
<b>Current assets:</b>		
Stocks	386.5	334.1
Debtors (note 2)	1661.1	1287.7
Cash at bank and in hand	65.8	75.5
	2113.4	1697.3
<b>Creditors:</b>		
Amounts falling due within one year (note 3)	953.5	797.4
<b>Net current assets</b>	<b>1159.9</b>	<b>899.9</b>
<b>Total assets less current liabilities</b>	<b>1996.9</b>	<b>1670.0</b>
<b>Creditors:</b>		
Amounts falling due after more than one year (note 3)	556.4	369.8
Provisions for liabilities and charges	103.5	94.8
	1337.0	1205.4
<b>Capital and reserves:</b>		
Called up share capital (note 4)	36.1	36.1
Share premium account (note 4)	20.3	13.4
Other reserves	445.9	359.9
Profit and loss account (note 5)	831.0	791.6
	1333.3	1201.0
<b>Outside shareholders' interests</b>	<b>3.7</b>	<b>4.4</b>
	1337.0	1205.4

# Combined Statement of Source and Application of Funds

For the year ended 31 October 1989

SOURCE OF FUNDS	1989 £m	1988 £m
<b>Funds from Operations:</b>		
Profit on ordinary activities before taxation	264.5	274.2
Less: Profit before taxation retained by associated companies	103.8	97.0
	160.7	177.2
Add: Depreciation and other items not involving the movement of funds (net)	160.0	79.9
<b>Total funds from Operations</b>	<b>320.7</b>	<b>257.1</b>
<b>Other sources:</b>		
Disposal of fixed assets at net book value	58.0	51.9
Increase in creditors due in more than one year	186.6	45.8
Additional share premium	6.9	-
<b>Total source of funds</b>	<b>572.2</b>	<b>354.8</b>
<b>APPLICATION OF FUNDS</b>		
Additions to fixed assets	195.4	187.1
Taxation paid	49.6	56.8
Dividends paid	80.4	46.8
	325.4	290.7
Increase in working capital (analysed below)	246.8	64.1
<b>Total application of funds</b>	<b>572.2</b>	<b>354.8</b>
<b>ANALYSIS OF CHANGE IN WORKING CAPITAL</b>		
Increase in stocks	52.4	35.2
Increase in debtors	391.6	257.0
Increase in creditors	(86.9)	(65.4)
	357.1	226.8
<b>(Decrease) in net liquid funds:</b>		
Cash at bank and in hand	(9.7)	(101.7)
Bank overdrafts and acceptances	(100.6)	(61.0)
	(110.3)	(162.7)
<b>Increase in working capital</b>	<b>246.8</b>	<b>64.1</b>

## Five Year Financial Summary

### Proforma Group

COMBINED PROFIT AND LOSS ACCOUNT					
	1989	1988	1987	1986	1985
	£m	£m	£m	£m	£m
Turnover	2544.9	2303.6	2218.6	1925.7	1806.4
Income from ordinary activities other than associates	300.4	307.7	240.2	157.0	146.8
Income from associated companies	117.8	107.5	77.7	57.0	54.1
Profit on ordinary activities before Xerox charges and taxation	418.2	415.2	317.9	214.0	200.9
Xerox Corporation charges	153.7	141.0	94.9	75.6	75.4
Profit on ordinary activities before taxation	264.5	274.2	223.0	138.4	125.5
Tax on profit on ordinary activities	127.6	117.8	104.1	67.8	79.6
Profit after Taxation	136.9	156.4	118.9	70.6	45.9
Dividends paid and proposed	58.1	19.7	39.1	70.6	19.9
Outside shareholders' interests	78.8	136.7	79.8	0.0	26.0
	0.5	0.9	1.2	0.8	1.8
Amount set aside to reserves	78.3	135.6	78.6	(0.8)	24.2
COMBINED BALANCE SHEET					
Fixed assets	837.0	770.1	701.9	751.1	644.5
Net current assets	1159.9	899.9*	799.8	684.3	515.3
Creditors falling due after more than one year	1996.9	1670.0	1501.7	1435.4	1159.8
Provisions for liabilities and charges	556.4	369.8*	324.0	298.4	221.7
	103.5	94.8	100.4	91.2	63.3
	1337.0	1205.4	1077.3	1045.8	874.8
Share capital and premium	56.4	49.5	49.5	41.8	39.4
Other reserves	445.9	359.9	326.2	340.6	151.5
Profit and loss account	831.0	791.6	697.3	656.6	675.0
Outside shareholders' interests	1333.3	1201.0	1073.0	1039.0	865.9
	3.7	4.4	4.3	6.8	8.9
	1337.0	1205.4	1077.3	1045.8	874.8

Certain loans supported by committed bank facilities have been reclassified from Net current assets to Creditors falling due after more than one year.

# Notes to Combined Financial Statements

## 1 Principles of combination and accounting policies of Rank Xerox

In accordance with the terms of the Master Agreement dated 21 October 1977 between Xerox Corporation of the USA and The Rank Organisation Plc of the UK, combined financial statements have been prepared for the four jointly owned holding companies, Rank Xerox Limited, Rank Xerox Holding BV, Rank Xerox Investments Limited, R-X Holdings Limited and their respective subsidiary companies, referred to as 'the Proforma Group'. The Proforma Group's major accounting policies are the same as those in note one of the financial statements of Rank Xerox Limited and subsidiaries (cream section).

Turnover of the Proforma Group is calculated after elimination of inter group sales.

## 2 Debtors

	1989 £m	1988 £m
These comprise:		
Due from fellow subsidiaries	29.7	30.3
Trade debtors	376.0	329.6
Finance lease receivables:		
Due within one year	307.0	215.7
Due in more than one year	635.9	429.5
Prepayments, other debtors and accrued income	228.7	199.8
Pensions preparation	64.3	45.1
Deferred taxation	19.5	37.7
	<hr/>	<hr/>
	1661.1	1287.7

## 3 Creditors

### (i) Amounts falling due within one year

Long-term loans repayable within one year	205.0	168.4
Bank overdrafts and acceptances	193.4	92.8
Trade creditors	138.8	138.5
Amounts owed to Xerox Corporation	48.7	51.0
Other creditors, taxation and social security	63.8	92.6
Accruals and deferred income	303.8	254.1
	<hr/>	<hr/>
	953.5	797.4

Other creditors, taxation and social security includes £4.9m (1988-£27.2m) of dividends payable and current taxation payable of £29.9m (1988-£39.0m)



### 3 Creditors (continued)

#### (ii) Amounts falling due after more than one year

	1989 £m	1988 £m
These consist of long term loans analysed as follows:		
Debenture loans	108.1	101.0
Bank loans	400.8	242.0
Other loans and capitalised leases	47.5	26.8
	<hr/> 556.4	<hr/> 369.8

The aggregate amount of secured loans was £4.2m (1988-£3.0m). Such loans are generally secured on land and buildings. Other loans include certain amounts in respect of obligations under capital leases which are specifically secured on the leased assets involved.

### 4 Share capital and premium

	Xerox Corporation and Subsidiary	The Rank Organisation Plc and Subsidiaries	'E'Shares	1989 Total £m	1988 Total £m
<b>Rank Xerox Limited and Subsidiary:</b>					
Share capital	16.0	15.4	0.1	31.5	31.5
Share premium	-	-	3.0	3.0	3.0
<b>Rank Xerox Holding BV:</b>					
Share capital	0.1	0.1	-	0.2	0.2
Share premium	0.1	-	-	0.1	0.1
<b>Rank Xerox Investments Limited:</b>					
Share capital	2.9	1.5	-	4.4	4.4
Share premium	1.7	0.9	-	2.6	2.6
<b>R-X Holdings Limited:</b>					
Share capital	-	-	-	-	-
Share premium	9.7	4.9	-	14.6	7.7
<b>Rank Xerox Proforma Group Total:</b>					
Share capital	19.0	17.0	0.1	36.1	36.1
Share premium	11.5	5.8	3.0	20.3	13.4
	<hr/> 30.5	<hr/> 22.8	<hr/> 3.1	<hr/> 56.4	<hr/> 49.5

## 5 Profit participation

Under the terms of an agreement made in 1977 between Xerox Corporation of the USA and The Rank Organisation Plc of the UK, both parties are entitled to shares in the annual combined profits before taxation of the Proforma Group. These shares amount to one half of such profits to each of the two shareholders up to a maximum annual sum of £3,700,627, plus one third to The Rank Organisation Plc and two thirds to Xerox Corporation of the amount by which such profits exceed £7,401,254, from which is deducted the related taxation. For this purpose, the combined profit before taxation (as shown below) is adjusted for charges made by Xerox Corporation for research and development and corporate overheads, and for profit participation adjustments in accordance with the above agreement.

	1989
	£m
Profit on ordinary activities before taxation	264.5
Add: Xerox Corporation Charges	153.7
Add: Profit Participation adjustments	58.8
Deduct: Outside shareholders' interests	(1.7)
<hr/>	
Profit Participation	475.3

	Xerox Corporation and Subsidiary	The Rank Organisation Plc and Subsidiaries	1989 Total
Profit participation	315.7	159.6	475.3
Deduct - Taxation on profit per financial statements	84.8	42.8	127.6
Deduct - Taxation attributable to outside shareholders' interests	(0.8)	(0.4)	(1.2)
Deduct - Taxation on Xerox Corporation charges and profit participation adjustments	61.8	31.2	93.0
Deduct - Xerox Corporation charges and profit participation adjustments after taxation	119.5	-	119.5
<hr/>			
Profit after taxation and outside shareholders interests of the Proforma Group	50.4	86.0	136.4
Deduct - Dividends	-	58.1	58.1
<hr/>			
Retained earnings for the year	50.4	27.9	78.3
Unappropriated earnings at 1 November 1988	529.6	262.0	791.6
Transfers to non-distributable reserve:			
Deduct - Proforma Group companies	0.9	0.4	1.3
Deduct - Associated companies	25.0	12.6	37.6
<hr/>			
Unappropriated earnings at 31 October 1989	554.1	276.9	831.0

## Principal Locations

### **INTERNATIONAL HEADQUARTERS**

Rank Xerox Limited  
Parkway Marlow  
Buckinghamshire SL7 1YL

Rank Xerox Leasing  
International Limited  
Parkway Marlow  
Buckinghamshire SL7 1YL

### **FUJI XEROX CO LTD Associated Company**

3-5 Akasaka 3-chome  
Minato-ku  
Tokyo 107  
Japan

Korea Fuji Xerox Co. Ltd  
120-20 Seosomun-Dong  
Choong-ku Seoul  
Korea

Philippine Fuji Xerox Corporation  
IFC House Corner Alfaro  
and Gallardo Streets  
Salcedo Village Makati  
Metro Manila  
Philippines

Taiwan Fuji Xerox Corporation  
Section 1-56  
Chung King South Road  
Taipei Taiwan

Thai Xerographic Systems Co. Ltd.  
K & Y Building 16 Surasak Road  
Bangkok  
Thailand

### **MODI XEROX LIMITED Associated Company**

Hemkunt Tower 98 Nehru Place  
New Delhi 110 019  
India

### **MANUFACTURING ENGINEERING AND RESEARCH**

France  
Lille  
Societe Industrielle  
Rank Xerox SA  
Zone Industrielle  
59960 Neuville en Ferrain  
Lille

The Netherlands  
Venray  
Rank Xerox Manufacturing  
(Nederland) BV  
PO Box 43  
5800 MA Venray

Spain  
Coslada  
Rank Xerox Espanola SA  
Fabricacion  
Avenida de Fuentemar 20  
Poligono  
Industrial de Coslada  
Madrid

UK  
Cambridge  
Rank Xerox EuroPARC  
Ravenscroft House  
61 Regent Street  
Cambridge CB2 1AB

UK  
Mitcheldean  
Rank Xerox Limited  
Mitcheldean  
Gloucestershire GL17 0DD

UK  
Welwyn Garden City  
Rank Xerox Limited  
PO Box 17  
Bessemer Road  
Welwyn Garden City  
Hertfordshire AL9 1HE

### **MARKETING OPERATIONS**

Australia  
Rank Xerox (Australia) Pty Limited  
970 Pacific Highway  
Pymble  
New South Wales 2073

Austria  
Rank Xerox Austria GmbH  
Nussdorfer Laende 29/33  
PO Box 300  
A-1191 Wien

Belgium  
NV Rank Xerox SA  
Leuvensesteenweg 555  
B-1930 Zaventem

China  
Xerox of Shanghai Limited  
12a Song Shan Road  
Shanghai  
People's Republic of China

Cote d'Ivoire  
Rank Xerox  
Cote d'Ivoire SA  
L'Immeuble le Mans  
Abidjan Plateau  
Avenue Botreau Rousselet  
01 BP 402 Abidjan

## Principal Locations

Continued

### Denmark

Rank Xerox A/S  
Borupvang 5  
DK-2750 Ballerup

### Eastern Export Operations

Rank Xerox Limited  
Eastern Export Operations  
Westbourne House  
14/16 Westbourne Grove  
London W2

### Egypt

Xerox Egypt SAE  
2 Lebanon Street  
Mohandessin, El Giza  
Cairo

### Finland

Rank Xerox Oy  
PO Box 55  
SF-02631 Espoo 63

### France

Rank Xerox SA  
Tour Arago  
5 Rue Bellini  
92806 Puteaux

### Germany (FDR)

Rank Xerox GmbH  
Emmanuel-Leutze-Str.20  
D-4000 Dusseldorf-Lorick

### Greece

Rank Xerox Greco SA  
154 Syngrou Avenue  
Kaliathea  
Athens TT 404

### Hong Kong

Rank Xerox (Hong Kong) Limited  
5/F Fortress Tower  
250 Kings Road  
North Point

### Republic of Ireland

Rank Xerox (Ireland) Limited  
Glasnevin Industrial Estate  
Finglas Road  
Dublin 11

### Italy

Rank Xerox SpA  
Via Andrea Costa, 17  
20131 Milano

### Kenya

Rank Xerox Kenya Limited  
Parklands Road  
PO Box 20410  
Nairobi

### Malaysia

Rank Xerox Limited  
1a-Jalan Bersatu  
13-4 Petaling Jaya  
Kuala Lumpur 46100

### Morocco

Xerox Marox SA  
30 Avenue des FAR  
Casablanca 01

### The Netherlands

Rank Xerox (Nederland) BV  
Maassluisstraat 2  
1052 GD Amsterdam-West

### New Zealand

Rank Xerox New Zealand Limited  
19 Hargreaves Street  
College Hill  
Ponsonby  
Auckland

### Nigeria

Rank Xerox (Nigeria) Limited  
Block C, Plot 3  
Matori Scheme Oshodi  
PMB 21314 Ikeja  
Lagos

### Norway

Rank Xerox A/S  
PO Box 905  
N-1301 Sandvika

### Portugal

Rank Xerox Portugal  
Equipamentos de Escritorio  
Limitada  
Rua Pedro Nunes 16  
1081 Lisbon

### Singapore

Rank Xerox (Singapore) Pte Ltd  
190 Middle Road 18-01  
Fortune Centre  
Singapore 0718

### Spain

Rank Xerox Espanola SA  
Calle Josefa Valcarcel 26  
Madrid 27

### Sweden

Rank Xerox AB  
Domnarvsgatan 11  
16387 Stockholm

### Switzerland

Rank Xerox AG  
Postfach 8050  
Thurgauerstrasse 40  
Zurich 7

### UK

Rank Xerox (UK) Limited  
Bridge House  
Oxford Road Uxbridge  
Middlesex UB8 3HS

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**RANK XEROX LIMITED  
AND  
SUBSIDIARIES**

for the year ended 31 October 1989

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# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 October 1989

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## DIRECTORS

Chairman  
D T Kearns \*

Managing Director  
B D Fournier

P A Allaire \*  
H C Debuissier  
M B Gifford  
L Gonzalez-Camino  
L L Haddon  
W R Hicks \*  
R A Holmes

Sir Derek Hornby  
W C Lowe \*  
J R Milligan  
S B Ross \*  
D A Thompson  
N V Turnbull  
D M Yates

\* USA

**Secretary and Registered Office**  
C J Payne  
Parkway  
Marlow  
Buckinghamshire SL7 1YL

**Bankers**  
National Westminster Bank PLC

**Auditors and Consultant Accountants**  
KPMG Peat Marwick McLintock

# Directors' report

## 1 Financial statements

The Directors present the balance sheet of Rank Xerox Limited ('the Company') and the consolidated balance sheet as at 31 October 1989, together with the consolidated profit and loss account and consolidated statement of source and application of funds for the year ended on that date for the Company and its subsidiaries ('the Group').

The profit of the Group on ordinary activities after taxation and outside shareholders' interests was £127.4m.

Interim and special dividends of £53.2m were proposed and paid during 1989 on the 'D' shares of the Company.

Further special and final dividends of £4.9m in total are proposed on the 'B', 'D' and 'E' shares (note 10 to the financial statements).

Retained profits for the year were £69.3m, of which £38.9m was transferred to non-distributable reserves (note 19 *bii* to the financial statements).

## 2 Principal activities

The Group is in the office equipment business throughout the world outside North and South America, Canada, North Africa, the Middle East and China. Within that business, reprographics consists of the development, manufacture, marketing and maintenance of xerographic copiers and duplicators. The Group also engages in financing activities through its leasing subsidiaries for the sales of xerographic office equipment.

Other principal activities include the related marketing of paper as well as the manufacture and marketing of 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

Continued progress was made in our three corporate priorities:

### Customer Satisfaction

Customer satisfaction is our number one corporate priority and our target is to be recognised as the benchmark supplier in reprographics and electronic printing by the end of 1990. Surveys in 1989 showed that across Europe, more than eighty per cent of customers are satisfied or very satisfied with our products and services.

Salary increases for the top 135 senior executives of the Group around the world have been influenced by customer satisfaction measurements in each of the past two years and this will continue to be a contributory factor. This linkage of pay to our number one priority is being extended to headquarters staff at Marlow and a number of operating companies.

### Return on Assets

The second corporate objective is to improve return on assets. The progressive elimination of cross-border controls in Europe in 1992 will help reduce the time and cost of transport between member countries, thereby improving delivery speeds and eliminating the requirement hitherto of maintaining high inventory levels in multiple locations throughout Europe.

## Market Share

Improving Market Share continues to be a major corporate priority. Nearly half of all machine installations in 1989 were 50 Series products and the proportion is expected to rise further in 1990. In total, some 24 new products were introduced in 1989 across the entire spectrum of Rank Xerox markets. Six of these were 50 Series copiers, with the new Xerox 5090 enabling us to maintain our leadership in the high volume sector. Revenues in the mid and low volume sectors also increased in 1989.

Our share of the fast growing centralised electronic printing business grew with a significant increase in machine placements and revenues. Market share in the declining electronic typewriter market was stable - the revolutionary quiet Piano typewriter will maintain our market position in 1990. The rapid growth of the facsimile market throughout Western Europe is reflected by a substantial increase in our installations and revenues.

## 4 Directors

The Directors shown on page 18 are in office at the date of this report. Mr B D Fournier was appointed Managing Director of the Company with effect from 1st June 1989, replacing Mr R E G Magnin who resigned from the Board. Messrs. W F Glavin, C P McColough and D R Myerscough resigned from the Board on 1st March 1989 and Messrs. W R Hicks, W C Lowe and N V Turnbull were appointed Directors on 4th April 1989. Mr L L Haddon was appointed a Director on 1st June 1989. The remaining Directors served throughout the year under review.

## 5 Tangible fixed assets

The additions to tangible fixed assets of the Group during the year amounted to £187.6m, the principal categories being:

	£m
Equipment on or for rental	147.1
Factories, warehouses, offices and plant in the United Kingdom	15.4
Factories, warehouses, offices and plant overseas	25.1

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 1989 the aggregate of the open market values of land and buildings exceeded net book values by approximately £110.1m for the Group, and by approximately £17.9m for the Company.

## 6 Research and development

In Cambridge, Rank Xerox EuroPARC continues to study human-computer interaction, with the aim of making office systems more easily understood and usable. Permanently linked to other Rank Xerox, Xerox and external academic centres of excellence throughout Europe, EuroPARC represents a significant contribution to European research and development. During the year, certain copier development work was transferred to Xerox as part of a worldwide rationalisation, and the European Systems Centre was formed at Welwyn Garden City to devise new systems software applications to meet the special needs of European markets.

## 7 Charitable and political contributions

During the year the Group made charitable donations of £1.6m, including £1.4m made within the United Kingdom. No political contributions were made by the Group during the year.



## 8 Employment policies

### *a Employee involvement*

In 1989 employees throughout the Group have continued to use "Leadership Through Quality", which is a total quality process, to focus their efforts on meeting customer requirements. Based on the "Family Group" concept, teams at each level of management have worked to refine their missions, customer requirements, supplier specifications and outputs. They have used problem solving techniques, competitive bench-marking and the concept of cost of non-conformance to customer requirements as the key features within this quality process. Information on company performance and progress is given to all employees at regular communication meetings and through a series of in-house magazines and reports. These meetings are based on senior management briefings given by the Managing Director of Rank Xerox Limited and his key executives. Each attendee of these briefings is required to carry out a follow-up meeting with his or her staff, at which similar information is passed on and employees are encouraged to ask questions and provide feed-back. A new policy on internal communications was launched in late 1989, ensuring consistency of approach across the Group.

During 1989, selected employees throughout the Group have been invited to participate in attitude/management behaviour surveys. These have enabled employees to express their views confidentially on the practices of their managers in the specific area of "Leadership Through Quality" and general areas of management such as internal communications and career planning.

### *b Employment of the disabled in the United Kingdom*

It is specified in Rank Xerox Personnel Policies and in the procedures to be followed by all employees involved in staff recruitment, that the ability of a candidate to perform the job is the paramount criterion for selection. Discrimination on the grounds of disability is specifically forbidden, except in the rare instances where the nature of the work cannot be adapted either to meet the specific disability of the candidate, or to be carried out in accordance with health and safety legislation.

Rank Xerox continues to face unusual difficulty in attracting disabled candidates due to the level of qualification in advanced systems required for many jobs and the relatively few vacancies being recruited for at any one time. The company is taking positive action in the training of the disabled through its Information Technology Centre (ITEC) at Colnbrook, Slough. This is a facility for training up to six disabled people at any time in the information technology skills relevant to industry's needs.

## 9 Auditors

On 1st January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, KPMG Peat Marwick McLintock have signified their willingness to continue in office, and a resolution for their re-appointment as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the Board

C J Payne

Secretary

22 January 1990

## Financial Statements - Rank Xerox Limited and Subsidiaries

### Consolidated profit and loss account

For the year ended 31 October 1989

	1989 £m	1988 £m
Turnover (note 3)	2635.6	2363.2
Cost of revenue (note 4)	1703.3	1458.0
Gross profit	932.3	905.2
Distribution costs (note 5)	493.5	471.0
Administrative expenses (note 6)	250.4	243.4
Income from shares in associated companies (note 12)	(117.9)	(108.8)
Interest receivable and similar income (note 7)	(115.5)	(89.5)
Interest payable and similar charges (note 7)	82.5	54.8
Xerox Corporation charges (note 8)	100.5	80.2
	693.5	651.1
Profit on ordinary activities before taxation	238.8	254.1
Tax on profit on ordinary activities (note 9)	110.4	115.2
Profit on ordinary activities after taxation	128.4	138.9
Dividends paid and proposed (note 10)	58.1	0.1
Outside shareholders' interests	1.0	1.0
Retained profit for the year (note 19)	69.3	137.8

The notes on pages 28 to 50 form part of the financial statements

## Balance sheets

At 31 October 1989

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
<b>Fixed assets</b>				
Tangible assets (note 11)	421.4	400.3	84.2	86.6
Investments (note 12)	392.7	356.5	86.2	82.5
	<u>814.1</u>	<u>756.8</u>	<u>170.4</u>	<u>169.1</u>
<b>Current assets</b>				
Stocks (note 13)	365.5	312.4	181.3	181.1
Debtors (note 14)	1685.6	1309.1	345.0	360.7
Cash at bank and in hand	52.6	64.4	20.4	1.2
	<u>2103.7</u>	<u>1685.9</u>	<u>546.7</u>	<u>523.0</u>
<b>Creditors: Amounts falling due within one year (note 15)</b>	<u>987.8</u>	<u>815.2</u>	<u>402.4</u>	<u>392.8</u>
<b>Net current assets</b>	<u>1115.9</u>	<u>870.7</u>	<u>144.3</u>	<u>130.2</u>
<b>Total assets less current liabilities</b>	<u>1930.0</u>	<u>1627.5</u>	<u>314.7</u>	<u>299.3</u>
<b>Creditors: Amounts falling due after more than one year (note 16)</b>	<u>555.7</u>	<u>366.3</u>	<u>84.2</u>	<u>55.4</u>
<b>Provisions for liabilities and charges (note 17)</b>	<u>100.4</u>	<u>94.8</u>	<u>2.1</u>	<u>1.7</u>
	<u>1273.9</u>	<u>1166.4</u>	<u>228.4</u>	<u>242.2</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)	434.7	358.0	(1.4)	(1.2)
Profit and loss account (note 19)	798.8	768.4	196.9	210.5
	<u>1266.4</u>	<u>1159.3</u>	<u>228.4</u>	<u>242.2</u>
<b>Outside shareholders' interests</b>	<u>7.5</u>	<u>7.1</u>	<u>-</u>	<u>-</u>
	<u>1273.9</u>	<u>1166.4</u>	<u>228.4</u>	<u>242.2</u>

  
B D Fournier  
Managing Director

  
J R Milligan  
Director, Finance & Control

Approved by the Board of Directors on 22 January 1990

The notes on pages 26 to 50 form part of the financial statements

## Consolidated statement of source and application of funds

For the year ended 31 October 1989

SOURCE OF FUNDS	1989 £m	1988 £m
<b>Funds from operations</b>		
Profit on ordinary activities before taxation	238.8	254.1
less: profit before taxation retained by associated companies	<u>103.8</u>	<u>98.2</u>
	135.0	155.9
add: depreciation and other items not involving the movement of funds	<u>147.0</u>	<u>79.5</u>
<b>Total funds from operations</b>	<u>282.0</u>	<u>235.4</u>
<b>Other sources</b>		
Disposal of fixed assets at net book value	61.2	53.8
Increase in creditors falling due in more than one year	<u>189.4</u>	<u>49.9</u>
<b>Total source of funds</b>	<u>532.6</u>	<u>339.1</u>
 <b>APPLICATION OF FUNDS</b>		
Additions to fixed assets	187.6	182.2
Taxation paid	39.0	45.7
Dividends paid	<u>60.7</u>	<u>46.8</u>
	287.3	274.7
Increase in working capital (analysed below)	<u>245.3</u>	<u>64.4</u>
<b>Total application of funds</b>	<u>532.6</u>	<u>339.1</u>

The notes on pages 26 to 50 form part of the financial statements

ANALYSIS OF CHANGE IN WORKING CAPITAL	1988 £m	1988 £m
Increase in stocks	53.1	30.9
Increase in debtors	387.9	264.4
Increase in creditors falling due within one year	(89.0)	(68.5)
	<u>352.0</u>	<u>226.8</u>
(Decrease) in net liquid funds:		
Cash at bank and in hand	(11.8)	(92.9)
Bank overdrafts and acceptances	(94.9)	(69.5)
	<u>(106.7)</u>	<u>(162.4)</u>
Increase in working capital	<u>245.3</u>	<u>64.4</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.

## 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.

**Foreign Currency Transactions:** Monetary assets and liabilities arising from a Group company's foreign currency transactions are translated into that company's local currency at the rates ruling at 31 October 1989. Profit and loss items are converted at rates approximating to the rates ruling when the transactions occurred. The resulting exchange differences, together with gains and losses which have arisen throughout the year on settlement of foreign currency transactions, are dealt with in the profit and loss account of the company concerned (note 6).

Discounts and premiums on forward exchange contracts are amortised on a straight line basis over the lives of the contracts.

**Foreign Currency Financial Statements:** On consolidation, balance sheets of individual Group companies that are denominated in foreign currencies are translated into Sterling at the rates ruling at 31 October 1989. 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 (note 19).

Gains and losses on loans to subsidiaries that represent a long-term investment by the Group are dealt with in the currency translation account (note 19).

#### 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 (note 14).

The Group has a large deferred tax asset comprising tax on unrealised intra-group profits (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 11c).

**f Pension costs**

Contributions to the Group's various schemes are determined on the basis of independent actuarial advice and any relevant local statutory requirements.

The amounts charged to the profit and loss account are designed to reflect the full actuarial cost attributable to the period.

For defined benefit plans the actuarial cost and the pension expense is calculated in accordance with Statement of Financial Accounting Standards No 87 issued by the United States 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 24, issued by the United Kingdom Accounting Standards Committee.

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 14c). Deferred profits, and the taxation attributable to them, are recognised in the profit and loss account when realised; for equipment and sold supplies, this is at the time of sale, for service parts, this is at the time of usage/expense of the materials, and for rental equipment, this is 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. Subsequent local carriage costs are normally expensed as incurred (note 13).

### **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 revenue is recognised when assets are leased either directly to customers under agreements classified as sales-type leases, or under finance leases. The present value of the minimum lease payments is recorded as sales revenue; the cost or carrying value of the leased assets, less any residual value, is charged to cost of revenue.

Interest income, which represents the difference between the gross value and the present value of the minimum lease payments (including any residual value), is allocated to accounting periods so as to provide a constant rate of return on the net investment in the leases (note 21).

The amount of the net investment in leases (ie. the total of lease payments receivable net of deferred interest but including any residual value) is included in Debtors (note 14).

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. 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 as incurred (note 4).

**As lessee:** assets employed under capital leases are recorded as tangible fixed assets at the lower of (a) the present value of the minimum lease payments when the lease begins, and (b) market value at that date. The corresponding obligations are classified as long terms loans within Creditors (notes 15 and 16).

Each lease payment is allocated between reduction of the obligation and interest expense so as to provide a constant rate of interest on the outstanding amount of the obligation (note 7).

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.

Rentals payable under operating leases are charged against profits as incurred.

## **2 Consolidated financial statements**

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

No profit and loss account for 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 (note 1g).

b. Turnover is analysed by geographic markets as follows:

	1989 £m	1988 £m
Europe	2429.7	2187.6
Other	205.9	175.6
Total	2635.6	2363.2

The category 'Other' includes the Group's operations in Africa, Australia, New Zealand 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 1989 represented a profit of £3.1m (1988 loss of £0.4m), and costs of £9.9m (1988 - £10.9m) in respect of redundancy programmes.

**7 Interest**

	1989 £m	1988 £m
<b>a Interest receivable and similar income comprises:</b>		
Short term deposits and loans to banks	5.6	9.2
Sales-type leases and credit sale agreements	109.0	74.5
Rank Xerox Holding BV and subsidiaries (net)	(0.6)	3.6
Other sources	1.5	2.2
	<u>115.5</u>	<u>89.5</u>
<b>b Interest payable and similar charges comprises:</b>		
Loans, other than from banks, not fully repayable within five years	1.2	3.0
Bank loans and other loans repayable within five years	79.4	49.7
Capital leases	1.9	2.1
	<u>82.5</u>	<u>54.8</u>

**8 Xerox Corporation charges**

Since 1 November 1976, the Group 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 Group receives from these activities, and amounted to £100.5m for the year ended 31 October 1989 (1988 - £80.2m).

## 9 Taxation

	1989 £m	1988 £m
a Tax on profit on ordinary activities comprises:		
Rank Xerox Limited and subsidiaries (note 9b)	44.3	57.6
Associated companies	<u>66.1</u>	<u>57.6</u>
	<u>110.4</u>	<u>115.2</u>
b The Group provision for the year is calculated as follows:		
United Kingdom Corporation tax:		
Current tax at 35% (1988 - 35%)	47.3	67.9
Double Tax Relief:	<u>(54.7)</u>	<u>(63.4)</u>
	(7.4)	4.5
Deferred	<u>(6.1)</u>	<u>28.7</u>
	(13.5)	33.2
Overseas:		
Current	31.0	43.2
Deferred	3.0	(0.5)
Prior year adjustments:		
Current	3.2	(2.0)
Deferred	<u>20.6</u>	<u>(16.3)</u>
	<u>44.3</u>	<u>57.6</u>

During 1989, unrelieved overseas tax in respect of dividends amounted to £6.5m. (1988 - £21.5m).

## 10 Dividends paid and proposed

Interim - paid	32.0	-
Special - paid	21.2	-
Special - proposed	4.8	-
Final - proposed	<u>0.1</u>	<u>0.1</u>
	<u>58.1</u>	<u>0.1</u>

A dividend of £100,298 (1988 - £79,041) 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 £m
<b>a Group</b>						
<b>Cost:</b>						
<i>At 1 November 1988</i>	179.8	79.2	269.4	7.3	386.4	922.1
Additions	6.9	6.5	23.8	3.3	147.1	187.6
Transfers	4.9	0.1	4.6	(6.0)	(3.6)	-
Disposals	(6.7)	(2.1)	(16.1)	-	(247.4)	(272.3)
Currency translation	9.9	2.9	15.5	0.4	17.4	46.1
<b>At 31 October 1989</b>	<b>194.8</b>	<b>86.6</b>	<b>297.2</b>	<b>5.0</b>	<b>299.9</b>	<b>883.5</b>
<b>Depreciation provision:</b>						
<i>At 1 November 1988</i>	42.9	43.5	151.0	-	284.4	521.8
Charge for period	7.3	5.8	47.2	-	66.9	127.2
Transfers	-	-	(14.5)	-	14.5	-
Disposals	(3.6)	(1.4)	(13.5)	-	(192.6)	(211.1)
Currency translation	2.9	1.6	9.6	-	10.1	24.2
<b>At 31 October 1989</b>	<b>49.5</b>	<b>49.5</b>	<b>179.8</b>	<b>-</b>	<b>183.3</b>	<b>462.1</b>
<b>Net book value:</b>						
<b>At 31 October 1989</b>	<b>145.3</b>	<b>37.1</b>	<b>117.4</b>	<b>5.0</b>	<b>116.6</b>	<b>421.4</b>
<i>At 31 October 1988</i>	<i>136.9</i>	<i>35.7</i>	<i>118.4</i>	<i>7.3</i>	<i>102.0</i>	<i>400.3</i>

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Assets in course of construction	Rental equipment	Total £m
<b>b Company</b>						
<b>Cost:</b>						
At 1 November 1988	45.0	20.2	54.4	0.1	0.8	120.5
Additions	0.1	21.2	13.9	-	1.0	36.2
Transfers	-	0.1	0.8	(0.1)	(0.8)	-
Disposals	(0.1)	(0.7)	(6.7)	-	(0.5)	(8.0)
At 31 October 1989	<u>45.0</u>	<u>40.8</u>	<u>62.4</u>	<u>-</u>	<u>0.5</u>	<u>148.7</u>
<b>Depreciation provision:</b>						
At 1 November 1988	4.6	6.3	22.4	-	0.6	33.9
Charge for period	0.9	18.0	18.0	-	0.1	37.0
Transfers	-	-	(0.1)	-	0.1	-
Disposals	(0.1)	(0.6)	(5.2)	-	(0.5)	(6.4)
At 31 October 1989	<u>5.4</u>	<u>23.7</u>	<u>35.1</u>	<u>-</u>	<u>0.3</u>	<u>64.5</u>
<b>Net book value:</b>						
At 31 October 1989	<u>39.6</u>	<u>17.1</u>	<u>27.3</u>	<u>-</u>	<u>0.2</u>	<u>84.2</u>
At 31 October 1988	<u>40.4</u>	<u>13.9</u>	<u>32.0</u>	<u>0.1</u>	<u>0.2</u>	<u>86.6</u>

- c i Rental equipment consists of xerographic and other equipment on or available for rental to customers under operating leases. In view of the material amounts involved, it has been disclosed separately.
- ii Rental equipment of the group includes £7.9m (1988 - £8.7m) 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 The cost of fixed assets includes £5.5m (1988 - £5.5m) in respect of interest capitalised on completed long term construction projects.
- v Land and buildings of the Group includes £26.1m (1988 - £24.0m) of assets which are not depreciated.

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

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Freehold	107.8	99.8	30.6	31.0
Long leasehold *	11.6	8.4	3.3	4.1
Short leasehold	25.9	28.7	5.7	5.3
	<u>145.3</u>	<u>136.9</u>	<u>39.6</u>	<u>40.4</u>

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

## 12 Fixed assets - investments

a These comprise:

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Shares in Group companies (note d)	-	-	54.6	45.9
Loans to Group companies	-	-	18.8	22.9
Associated companies (note b)	389.4	352.4	9.8	10.6
Other loans (note c)	3.0	3.1	3.0	3.1
Goodwill	0.3	1.0	-	-
	<u>392.7</u>	<u>356.5</u>	<u>86.2</u>	<u>82.5</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 £37.0m. Of this, £37.6m represented retained profits, whilst the effects of currency translation decreased net assets by £0.6m.

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 £14.2m (1988 - £10.6m) 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 1989 and 20 October 1988.

	1989 £m	1988 £m		1989 £m	1988 £m
Turnover	2179.2	1998.0	Rental equipment and other non-current assets	829.6	711.4
Depreciation and amortisation	170.6	151.7	Net current assets	162.3	206.4
Profit on ordinary activities before taxation	229.9	212.1		991.9	917.8
			Capital and reserves	784.6	714.1
			Creditors falling due after more than one year	207.3	203.7
				991.9	917.8

c Other loans consist of advances from the Group to the trustees of the Rank Xerox Share Purchase Scheme 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 1989 was £11.3m for both the Group and the Company (1988 - £11.4m) against which provision of £8.3m (1988 - £8.3m) has been made.

d/ Group companies

The principal subsidiaries of Rank Xerox Limited at 31st October 1989 are as follows:

	Country of Incorporation	Percentage of ordinary share capital owned		
		Direct	Indirect	Total
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	-	100	100
Rank Xerox (Finance) Limited	Australia	-	100	100
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
Xeroball SA	France	-	100	100
Burofinance SA	France	-	66	66
Office de Transformation Papetiere SA	France	-	100	100
Rank Xerox SA	France	100	-	100
Societe Industrielle Rank Xerox SA	France	-	73.6	73.6
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 (Hong Kong) Limited	Hong Kong	-	100	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 Finance Limited	New Zealand	-	100	100
Rank Xerox New Zealand Limited	New Zealand	100	-	100
Rank Xerox (Nigeria) Limited	Nigeria	60	-	60
Rank Xerox AS	Norway	-	100	100
Rank Xerox Portugal Equipamentos de Escritorio Limitada	Portugal	-	100	100
Rank Xerox (Singapore) Pte Ltd	Singapore	-	100	100
Rank Xerox Espanola SA	Spain	100	-	100
Rank Xerox de Financiacion SA	Spain	-	100	100
Rank Xerox AB	Sweden	100	-	100
Finansaktiebolaget Rank Xerox Credit	Sweden	-	100	100
Rank Xerox AG	Switzerland	-	100	100
Rank Xerox Finance AG	Switzerland	-	100	100
Rank Xerox Uganda Limited	Uganda	-	100	100

(i) The Group also has branches operating outside the UK, principally in Angola, Malaysia and Mozambique.

(ii) Rank Xerox (Ireland) Limited operates in the Republic of Ireland.



### 13 Stocks

a The Group's principal activities include both sale and rental of document processing 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 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Raw materials and consumables	10.1	16.4	4.2	7.6
Work in progress	18.3	23.5	17.9	23.5
Finished goods and goods for resale:				
Consumables, spares and paper	156.8	121.1	51.6	32.4
Equipment	180.3	151.4	107.6	97.6
	<u>365.5</u>	<u>312.4</u>	<u>181.3</u>	<u>161.1</u>

c Stocks are valued in accordance with the principles stated in note 17, 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 expenditure in the normal course of business in bringing a product or service to its present location and condition.

**14 Debtors**

a These comprise:

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
<b>Due within one year:</b>				
Trade debtors	370.1	322.9	28.4	22.6
Finance lease receivables	305.6	215.7	-	0.8
Owed by the Rank Xerox Holding BV Group	-	-	8.4	18.1
Owed by Xerox Corporation & Subsidiaries	29.5	29.2	6.7	9.9
Amounts owed by Group companies:				
Dividends	-	-	33.2	65.0
Other	-	-	162.3	157.1
Amounts owed by associated companies	21.5	19.6	20.8	19.2
Other debtors	10.9	7.7	4.4	2.1
Prepayments and accrued income	163.8	142.6	11.4	11.0
Deferred taxation (notes c, d and e)	3.0	14.4	-	-
Pension prepayments (note 17b)	64.1	45.1	56.8	40.0
	<u>968.6</u>	<u>797.2</u>	<u>332.4</u>	<u>345.8</u>
<b>Due in more than one year:</b>				
Finance lease receivables	635.2	429.5	-	1.4
Owed by fellow subsidiaries	52.6	50.5	-	-
Other debtors (note b)	29.3	31.9	12.6	13.5
	<u>717.1</u>	<u>511.9</u>	<u>12.6</u>	<u>14.9</u>
	<u>1685.6</u>	<u>1309.1</u>	<u>345.0</u>	<u>360.7</u>

b Other debtors include a loan of £20,000 (1988 - £15,000) to an officer of the Company.

c Deferred taxation shown above comprises:

Deferred taxation (note d)	(19.4)	(13.7)	-	-
less taxation on unrealised intra-Group profits (note 1g):				
Stocks and rental equipment	22.4	27.5	-	-
Other tangible fixed assets	-	0.6	-	-
	<u>3.0</u>	<u>14.4</u>	<u>-</u>	<u>-</u>

a The deferred taxation balance at 31 October comprises:

	1989 Potential liability £m	1989 Provision in accounts £m	1988 Potential liability £m	1988 Provision in accounts £m
<b>Group</b>				
Timing differences:				
Fixed assets	6.9	0.7	(10.4)	3.2
Sales-type leases	15.8	10.7	64.7	8.4
Other	45.0	8.0	16.7	2.1
	<u>67.7</u>	<u>19.4</u>	<u>71.0</u>	<u>13.7</u>
<b>Company</b>				
Timing differences:				
Fixed assets	0.3	-	1.6	-
Sales-type leases	1.2	-	(0.3)	-
Other	6.1	-	2.2	-
	<u>7.6</u>	<u>-</u>	<u>3.5</u>	<u>-</u>

e Movements on the deferred taxation provision were as follows:

	Group £m	Company £m
Balance at 1 November 1988	14.4	-
Profit and loss account	(17.5)	-
Currency translation	6.1	-
Balance at 31 October 1989	<u>3.0</u>	<u>-</u>

**15 Creditors: amounts falling due within one year**

a These comprise:	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Bank loans and overdrafts:				
Overdrafts and acceptances	191.5	96.6	18.4	20.3
Long term loans due within one year (note 16e)	201.4	165.0	4.5	8.1
Trade creditors	123.4	110.4	38.2	43.1
Amounts owed to Xerox Corporation and subsidiaries	37.9	31.6	20.6	18.0
Amounts owed to Rank Xerox Holding BV and subsidiaries	100.9	115.1	4.6	2.8
Amounts owed to Group companies	-	-	272.1	249.4
Amounts owed to associated companies	1.3	4.6	-	-
Other creditors including taxation and social security (note b)	54.0	63.9	10.3	14.3
Accruals and deferred income	277.4	228.0	33.7	36.8
	<u>987.8</u>	<u>815.2</u>	<u>402.4</u>	<u>392.8</u>

b Other creditors including taxation and social security includes dividends payable of £4.9m (1988 - £7.5m) for both the Group and the Company, and current taxation payable of £19.8m for the Group (1988 - £28.5m) and of £6.4m for the Company (1988 - £6.8m).

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

a These comprise:	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Long term loans (note b):				
Debenture loans	108.1	101.0	-	-
Bank loans and overdrafts (note c)	400.0	241.6	-	1.0
Other loans (note c)	47.6	23.7	10.8	13.1
Amounts owed to Group companies	-	-	73.4	41.3
	<u>555.7</u>	<u>366.3</u>	<u>84.2</u>	<u>55.4</u>

b Long term loans include £16.6m (1988 - £19.9m) and £9.9m (1988 - £12.7m) for the Group and the Company respectively, of amounts not fully repayable within 5 years. Of these loans, amounts repayable by instalments were £16.6m (1988 - £19.9m) for the Group and £9.9m (1988 - £12.7m) for the Company. Aggregate instalments due after more than 5 years totalled £9.0m (1988 - £13.7m) for the Group and £4.3m (1988 - £8.2m) for the Company.

c Included in bank loans and overdrafts falling due after more than one year are amounts repayable within one year which are supported by committed bank facilities extending between one and five years under which the loans can be refinanced on a continuing basis. £211.7m (1988 - £91.1m) of debt supported by committed facilities have been classified in this way.  
The 1988 comparative figures have been restated to reflect this.

d The aggregate amount of secured loans was £4.2m (1988 - £3.0m) 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' includes non-current capital lease obligations (note 21a) which are specifically secured on the leased assets involved.

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

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
First year	201.4	165.0	4.5	8.1
Second year	181.0	149.0	2.8	2.0
Third year	210.9	91.1	74.5	43.0
Fourth year	110.4	74.2	1.3	1.1
Fifth year	44.4	38.9	1.3	1.1
Sixth to tenth years	4.7	11.5	2.1	8.2
Thereafter	4.3	1.6	2.2	-
	<u>757.1</u>	<u>531.3</u>	<u>88.7</u>	<u>63.5</u>

f Loans are denominated in the following currencies:

	Group Interest rate (At 31 October 1989)				
Loans and capitalised leases not fully repayable within 5 years:					
All currencies	8.4%	16.6	19.9	9.9	12.7
Loans and capitalised leases fully repayable within 5 years:					
Sterling	11.2%	225.7	181.7	78.8	49.4
German marks	6.8%	123.9	93.9	-	-
Dutch guilders	7.3%	94.9	69.9	-	-
French francs	9.4%	188.8	106.2	-	-
Other currencies	8.9%	107.2	59.7	-	1.4
		<u>757.1</u>	<u>531.3</u>	<u>88.7</u>	<u>63.5</u>

## 17 Provisions for liabilities and charges

a These comprise:

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Pensions and similar obligations (note b)	81.0	70.0	-	-
Other provisions (note c)	19.4	24.8	2.1	1.7
	<u>100.4</u>	<u>94.8</u>	<u>2.1</u>	<u>1.7</u>

b Pensions and similar obligations comprise:

! The funded status of the Group's pension schemes which have adopted Statement of Financial Accounting Standards No 87 for the year ended 31 October is as follows:

	Group 1989 £m	Group 1988 £m
<b>Funded status at 31 October:</b>		
Projected benefit obligation	(446.7)	(412.8)
Plan assets at fair market value	641.3	521.0
Excess of plan assets over projected benefit obligation	194.6	108.2
<b>Add: Items not in financial statements:</b>		
Unrecognised net transition assets at date of initial application of SFAS 87	(116.7)	(126.4)
Unrecognised net (gain)/loss	(77.4)	12.6
Accrued pension schemes subject to SFAS 87	0.5	(5.6)
Accrued pension schemes not subject to SFAS 87	(17.4)	(19.3)
Balance at 31 October	<u>(16.9)</u>	<u>(24.9)</u>
<b>Comprising:</b>		
Pension accrual (note a)	(81.0)	(70.0)
Pension prepayment (note 14a)	64.1	45.1
Balance at 31 October	<u>(16.9)</u>	<u>(24.9)</u>

The actuarial present value of the accumulated benefit obligation was £319.2m (1988 - £323m).

ii The components of the net pension credit for the Group's pension schemes for the year ended 31 October are as follows:

	Group 1989 £m	Group 1988 £m
Pension schemes subject to SFAS 87:		
Benefits earned from current years service	18.4	22.9
Interest on projected benefit obligation	37.7	30.8
Return on plan assets	(61.1)	(57.6)
Net amortisation of transition assets	(8.5)	(15.7)
Net pension credit for the year	(13.5)	(19.6)
Costs of pension schemes not subject to SFAS 87	3.0	3.1
Net credit to the profit and loss account for the year	(10.5)	(16.5)

iii The projected benefit obligation was determined using discount rates varying from 4.5% to 10.0% (1988 - 4.5% to 10%) and long term rates of return on plan assets varying from 4% to 12% (1988 - 5% to 10%).

c Movements on the other provisions were as follows:

	Group £m	Company £m
Balance at 1 November 1988	24.8	1.7
Additions charged to the profit and loss account	11.0	1.9
Utilised during the period	(16.6)	(1.5)
Currency translation	0.2	-
Balance at 31 October 1989	19.4	2.1

### 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 £m	Issued and fully paid 1989 £m	1988 £m
'A' shares	7.6	7.4	7.4
'B' shares	7.6	7.4	7.4
'C' shares	7.8	7.5	7.5
'D' shares	7.6	7.5	7.5
'E' shares	0.1	0.1	0.1
	<u>30.7</u>	<u>29.9</u>	<u>29.9</u>

b The share premium account of £3.0m (1988 - £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 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Non-distributable reserves:				
Group companies	62.7	61.4	-	-
Associated companies	254.3	216.7	-	-
Currency translation account (note b)	117.7	79.9	(1.4)	(1.2)
	<u>434.7</u>	<u>358.0</u>	<u>(1.4)</u>	<u>(1.2)</u>

b Movements in reserves during the year were as follows:

i Currency translation account:

At 1 November 1988	79.9	87.1	(1.2)	(1.2)
Movement in year	37.8	(7.2)	(0.2)	-
At 31 October 1989	<u>117.7</u>	<u>79.9</u>	<u>(1.4)</u>	<u>(1.2)</u>