

RANK XEROX LIMITED AND SUBSIDIARIES

528750
575914

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 OCTOBER 1992



DIRECTORS OF RANK XEROX LIMITED

Chairman
P.A. Allaire

Managing Director
B.D. Fournier

M.B. Gifford
L. Gonzalez-Camino
W.R. Goode
O.P.M. Grouès
L.L. Haddon
W.R. Hicks
J.R. Milligan
R.T. Orrico
S.K. Singh
Dr. M. Smith
N.V. Turnbull
D.M. Yates

Secretary
C.J. Payne

Bankers
National Westminster Bank Plc

Registered Office
Parkway, Marlow
Buckinghamshire SL7 1YL

Registered Auditors
KPMG Peat Marwick
London

Registered Number
575914

RANK XEROX LIMITED AND SUBSIDIARIES
D I R E C T O R S ' R E P O R T

FINANCIAL STATEMENTS

The Directors present the balance sheet of the Parent Company, Rank Xerox Limited ('the Company') and the consolidated balance sheet as at 31 October 1992, together with the consolidated profit and loss account and consolidated cash flow statement for the year ended on that date, for the Company and its subsidiaries ('the Group').

The profit of the Group on ordinary activities after tax and minority interests was £79.4m.

Interim dividends of £64.5m were proposed and paid during the financial year on the 'A', 'B' and 'D' shares of the Company (note 9 to the Financial Statements).

A final dividend of £3.8m is proposed on the 'A', 'B', 'D' and 'E' shares of the Company.

Retained profits for the year were £11.1m. Transfers to non-distributable reserves in the year were £22.3m (note 19 to the Financial Statements).

PRINCIPAL ACTIVITIES

The business of the Group and its associates is research, development, manufacture, marketing and maintenance of document processing systems and equipment. This is supported by a portfolio of document services. The Group is also active in financing through its leasing operations.

Document processing encompasses a wide range of equipment, including copiers and duplicators, laser printers, scanners, electronic typewriters, facsimile machines, workstations, networks, production publishing systems and software.

Other Group activities include the marketing of paper and the manufacture and marketing of toner and related supplies.

BUSINESS REVIEW

A summary of the Group's business during 1992 can be found in the Managing Director's Review of the Year on page 20.

CHAIRMAN AND DIRECTORS

The Directors shown on page 34 are in office at the date of this Report. Mr R.T. Orrico was appointed on 1 November 1991, Mr W.R. Goode on 16 December 1991 and Mr S.K. Singh on 20 July 1992. Mr A.Z. Senter resigned from the Board on 13 July 1992 and Mr S.L. Tierney resigned on 16 July 1992. The remaining Directors served throughout the year under review.

The Directors and Officers are covered by a Directors' and Officers' Liability Insurance taken out and maintained by Xerox Corporation.

RANK XEROX LIMITED AND SUBSIDIARIES
D I R E C T O R S ' R E P O R T

TANGIBLE FIXED ASSETS

Changes in tangible fixed assets during the year are shown in note 11 on page 45 of this document.

The Directors are of the opinion that at 31 October 1992 the aggregate of the open market values of land and buildings exceeded net book values by approximately £38m for the Group. The net book values of land and buildings exceeded the aggregate of the open market values by approximately £5m for the Company.

RESEARCH AND DEVELOPMENT

Following the announcement of the establishment of the Rank Xerox European Research Centre, the Group has appointed Dr Hervé Gallaire as its director. He is responsible for a new laboratory to be established in Grenoble, France and the existing EuroPARC site in Cambridge, UK.

The new laboratory will focus on the use of documents in multinational and multilingual environments, and will collaborate with universities, commercial laboratories and State institutions. Rank Xerox EuroPARC continues to study human-computer interaction, looking for ways to make office systems more supportive of the way people work.

Also appointed in 1992 was Guy Rabbat as director of the European Systems Centre. During the year, redevelopment of the Welwyn Garden City site began, and first-phase construction of its new facilities is due to start during 1993. The Centre supports Group activities through product and software development, systems integration, customer support and multinational support documentation.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Group made charitable donations of £0.4m, including £0.1m made within the United Kingdom. No political contributions were made by the Group during the year.

EMPLOYMENT POLICIES

(a) Employee Involvement

The Group believes that employees must be informed about the state of the business and involved in issues that affect their working environment. Information is given to all employees through regular communication meetings and in-house magazines and reports. Communication meetings are based on senior management briefings from the Managing Director of the Company and his key executives. Each attendee of these briefings is required to cascade the information through the team meeting process to all his/her staff. During these meetings employees are encouraged to ask questions and provide feedback. The effectiveness of the meetings is measured and improvements to the format made accordingly.

'Leadership Through Quality' remains a cornerstone in focusing employees' efforts towards meeting customer requirements and reducing the cost of non-conformance. Problem-solving techniques and benchmarking are used pervasively by all levels of employee. This process has also been used to improve employee motivation and satisfaction. Rank Xerox has a process in place across all Rank Xerox operations to assist the Company achieve its desired status as 'Employer of Choice' in the relevant industry sector. Employees have their opinions sought, via an attitude survey, on a range of subjects concerning their workplace and employment with the

RANK XEROX LIMITED AND SUBSIDIARIES
D I R E C T O R S ' R E P O R T

Company; the collective results are subsequently published to all employees. Employees are then involved in analysing the root causes of any dissatisfaction and helping to plan improvement. The process then starts again, twelve months after the previous survey. Rank Xerox benchmarks its survey results and Human Resource practices with other organisations, in order to learn from other 'best practices'.

(b) Equality of Opportunity in the United Kingdom

As highlighted above, Rank Xerox recognises the critical importance of its human resources and that the Company's success is dependent on the quality of the contributions of all its employees. It is committed to equality of opportunity for all employees and applicants for employment. Within the United Kingdom, Rank Xerox has in place a number of policies and initiatives to strengthen the Company's approach to equal opportunities and to provide a framework that fosters innovative solutions to employment needs. The introduction of an enhanced Maternity Absence scheme and a Career Break policy has helped the Company in attracting and retaining women employees. Initiatives have been taken to widen the scope for flexible working and Rank Xerox now operates home-working, job sharing, job splitting and term-time working. In parallel, the Rank Xerox Pension Scheme has been updated to accommodate all forms of flexible working contracts for permanent staff.

It is specified in Rank Xerox Personnel Policies and in the procedures followed by all employees involved in the selection of staff, that the ability of a candidate to perform the job is the paramount criterion.

Discrimination by reason of a person's disability is specifically prohibited, except in those instances where the nature of the work cannot be adapted, either to meet the specific disability of the candidate, or to be in accordance with health and safety requirements. Wherever necessary the Company will assist people with a disability to attend an interview and to demonstrate their abilities. Every effort is made to assist and provide continuous employment to those employees who become disabled during their employment with the Company.

The Company is a member of the Employers' Forum on Disability which seeks new ways of encouraging the employment of people with a disability.

In 1992 the company won the "Women in Business Award". This award, sponsored by the London Business School, British Gas Plc and 'The Independent' newspaper, is made to the organisation doing the most to develop and promote women into management.

AUDITORS

The Auditors, KPMG Peat Marwick, have signified their willingness to continue in office, and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



C J Payne

Secretary

19 January 1993

RANK XEROX LIMITED AND SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 1992

	<i>Note</i>	1992 £m	1991 £m
Turnover*	3,4	2923.3	2766.4
Cost of revenue	3,4	(1879.0)	(1742.2)
Gross profit		1044.3	1024.2
Distribution costs	5	(532.9)	(507.2)
Administrative expenses	4,5	(330.4)	(300.7)
Income from associates	12D	85.8	101.9
Interest income	4,6	13.7	12.6
Interest expense	4,6	(31.6)	(22.7)
Xerox Corporation charges	7	(97.5)	(102.0)
Profit on ordinary activities before tax		151.4	206.1
Tax on profit on ordinary activities	8	(69.9)	(88.9)
Profit on ordinary activities after tax		81.5	117.2
Minority interests		(2.1)	(2.0)
Profit for the financial year		79.4	115.2
Dividends paid and proposed	9	(68.3)	(55.5)
Retained profit for the year	19B	11.1	59.7

The notes on pages 41 to 60 form part of these financial statements.

* Turnover now includes Leasing income (Note 4, page 43).

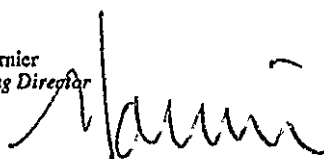
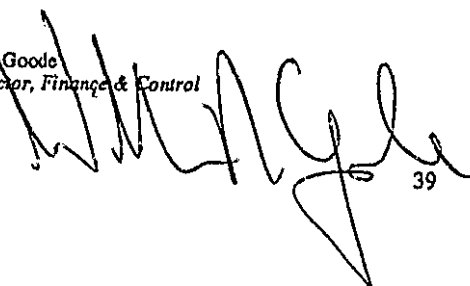
RANK XEROX LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AT 31 OCTOBER 1992

	Note	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Fixed assets					
Intangible assets	10	7.9	-	-	-
Tangible assets	11	359.7	309.3	91.2	74.3
Investments	12	528.4	416.6	117.3	115.8
		896.0	725.9	208.5	190.1
Current assets					
Stocks	13	368.2	336.8	173.9	163.5
Debtors					
Due within one year	14	1335.5	1081.9	376.1	322.5
Due after more than one year	14	1372.7	1020.3	65.8	54.1
Deposits and cash		36.9	45.0	5.4	2.1
		3113.3	2484.0	621.2	542.2
Creditors due within one year					
Borrowings	15	645.6	495.7	47.2	44.7
Other creditors	15	665.0	602.3	434.5	340.3
Net current assets		1802.7	1386.0	139.5	157.2
Total assets less current liabilities		2698.7	2111.9	348.0	347.3
Creditors due after more than one year					
Borrowings	16	960.0	612.2	10.5	8.5
Provisions for liabilities and charges	17	172.1	128.9	28.9	14.9
Net assets		1566.6	1370.8	308.6	323.9
Capital and reserves					
Called up share capital	18	30.1	29.9	30.1	29.9
Share premium account	18	6.9	3.0	6.9	3.0
Other reserves	19	709.5	505.1	(1.3)	(1.6)
Profit and loss account	19	815.2	823.1	272.9	292.6
Shareholders' funds		1561.8	1361.1	308.6	323.9
Minority interests		4.8	9.7	-	-
Total capital employed		1566.6	1370.8	308.6	323.9

Approved by the Board of Directors on 19 January 1993 and signed on its behalf by:

B D Fournier
Managing Director

W R Goode
Director, Finance & Control


RANK XEROX LIMITED AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 1992

	<i>Note</i>	1992 £m	1991 £m
Net cash inflow from operating activities before finance lease receivables	23A	116.4	173.0
Increase in finance lease receivables		(309.4)	(235.5)
Net cash (outflow) from operating activities		(193.0)	(62.5)
Returns on investments and servicing of finance			
Interest income		13.7	12.6
Interest expense		(30.5)	(21.1)
Interest element of capital lease payments		(1.1)	(1.6)
Dividends received from associates		14.2	14.6
Dividends paid to:			
Shareholders		(64.6)	(139.5)
Minorities		(0.6)	(1.6)
Net cash (outflow) from returns on investments and servicing of finance		(68.9)	(136.6)
Tax paid		(36.3)	(53.3)
Investing activities			
Purchase of tangible fixed assets		(130.7)	(86.9)
Sale of tangible fixed assets		35.7	16.4
Proceeds from transfer of South Pacific Operation		-	162.0
Net cash (outflow)/inflow from investing activities		(95.0)	91.5
Net cash (outflow) before financing		(393.2)	(160.9)
Financing			
Net increase in loan finance	23B	406.6	94.8
Capital element of finance lease payments		(4.3)	(6.3)
Net cash inflow from financing		402.3	88.5
Increase/(decrease) in cash and cash equivalents	23C	9.1	(72.4)

RANK XEROX LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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 convention and in accordance with applicable United Kingdom Accounting Standards.
-
- (B) Basis of consolidation These statements incorporate the financial statements of Rank Xerox Limited and all of its subsidiary undertakings, ('Rank Xerox Limited and Subsidiaries'), after elimination of intra-group transactions and the profits thereon.
-
- (C) Translation of foreign currencies On consolidation, balance sheets of individual subsidiaries that are denominated in foreign currencies are translated into Sterling at the rates ruling at the balance sheet date. Profit and loss items are translated at rates approximating to the rates ruling when the transactions occurred and unrealised profits on intra-group transactions 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) and reported on the Balance Sheet within 'Other reserves'. Gains and losses arising from foreign currency transactions are dealt with in the profit and loss account of the subsidiary concerned (note 5).
-
- (D) Intangible fixed assets - Goodwill Purchased goodwill arising from any acquisitions is capitalised and amortised through the profit and loss account over its useful economic life (note 10).
-
- (E) Tangible fixed assets These are carried at cost and adjusted for depreciation, on a straight line basis, at rates intended to write off the cost, less estimated residual value, over the estimated useful life of the respective assets, as follows:
- | | |
|------------------------------|-----------------|
| Freehold land | Not depreciated |
| Freehold buildings | 40 - 100 years |
| Leasehold land and buildings | Term of lease |
| Plant and machinery | 5 - 13 years |
| Fixtures and fittings | 10 - 20 years |
| Vehicles | 3 - 5 years |
| Rental equipment | 2 - 5 years |
-
- (F) Stocks Stocks are stated at the lower of cost and net realisable value (note 13).
-
- (G) Unrealised intra-group profits Profits arising on the sale of equipment and supplies between Group companies, and on similar sales to associates, are deferred in the consolidated balance sheet along with the related tax, until realised. The unrealised element of profit is deducted from the carrying value of equipment and supplies, while the related tax is included within the deferred tax balance (note 17C).

(H) Leasing arrangements As lessor: sales revenue is recognised when assets are leased to customers under finance lease agreements (which include sales-type lease agreements). The present value of the minimum lease payments is recorded as sales revenue; the cost or carrying value of the leased assets, less the present value of any residual, plus any related interest payable is charged to cost of revenue. Lease interest income is allocated to accounting periods so as to provide a constant rate of return on the net investment in the leases (note 20). The net investment in leases is included in Debtors (note 14). All other lease agreements with customers are classified as operating leases. Rental income from customers under operating leases is 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 term loans within Creditors (notes 15 and 16). Depreciation is charged to the profit and loss account on a straight line basis. All other leases are classified as operating leases and the rentals payable under such agreements are charged against profits as incurred.

(I) Pension costs The actuarial cost and the pension expense for defined benefit plans are calculated in accordance with the United States Statement of Financial Accounting Standard No. 87. So far as the Group's Financial Statements are concerned, there is no material difference between the requirements of this Statement and those of the United Kingdom Statement of Standard Accounting Practice No. 24 (note 21). Prepayments relating to funded defined benefit pension schemes are included within Debtors (note 14). Provisions relating to unfunded pension schemes in certain overseas subsidiaries are included within Provisions for Liabilities and Charges (note 17). The pension cost of the Group's defined contribution schemes represents contributions paid to these schemes during the year.

(J) 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. Full provision is now made for the deferred tax implications of defined benefit pension schemes (note 17D). No provision is made where it is probable that an asset or liability will not crystallise. The Group has a deferred tax asset comprising tax on unrealised intra-group profits (note 1G).

(K) Research and development Expenditure on product research and development is charged to profit and loss account as incurred.

2 CONSOLIDATED FINANCIAL STATEMENTS

These statements include the results of a significant volume of transactions, covering equipment, goods and services, with the Rank Xerox Holding BV Group, which is owned directly by Xerox Corporation and a subsidiary of The Rank Organisation Plc. As a result of these transactions, the turnover of Rank Xerox Limited and Subsidiaries exceeds that of the Proforma Group since, for the Proforma Group, these transactions are intra-group and therefore eliminated.

As provided for by section 230 of the Companies Act 1985, no profit and loss account for Rank Xerox Limited is presented in these statements.

3 TURNOVER AND COST OF REVENUE

(A) Content of turnover This consists of revenue earned in the year from the sale and rental of document processing equipment, the sale of paper and supplies, the provision of service and maintenance, and interest income from leasing operations. Turnover includes sales to the Group's associates (note 1G).

(B) Geographic analysis of turnover	1992	1991
	£m	£m
Europe	2855.6	2659.4
Other	67.7	107.0
Total	2923.3	2766.4

(C) Segmental information In accordance with the exemption allowed under Statement of Standard Accounting Practice No. 25 - Segmental Reporting, no further disclosure of segmental information is included in these Financial Statements as, in the opinion of the Directors, such disclosure would be seriously prejudicial to the interests of the Group.

- (D) Cost of revenue description The prescribed format for the profit and loss account in the Companies Act 1985 uses the term 'Cost of Sales'. The Group's turnover contains significant income from equipment service contracts, and, in the opinion of the Directors, this cost item is more meaningfully described by the term 'Cost of Revenue'.

4 TREATMENT OF LEASING OPERATIONS

The treatment of interest and other income from finance leases and credit sale agreements and the related interest expense within leasing operations has been amended in the 1992 accounts. The leasing activities are an integral part of the marketing strategy of the Group and, in accordance with section 262 of the Companies Act 1985, fall within the Group's ordinary activities. Accordingly, leasing income and interest expense have been included within turnover and cost of revenue respectively. Previously these were shown as part of interest income, interest expense and administrative expenses.

1991 comparative figures have been adjusted to the revised basis and the following table shows the effect of the reclassification.

	Note	1992 £m	1991 £m
Revised disclosure	Turnover (ie. leasing income)	247.6	195.4
	Cost of revenue (ie interest expense)	(116.3)	(91.2)
	Gross profit impact	131.3	104.2
Previous disclosure	Administrative expenses (ie. leasing income other than interest)	26.9	21.8
	Interest income	220.7	173.6
	Interest expense	(116.3)	(91.2)
		131.3	104.2

5 DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

- (A) Distribution costs Distribution costs of £532.9m (1991 - £507.2m) 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.

- (B) Administrative expenses Administrative expenses of £330.4m (1991 - £300.7m) include the following (profit)/cost items:

Research and development expenditure incurred in the year	28.8	25.5
Redundancy programmes	13.0	12.2
Foreign exchange impacts on transactions	1C	(3.9)
Sale of surplus facilities	(3.9)	(13.2)
Auditors remuneration for audit work	1.2	1.2

Auditors remuneration for non-audit work, performed in the UK, for the year ended 31 October 1992 was £0.2m.

INTEREST

(A) Interest income	Short term deposits and loans to banks	6.1	6.9
	Fellow subsidiaries (net)	3.6	2.1
	Other sources	4.0	3.6
		13.7	12.6

Interest income from finance leases and credit sale agreements within leasing operations of £220.7m (1991 - £173.6m) has been included in turnover (note 4).

(£) Interest expense

	Note	1992 £m	1991 £m
Bank loans and other loans repayable within five years		145.3	111.0
Loans, other than from banks, not fully repayable within five years		1.5	1.3
Capital leases		1.1	1.6
		147.9	113.9
Less leasing interest classified within Cost of revenue	4	(116.3)	(91.2)
		31.6	22.7

7 XEROX CORPORATION CHARGES

The Group is charged with a proportion of research and development and corporate overhead expenses incurred by its ultimate parent company, Xerox Corporation. These charges reflect the benefits that the Group receives from these activities, and amounted to £97.5m for the year ended 31 October 1992 (1991 - £102.0m).

8 TAX

Analysis of Group tax charge
for the year

United Kingdom corporation tax:			
Current tax at 33.0% (1991 - 33.4%)		24.2	32.4
Double tax relief		(23.8)	(32.0)
Total current tax		0.4	0.4
Deferred tax		7.9	(0.9)
Total United Kingdom corporation tax		8.3	(0.5)
Overseas tax:	current	17.9	37.9
	deferred	2.7	1.5
Prior year adjustments:	current	(13.9)	(4.3)
	deferred	5.1	0.1
		20.1	35.0
Associates (predominantly Fuji Xerox Co., Ltd)	12D	49.8	53.9
Total Rank Xerox Limited and Subsidiaries tax		69.9	88.9

During 1992, unrelieved overseas tax in respect of dividends amounted to £5.0m (1991 - £7.9m).

DIVIDENDS PAID AND PROPOSED

Interim - paid	64.5	55.4
Final - proposed	3.8	0.1
	68.3	55.5

10 INTANGIBLE FIXED ASSETS - GOODWILL

During the year the Group acquired the remaining 51% of the nominal share capital of Rank Xerox Noleggi SpA, which was previously an associate, for a cash consideration of £0.7m. Goodwill of £3.1m arising on this acquisition has been capitalised and is being amortised on a straight line basis over 20 years. The amortisation charged to the profit and loss account in the year was £0.2m.

11 FIXED ASSETS - TANGIBLE ASSETS

(A) Group

	Land and Buildings	Plant and Machinery	Fixtures Fittings Tools and Equipment	Assets in Course of Construction	Rental Equipment	Total £m
Cost						
At 1 November 1991	177.9	87.6	291.0	2.7	137.4	696.6
Additions	15.9	9.7	40.3	2.3	66.3	134.5
Disposals	(17.8)	(11.4)	(19.3)	(0.1)	(71.0)	(119.6)
Net stock transfers	-	-	(13.8)	-	16.1	2.3
Currency translation	15.3	6.6	31.8	0.5	22.0	76.2
At 31 October 1992	191.3	92.5	330.0	5.4	170.8	790.0
Depreciation Provision						
At 1 November 1991	50.9	57.1	186.9	-	92.4	387.3
Charge for period	6.5	5.5	40.6	-	45.0	97.6
Disposals	(6.1)	(13.0)	(16.6)	-	(50.7)	(86.4)
Net stock transfers	-	-	(23.3)	-	11.4	(11.9)
Currency translation	5.6	4.2	20.3	-	13.6	43.7
At 31 October 1992	56.9	53.8	207.9	-	111.7	430.3
Net book value						
At 31 October 1992	134.4	38.7	122.1	5.4	59.1	359.7
At 31 October 1991	127.0	30.5	104.1	2.7	45.0	309.3

(B) Analysis of net book value of Land and Buildings

	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Freehold	97.9	93.8	30.1	29.8
Short leasehold	27.1	23.8	4.7	4.6
Long leasehold *	9.4	9.4	1.9	3.4
	134.4	127.0	36.7	37.8

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

(C) Company

	Land and Buildings	Plant and Machinery	Fixtures Fittings Tools and Equipment	Assets in Course of Construction	Rental Equipment	Total £m
Cost						
At 1 November 1991	44.3	40.7	71.4	-	0.1	156.5
Additions	1.5	4.8	21.6	2.1	-	30.0
Disposals	(2.2)	(8.9)	(8.8)	-	-	(19.9)
Currency translation	-	-	-	-	(0.1)	(0.1)
At 31 October 1992	43.6	36.6	84.2	2.1	-	166.5
Depreciation Provision						
At 1 November 1991	6.5	29.1	46.5	-	0.1	82.2
Charge for period	1.1	2.4	9.1	-	-	12.6
Disposals	(0.7)	(10.9)	(7.8)	-	-	(19.4)
Currency translation	-	-	-	-	(0.1)	(0.1)
At 31 October 1992	6.9	20.6	47.8	-	-	75.3
Net book value						
At 31 October 1992	36.7	16.0	36.4	2.1	-	91.2
At 31 October 1991	37.8	11.6	24.9	-	-	74.3

(D) Additional fixed asset data

Rental equipment consists of document processing equipment on rental to customers under operating leases.

The cost of fixed assets for both the Group and the Company includes £5.4m (1991 - £5.4m) in respect of interest capitalised on long term construction projects.

Land and buildings of the Group includes £20.2m (1991 - £20.6m) of land which is not depreciated.

12 FIXED ASSETS - INVESTMENTS

(A) Summary

	Note	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Shares in Group companies	12F	-	-	104.5	104.6
Interests in associates	12C	525.8	413.0	10.5	9.5
Other loans	12B	2.6	2.7	2.6	2.7
		528.4	416.6	117.3	115.8

(B) Other loans

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. They do not currently bear interest.

(C) Interests in associates

	Note	Group 1992 £m	Group 1991 £m
At 1 November		413.9	335.5
Retained earnings for the year	12D	21.8	33.4
Currency translation on the Group's share of net assets in associates		90.1	45.0
At 31 October		525.8	413.9

(D) Income from associates

Income before tax		85.8	101.9
Tax	8	(49.8)	(53.9)
Income after tax		36.0	48.0
Dividends receivable		(14.2)	(14.6)
Transfer to non-distributable reserves	19B	21.8	33.4

(E) Associates - detail

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

No provision has been made for any additional taxation which would arise if the investments in associates 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 principal associate 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 document processing equipment and related supplies in Japan, the Far East and in the South Pacific region, 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.

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 1992 and 20 October 1991.

	1992 £m	1991 £m
Profit and Loss Account		
Turnover	2962.2	2572.4
Depreciation and amortisation	199.0	200.8
Profit on ordinary activities before taxation	165.2	197.7
Balance Sheet		
Fixed assets	1500.8	1184.8
Net current assets	401.1	143.5
	1901.9	1328.3
Capital and reserves	1144.4	923.7
Creditors due after more than one year	757.5	404.6
	1901.9	1328.3

(F) Subsidiaries

The principal subsidiaries of Rank Xerox Limited at 31 October 1992 were as follows:

		Country of incorporation	Percentage of ordinary share capital owned		
			Direct	Indirect	Total
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 (Copy Bureaux) Limited		England	-	100	100
Rank Xerox Finance Limited	*	England	100	-	100
Rank Xerox (Ireland) Limited		England	100	-	100
Rank Xerox (R & S) Limited		England	-	100	100
Rank Xerox (UK) Limited		England	100	-	100
Rank Xerox Oy		Finland	100	-	100
Xerobail SA	*	France	-	100	100
Burofinance SA	*	France	-	66	66
Office de Transformation Papetière SA		France	-	100	100
Rank Xerox SA		France	100	-	100
Société Industrielle Rank Xerox SA		France	-	100	100
Rank Xerox GmbH		Germany	100	-	100
Rank Xerox Leasing GmbH	*	Germany	100	-	100
Rank Xerox Greece SA		Greece	100	-	100
Rank Xerox (Hong Kong) Limited		Hong Kong	100	-	100
Rank Xerox SpA		Italy	100	-	100
Rank Xerox Noleggi 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 (Nigeria) Limited		Nigeria	60	-	60
Rank Xerox AS		Norway	100	-	100
Rank Xerox Portugal Equipamentos de Escritorio Limitada		Portugal	74	26	100
Rank Xerox Crédito SA	*	Portugal	-	100	100
Rank Xerox Española SA		Spain	100	-	100
Rank Xerox de Financiación 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
Xerox Büro Araçları Ticaret ve Servis AS		Turkey	100	-	100
Rank Xerox Uganda Limited		Uganda	100	-	100

Subsidiaries marked * are involved solely with the leasing of document processing equipment.

All of the principal subsidiaries, as defined by section 258 of the Companies Act 1985, are included in the Group consolidation.

The principal activities of the above subsidiaries are the development, manufacture, marketing, maintenance and leasing of document processing equipment.

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

13 STOCKS

	Note	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Finished goods and goods for resale					
Equipment		190.6	174.5	105.2	97.7
Spares, consumables and paper		137.9	125.5	42.4	44.7
Raw materials and consumables		36.0	35.8	22.2	20.7
Work in progress		3.7	1.0	4.1	0.4
	1F	368.2	336.8	173.9	163.5

14 DEBTORS

(A) Due within one year

Trade debtors		413.2	342.0	14.8	14.2
Finance lease receivables	20B	612.6	437.4	-	-
Prepayments and accrued income		196.0	155.7	28.9	21.9
Amounts owed by:					
Fellow subsidiaries		48.6	77.0	3.9	37.2
Xerox Corporation and subsidiaries		39.0	29.6	37.1	25.6
Group companies - dividends		-	-	25.2	30.1
Group companies - other		-	-	241.1	169.2
Associates		19.4	32.6	19.2	21.4
Current tax		-	-	3.4	-
Other debtors		6.7	7.6	2.5	2.9
		1335.5	1081.9	376.1	322.5

(B) Due after more than one year

Finance lease receivables	20B	1204.5	884.3	-	-
Pension prepayments	21	138.3	110.7	59.2	48.5
Other debtors		29.9	25.3	6.6	5.6
		1372.7	1020.3	65.8	54.1

Other debtors due after more than one year include a loan of £20,000 (1991 - £20,000) to an officer of the Company.

15 CREDITORS - DUE WITHIN ONE YEAR

(A) Borrowings	Note	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Bank loans and overdrafts					
Long term loans		402.6	310.9	2.5	3.4
Overdrafts and acceptances		243.0	184.8	44.7	41.3
		645.6	495.7	47.2	44.7
(B) Other creditors					
Accruals and deferred income		349.2	292.4	37.1	39.3
Trade creditors		127.0	124.0	33.6	40.9
Amounts owed to:					
Xerox Corporation and subsidiaries		65.6	74.4	41.8	53.2
Fellow subsidiaries		83.9	48.2	78.0	40.8
Group companies		-	-	236.1	150.7
Associates		2.1	1.3	1.0	0.1
Other creditors and social security		30.4	30.0	3.1	3.2
Dividends payable		3.8	0.1	3.8	0.1
Current tax		3.0	31.9	-	12.0
		665.0	602.3	434.5	340.3

16 BORROWINGS - DUE AFTER MORE THAN ONE YEAR

(A) Analysis by category		Long term loans			
Bank loans and overdrafts	16C	838.0	534.2	-	-
Debenture loans		89.8	58.8	-	-
Other loans	16D	32.2	19.2	10.5	8.5
	16E	960.0	612.2	10.5	8.5

(B) Repayment after 5 years Long term loans include £13.6m (1991 - £9.1m) and £5.7m (1991 - £2.2m) for the Group and the Company respectively, of loans not fully repayable within five years, all of which are repayable by instalments. Aggregate instalments due after more than five years total £5.6m (1991 - £8.5m) for the Group and £3.3m (1991 - £2.2m) for the Company.

(C) Short/long term classification Certain 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, have been included in bank loans and overdrafts falling due after more than one year; £441.3m (1991 - £263.1m) of debt supported by committed facilities has been classified in this way.

(D) Secured and Other loans The aggregate amount of secured loans was £4.0m (1991 - £4.1m) for the Group. There were no secured loans to the Company. Such loans to the Group are generally secured on land and buildings. The category 'Other loans' includes non-current capital lease obligations, which are specifically secured on the leased assets involved.

(E) Repayment profile of total long term loans from balance sheet date

	Note	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Due within one year	15A	402.6	310.9	2.5	3.4
Due after more than one year					
Second year		475.5	248.8	2.4	1.6
Third year		277.8	234.6	2.6	1.8
Fourth year		152.3	90.9	1.5	2.0
Fifth year		47.8	29.4	0.7	0.9
Sixth to tenth years		4.0	5.3	1.6	-
Thereafter		2.6	3.2	1.7	2.2
Total due after more than one year	16A	960.0	612.2	10.5	8.5
		1362.6	923.1	13.0	11.9

(F) Currencies in which loans are denominated

	Group interest rate*	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Loans and capitalised leases not fully repayable within five years					
All currencies	8.9%	13.6	9.1	6.7	2.2
Loans and capitalised leases fully repayable within five years					
French francs	11.0%	424.0	309.9	-	-
Sterling	10.3%	270.1	235.9	6.3	9.7
German marks	8.7%	197.1	158.0	-	-
Spanish pesetas	14.1%	109.9	-	-	-
US dollars	9.2%	85.3	-	-	-
Dutch guilders	7.9%	48.9	102.1	-	-
Italian lira	16.0%	46.6	-	-	-
Swiss francs	7.9%	46.5	31.1	-	-
Other currencies	10.2%	120.6	77.0	-	-
		1362.6	923.1	13.0	11.9

* Based on rates ruling at 31 October 1992.

17 PROVISIONS FOR LIABILITIES AND CHARGES

(A) Composition

	Note	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Pensions and similar obligations	21	123.8	97.0	-	-
Other provisions	17B	16.0	22.3	6.0	2.9
Deferred tax	17E	22.3	9.6	22.9	12.0
		172.1	128.9	28.9	14.9

(B) Utilisation

The utilisation of other provisions was solely for the purposes for which they were originally established.

(C) Deferred tax

Deferred tax on timing differences	17D	35.3	23.1	22.9	12.0
Less: Tax on unrealised intra-Group profits on stocks and rental equipment	1G	(13.0)	(13.5)	-	-
		22.3	9.6	22.9	12.0

(D) Analysis of timing differences

	1992 Potential liability £m	1992 Provision in accounts £m	1991 Potential liability £m	1991 Provision in accounts £m
Group				
Fixed assets	(20.0)	-	(28.7)	-
Finance leases	94.7	15.2	80.4	15.9
Other	35.6	20.1	49.8	7.2
Balance at 31 October	110.3	35.3	101.5	23.1
Company				
Fixed assets	1.2	-	1.9	-
Other	19.2	22.9	9.5	12.0
Balance at 31 October	20.4	22.9	11.4	12.0

Timing differences relating to pension costs are included under other timing differences. The effect of adopting the full provision basis in accounting for the deferred tax implications of pension costs does not have a material impact on the prior year (note 1J).

The 1991 comparative figures for the Group have been restated following reclassification of certain items between fixed assets and finance leases.

(E) Movements on the deferred tax provision

	Group £m	Company £m
Balance at 1 November 1991	9.6	12.0
Profit and loss account	15.7	8.9
Currency translation	(3.0)	2.0
Balance at 31 October 1992	22.3	22.9

18 CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

(A) The Company's share capital	Shares of £1 each divided into classes as follows:	Authorised	Issued and	Issued and
			fully paid	fully paid
		£m	1992 £m	1991 £m
	<i>Note</i>			
'A' Shares		7.6	7.4	7.4
'B' Shares		7.6	7.4	7.4
'C' Shares	19B	7.8	7.6	7.5
'D' Shares	19B	7.6	7.6	7.5
'E' Shares		0.1	0.1	0.1
		30.7	30.1	29.9

(B) The Company's share premium account	Attributable as follows:	Note	1992	1991
			£m	£m
'C' Shares		19B	2.6	-
'D' Shares		19B	1.3	-
'E' Shares			3.0	3.0
			6.9	3.0

19 OTHER RESERVES AND PROFIT AND LOSS ACCOUNT

(A) Analysis of other reserves	Note	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Non-distributable reserves					
Group companies	19B	66.1	65.6	-	-
Associates	19B	345.5	323.7	-	-
Currency translation	19B	297.9	115.8	(1.3)	(1.6)
		709.5	505.1	(1.3)	(1.6)

(B) Movements in reserves

	<i>Note</i>	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Currency translation					
At 1 November		115.8	67.5	(1.6)	(1.4)
Movement in year		182.1	48.3	0.3	(0.2)
At 31 October		297.9	115.8	(1.3)	(1.6)

		Profit and loss account		Non-distributable reserves	
		Group	Company	Group	Associates
Other reserves and profit and loss account					
At 1 November 1991		823.1	292.6	65.6	323.7
Retained profit/(loss) for the year		11.1	(19.7)	-	-
Surplus on share exchange		3.4	-	-	-
Transfers	<i>12D</i>	(22.3)	-	0.5	21.8
At 31 October 1992		815.3	272.9	66.1	345.5

During the year, the 26.4% shareholding in the subsidiary Société Industrielle Rank Xerox S.A. held by Xerox Corporation and The Rank Organisation Plc was transferred to Rank Xerox S.A., in consideration for 285,137 'C' and 'D' shares issued at a premium. The resulting surplus has been taken directly to reserves.

(C) Allocation of reserves

The profit and loss account and non-distributable reserves at 31 October 1992 have been allocated in accordance with the Company's Articles of Association, as follows

	Profit and loss account		Non-distributable reserves	
	Group	Company	Group	Associates
'A' Shares reserves	24.5	8.2	0.6	3.2
'B' Shares reserves	24.5	8.2	0.6	3.2
General reserves	766.3	256.5	64.9	339.1
	815.3	272.9	66.1	345.5

(D) Other reserve data

The Group profit after tax includes a profit of £48.6m (1991 - £100.1m) attributable to the shareholders of Rank Xerox Limited, which has been dealt with in the financial statements of that 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 associates.

20 LEASING ARRANGEMENTS

(A) As lessee

The commitment at 31 October 1992 to make operating lease payments in the year to 31 October 1993 relates to leases which expire as follows

Group	1992		1991	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Leases expiring in:				
One year	1.7	6.2	2.7	3.8
Years two to five	17.1	22.1	14.9	24.1
More than five years	16.0	0.9	12.4	0.2
	34.8	29.2	30.0	28.1
Company				
Leases expiring in:				
One year	-	1.5	-	-
Years two to five	1.4	4.7	1.4	7.6
More than five years	1.8	-	1.6	-
	3.2	6.2	3.0	7.6

Rentals under operating leases charged against profits amounted to £75.4m (1991 - £68.6m) for the Group and £9.1m (1991 - £9.9m) for the Company. Of this, hire of plant and machinery amounted to £6.7m (1991 - £5.5m) for the Group and £4.0m (1991 - £4.0m) for the Company.

(B) As lessor

The Group leases equipment to customers under both operating leases and finance leases. Rentals receivable under operating leases normally include maintenance, service and parts, and may also include the provision of supplies, such as toner and paper. Total operating lease rental income in 1992 amounted to £121.3m (1991 - £128.6m) of which £54.9m (1991 - £61.8m) represented contingent rentals for equipment usage in excess of the contractual minimum. The net investment in finance leases at 31 October 1992 consisted of minimum lease payments due in the following years after the balance sheet date.

	Note	Group 1992 £m	Group 1991 £m
First year		813.7	590.2
Second year		559.6	448.2
Third year		402.2	324.8
Fourth year		248.6	188.5
Fifth year		103.1	73.9
Thereafter		142.4	35.6
Total minimum lease payments receivable		2269.6	1661.2
Unguaranteed residual values		64.7	42.0
		2334.3	1703.2
Less: Deferred interest income		478.2	358.9
Allowance for doubtful debts		39.0	22.6
		517.2	381.5
Net investment in finance leases	14	1817.1	1321.7

Note: There are no finance leases in the Company

21 PENSIONS

The Group operates various pension schemes consisting of both defined benefit plans and state sponsored schemes of a defined contribution nature. The net pension credit for the defined benefit schemes of the Group was £9.0m (1991 - £1.5m). The net pension cost for the defined contribution schemes and other schemes operated in accordance with local practice and legislation was £7.1m (1991 - £9.1m).

The majority of the defined benefit schemes are self administered and the schemes' assets are held independently of the Group's finances. Valuations of the defined benefit schemes operated by the Group are undertaken by qualified actuaries at least every three years, using the projected unit method and the annual contributions are paid in accordance with their recommendations.

Included in pension prepayments of £138.3m (1991 - £110.7m), within Debtors (note 14), is £123.4m (1991 - £101.4m) relating to the United Kingdom scheme which is the Group's principal funded defined benefit pension scheme. This scheme provides benefits based on final pensionable pay and the results of the most recent valuations were:

	1992	1991
Date of most recent valuation or review	1 October	1 October
Main assumptions		
Discount rate	10%	10%
Return on assets	12%	12%
Increase in salaries	7%	7%
Market value of investments at last valuation date	£580.4m	£596.3m
Level of funding, being the market value of assets expressed as a percentage of the accrued service liabilities	114%	146%

Acting on the advice of the actuaries no further contributions by the Group are currently required to the United Kingdom scheme and none are likely to be required during the next financial year.

Included in pensions and similar obligations of £123.8m (1991 - £97.0m), within Provision for liabilities and charges (note 17A), is £90.0m (1991 - £59.0m) relating to the German scheme, which is the Group's principal unfunded defined benefit plan.

22 DIRECTORS AND EMPLOYEES

(A) Average number of persons (including Directors) employed by the Group during the year

	1992 Number	1991 Number
Marketing operations	22,649	22,576
Manufacturing operations	2,533	2,172
	25,182	24,748

	1992 £m	1991 £m
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	582.1	541.0
Social security costs	92.8	83.6
Other pension costs	20.2	14.5
	695.1	639.1

(B) Remuneration of Directors

Remuneration of Chairman and Directors of Rank Xerox Limited

1992
£000's

1991
£000's

Emoluments for services as Executives

3,629

4,848*

* Includes £1.7m pension contributions, which relate primarily to prior years' services of certain Directors.

Emoluments of individual Directors:

Highest paid Director

692

589

Chairman - P.A. Allaire

32

5

- D.T. Kearns

-

230**

** Includes £204,000 retirement allowance.

	1992 Number	1991 Number
Nil	3	5
£30,001 - £35,000	3	3
£35,001 - £90,000	-	1
£105,001 - £110,000	1	-
£125,001 - £130,000	1	-
£145,001 - £150,000	-	1
£195,001 - £200,000	1	-
£205,001 - £210,000	1	1
£225,001 - £230,000	1	-
£230,001 - £235,000	-	1
£275,001 - £280,000	-	1
£325,001 - £330,000	-	2
£330,001 - £335,000	-	1
£375,001 - £380,000	1	-
£410,001 - £415,000	1	-
£460,001 - £465,000	1	-
£515,001 - £520,000	-	1
£545,001 - £550,000	1	-
£585,001 - £590,000	-	1
£690,001 - £695,000	1	-

(C) Directors' interests

The interests of the Directors of Rank Xerox Limited in office as at 31 October 1992 (including family interests) in the stock of Xerox Corporation are as follows:

		Common stock par value \$1.00 holding (units)	Common stock par value \$1.00 options (units)	Series "B" convertible preferred stock (units)
P.A. Allaire	a	22,838	214,711	143,821
	b	17,244	152,266	74,401
B.D. Fournier	a	-	38,609	-
	b	-	29,600	-
L. Gonzalez-Camino	a	-	4,500	-
	b	-	11,500	-
W.R. Gooch	a	-	6,600	-
	c	-	10,885	-
O.P.M. Grouès	a	-	5,900	-
	b	-	10,400	-
L.L. Haddon	a	900	7,500	-
	b	900	16,240	-
W.R. Hicks	a	8,583	63,805	143,821
	b	9,516	73,916	74,401
J.R. Milligan	a	5,882	19,842	143,821
	b	4,147	12,200	74,401
R.T. Orrico	a	799	3,675	51.18
	b	757	12,850	51.18
S.K. Singh	a	-	6,100	75,447
	c	-	6,100	75,447
M. Smith	a	-	1,250	-
	b	783	15,693	66,758

a Holding at 31 October 1992
b Holding at 1 November 1991
c Holding at date of appointment

Apart from the interests set out above, no Director in office as at 31 October 1992 had any interest in the shares or debentures of the Company, Xerox Corporation or other Group companies during the year under review.

23 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(A) Reconciliation of profit before tax to net cash inflow before finance lease receivables

	1992 £m	1991 £m
Profit on ordinary activities before taxation	151.4	206.1
Interest income	(13.7)	(12.6)
Interest expense	31.6	22.7
Income from associates	(85.8)	(101.9)
Depreciation and other items not involving the movement of cash	93.5	88.7
Net movement in working capital		
(Increase) in debtors	(136.3)	(22.8)
(Increase) in stocks	(45.6)	(56.6)
Increase in creditors	94.9	48.1
Effect of foreign exchange rate changes	26.4	1.3
Net cash inflow from operating activities before finance lease receivables	116.4	173.0

(B) Loan finance

Loan finance comprises:		
Creditors - due within one year*	529.0	349.3
- due after more than one year	960.0	612.2
Debtors - due within one year	(48.6)	(77.0)
- due after more than one year	(15.0)	(12.3)
Deposits and cash realisable in more than three months	-	(2.9)
	1425.4	869.3

The movement in loan finance comprises:

At 1 November	869.3	777.0
Bank loans and overdrafts with original maturity over three months	246.3	213.3
Notes payable after three months	64.5	14.4
Debentures and other loans	43.9	(38.1)
Fellow subsidiary loans	51.9	(94.8)
Net movement in loan finance in the year	406.6	94.8
Effect of foreign exchange rate changes	150.0	2.6
Inception of capital leases	3.8	1.2
Capital element of finance lease payments	(4.3)	(6.3)
At 31 October	1425.4	869.3

* Consists mainly of long term loans £402.6m (1991 - £310.9m) and those overdrafts and acceptances with original maturity over three months £86.2m (1991 - £21.7m).

(C) Cash and cash equivalents	1992 £m	1991 £m
Deposits and cash	36.9	42.1
Creditors due within one year*	(156.8)	(163.1)
Total cash and cash equivalents	(119.9)	(121.0)
Less: effect of foreign exchange rate changes	8.0	-
	(111.9)	(121.0)
Net increase/(decrease) in cash and cash equivalents in the year after currency	9.1	(72.4)

* Consists of overdrafts and acceptances with original maturity less than three months.

24 CAPITAL EXPENDITURE

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

	Group 1992 £m	Group 1991 £m	Company 1992 £m	Company 1991 £m
Contracted expenditure	11.7	5.6	6.9	2.7
Expenditure authorised but not committed	93.8	46.1	58.7	10.9
	105.5	51.7	65.6	13.6

25 CONTINGENT LIABILITIES

(A) The Group

There are contingent liabilities, arising from the ordinary activities of the Group, which amount to approximately £19.5m (1991 - £34.4m) in respect of bills discounted, guarantees and other liabilities. Of this, £5.2m (1991 - £5.8m) relates to guarantees of loans and bank overdrafts of fellow subsidiaries.

(B) The Company

Loans and bank overdrafts of Group companies and fellow subsidiaries have been guaranteed by the Company; at 31 October 1992 £192.3m (1991 - £187.2m) was outstanding.

26 ULTIMATE PARENT COMPANY

The Company's ultimate parent company is Xerox Corporation, which is incorporated in the United States of America. Copies of the Xerox Corporation Annual Report and Accounts may be obtained from The Investor Relations Department, Xerox Corporation, P O Box 1600, Stamford, Connecticut 06904, U.S.A.

RANK XEROX LIMITED AND SUBSIDIARIES
REPORT OF THE AUDITORS, KPMG PEAT MARWICK,
TO THE MEMBERS OF RANK XEROX LIMITED

We have audited the financial statements on pages 38 to 60 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 October 1992 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors
London

19 January 1993

RANK XEROX LIMITED AND SUBSIDIARIES

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
Turnover	2923.3	2766.4	2913.1	2756.0	2447.1
Profit from ordinary activities other than associates	163.1	206.2	225.9	221.4	225.5
Income from associates	85.8	101.9	110.2	117.9	108.8
Profit on ordinary activities before Xerox charges and tax	248.9	308.1	336.1	339.3	334.3
Xerox Corporation charges	(97.5)	(102.0)	(94.3)	(100.5)	(80.2)
Profit on ordinary activities before tax	151.4	206.1	241.8	238.8	254.1
Tax on profit on ordinary activities	(69.9)	(88.9)	(118.7)	(110.4)	(115.2)
Profit after tax	81.5	117.2	123.1	128.4	138.9
Minority interests	(2.1)	(2.0)	(2.4)	(1.0)	(1.0)
Extraordinary profit after tax	-	-	58.8	-	-
Profit for the financial year	79.4	115.2	179.5	127.4	137.9
Dividends paid and proposed	(68.3)	(55.5)	(142.6)	(58.1)	(0.1)
Retained profit for the year	11.1	59.7	36.9	69.3	137.8

CONSOLIDATED BALANCE SHEET

Fixed assets	896.0	725.9	645.9	772.2	756.8
Net current assets	1802.7	1386.0	1304.8	1157.8	870.7
	2698.7	2111.9	1950.7	1930.0	1627.5
Creditors due after more than one year	960.0	612.2	572.8	555.7	366.3
Provisions for liabilities and charges	172.1	128.9	115.3	100.4	94.8
Net assets	1566.6	1370.8	1262.6	1273.9	1166.4
Share capital and premium	37.0	32.9	32.9	32.9	32.9
Other reserves	709.5	505.1	422.7	434.7	358.0
Profit and loss account	815.3	823.1	797.5	798.8	768.4
Shareholders' funds	1561.8	1361.1	1253.1	1266.4	1159.3
Minority interests	4.8	9.7	9.5	7.5	7.1
Total capital employed	1566.6	1370.8	1262.6	1273.9	1166.4

PRINCIPAL LOCATIONS

INTERNATIONAL HEADQUARTERS

Rank Xerox Limited
Parkway, Marlow
Buckinghamshire SL7 1YL

Rank Xerox Leasing International
Division
Parkway, Marlow
Buckinghamshire SL7 1YL

MARKETING OPERATIONS

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
210 Wen Jing Road
Minhang
Shanghai
People's Republic of China

Cote d'Ivoire
Rank Xerox Cote d'Ivoire SA
Boulevard Giscard d'Estaing
Face Agence SGBC1
01 BP 402 Abidjan 01

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 5RH

Egypt
Xerox Egypt SAE
2 Lebanon Street
Mohandessin, El Giza
PO Box 30
Cairo

Finland
Rank Xerox Oy
PO Box 55
SF-02631 Espoo 63

France
Rank Xerox SA
7 Rue Touzet-Gaillard
93586 St.Ouen Cedex
Paris

Germany
Rank Xerox GmbH
Emanuel-Leutze-Str.20
4000 Düsseldorf 11

Greece
Rank Xerox Greece SA
127 Syngrou Avenue
11745 Athens

Hong Kong
Rank Xerox (Hong Kong) Limited
8/F Cityplaza 3
14 Taikoo Wan Road
Quarry Bay

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

Italy
Rank Xerox SpA
Strada Padana Superiore 28
20063 Cernusco SN (MI)

Kenya
Rank Xerox Kenya Limited
Parklands Road
PO Box 20410
Nairobi

Morocco
Xerox Maroc SA
30 Avenue des F.A.R
Casablanca 01

The Netherlands
Rank Xerox (Nederland) BV
1186 MJ
Amstelveen

Nigeria
Rank Xerox (Nigeria) Limited
Fatai Atere Way
Matori Oshodi
PMB 21314, Ikeja
Lagos

Norway
Rank Xerox AS
PO Box 905
N-1301 Sandvika

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

Spain
Rank Xerox Española SA
Calle Ramirez de Arellano 29
28043 Madrid

Sweden
Rank Xerox AB
Domnarvsgatan 11
16387 Stockholm

Switzerland
Rank Xerox AG
Thurgauerstrasse 40
CH-8050 Zurich

PRINCIPAL LOCATIONS

Turkey
Xerox Büro Araçları
Ticaret ve Servis AS
Ulus, Zincirlikuyu Cadesi
Solin Apt. No. 15/D 16 80600
Etiler
Istanbul

UK
Rank Xerox (UK) Limited
Bridge House
Oxford Road, Uxbridge
Middlesex UB8 1HS

MANUFACTURING, ENGINEERING AND RESEARCH

France
Lille
Société Industrielle Rank Xerox SA
Zone Industrielle
Route de Reckam, BP20
59531 Neuville-en-Ferrain
Lille

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

Spain
Coslada
Rank Xerox Española SA
Avenida de Fuertemar 20
Pologono
Industrial de Coslada
28820 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 AL7 1HE

FUJI XEROX CO., LTD. Associate

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

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

Philippine Fuji Xerox Corporation
1877 Sagu Street, Corner
Sanpagita - Dasmarinas Village
Makati
Metro Manila
Philippines

Taiwan Fuji Xerox Corporation
8th Floor
China Trust Building 122
Tunhua North Road
Taipei, Taiwan

Thai Xerographic Systems Co. Ltd.
K & Y Building 16, Surasak Road
Bangkok 10500
Thailand

Fuji Xerox (Australia) Pty Limited
970-980 Pacific Highway
Pymble
New South Wales 2073

Fuji Xerox (Singapore) Pte Ltd
190 Middle Road 19-05
Fortune Centre 1800
Singapore 0718

Fuji Xerox New Zealand Limited
19 Hargreaves Street
PO Box 5498
College Hill
Ponsonby
Auckland 1

MODI XEROX LIMITED Associate

Hemkunt Tower, 98 Nehru Place
New Delhi 110 019
India