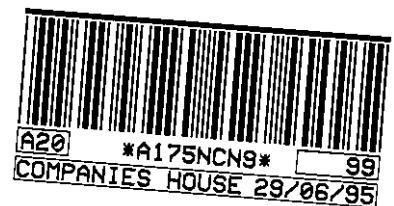


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# RANK XEROX LIMITED AND SUBSIDIARIES

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 OCTOBER 1994



# DIRECTORS OF RANK XEROX LIMITED

*Chairman*

P.A. Allaire

*Managing Director*

B.D. Fournier

M.B. Gifford  
W.R. Goode  
O.P.M. Grouès  
L.L. Haddon  
R.T. Orrico  
G. Rabbat  
A.B. Rand  
B.D. Romeril  
S.K. Singh  
N.V. Turnbull  
D.M. Yates

*Secretary*

C.J. Payne

*Registered Office*

Parkway, Marlow  
Buckinghamshire SL7 1YL

*Registered Auditors*  
KPMG Peat Marwick  
London

*Registered Number*  
575914

# DIRECTORS' REPORT

## 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 1994, 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 for the financial year of the Group was £99 million.

Interim dividends of £31.4m were proposed and paid during the financial year on the 'A', 'B' and 'D' shares of the Company (note 8 to the Financial Statements).

A final dividend of £0.4m is proposed on the 'A', 'B', 'D' and 'E' shares of the Company.

Retained profits for the year were £67m. Transfers to non-distributable reserves in the year were £54m (note 18 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 1994 can be found in the Managing Director's Review of the Year on page 20.

## POST BALANCE SHEET EVENT

On 12th January 1995, Xerox Corporation and The Rank Organisation Plc announced the signing of a letter of intent for Xerox to acquire 40 percent of The Rank Organisation's financial interest in the Company.

Under the terms of the agreement, Xerox will pay The Rank Organisation £620 million, in cash, thereby increasing the Xerox financial interest in the Company to about 80 percent, from 67 percent. The transaction, which is expected to close around the end of March 1995, will have no effect on the operations of the Company.

## CORPORATE GOVERNANCE

The report of the Cadbury Committee on the Financial Aspects of Corporate Governance is aimed primarily at listed companies. Rank Xerox is a private company with two shareholders, Xerox Corporation of the USA and The Rank Organisation Plc of the UK; representatives of both shareholders constitute the Board of Directors of Rank Xerox Limited. The basic issue for corporate governance is how to strengthen the accountability of Boards of Directors to shareholders because, ordinarily, shareholders themselves cannot be involved in the direction and management of their company. However, as regards Rank Xerox, the majority shareholder, Xerox Corporation already meets US requirements for corporate governance, many of which foreshadowed the Cadbury requirements and, in practice, applies these to Rank Xerox.

# DIRECTORS' REPORT

Therefore, the above mentioned basic tenet of corporate governance is satisfied by Rank Xerox, via direct shareholder participation.

One example of effective corporate governance in practice in Rank Xerox is our comprehensive Internal Control Management Process, which was first introduced in 1984 and has been refined and improved over the last decade. There are formal policies in place, control systems are documented and there is continuing evaluation and verification of the effectiveness of those control systems, by a pervasive internal audit function. The formal system currently in place has been specifically designed to safeguard assets, to identify and address material risks, and to provide reasonable assurance of the maintenance of proper accounting records and the reliability of financial information. The status of controls in Rank Xerox is also regularly reviewed by established audit committees within Rank Xerox and at Xerox Corporation, the majority shareholder.

## DIRECTORS

The Directors shown on page 34 are in office at the date of this report. Mr. J.R. Milligan retired on 1 January 1994 and Mr. W.R. Hicks resigned on 31 August 1994. Mr. A.B. Rand was appointed on 1 February 1994. The remaining Directors served throughout the year under review.

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

## TANGIBLE FIXED ASSETS

Changes in tangible fixed assets during the year are shown in note 10 on page 46 of this document. Within disposals of tangible fixed assets is £52m relating to the outsourcing agreement with EDS,

referred to in the Operating & Financial Review section on page 22.

The Directors are of the opinion that at 31 October 1994 the aggregate of the open market values of land and buildings exceeded net book values by approximately £40m for the Group, and by approximately £7m for the Company.

## RESEARCH AND DEVELOPMENT

The Rank Xerox European Research Centre (RXERC), under the directorship of Dr. Hervé Gallaire, is composed of three parts - the recently opened research laboratory in Grenoble, the established Cambridge research laboratory (formerly EuroPARC) and a Business Relations Department, whose primary objective is the establishment of technological partnerships in Europe. RXERC is particularly involved in EU funded projects.

The new Rank Xerox Technical Centre building at Welwyn Garden City has been completed and staff have now moved in. The official opening is scheduled for April 1995.

Under Guy Rabbat's direction, the Technical Centre will continue to provide professional services and product development activities, utilising our expertise in document software and hardware design, to deliver integrated document systems consistent with the way people work.

## CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Group made charitable donations of £0.5m, including £0.1m made within the United Kingdom. No political contributions were made by the Group during the year.

# DIRECTORS' REPORT

## EMPLOYMENT POLICIES

### *Employment of disabled persons*

It is Rank Xerox policy to give full and fair consideration to applications for employment by disabled persons. Rank Xerox is a board member of the Employers Forum on Disability, which seeks new ways of encouraging the employment of people with a disability.

### *Employee Involvement*

Rank Xerox believes that employees must be informed about the state of the business and involved in the issues that affect their working environment.

Information is given to employees regularly through management 'information cascade' meetings, through in-house magazines and journals and through informal two-way communications sessions held by Directors and senior management with groups of employees.

Involvement is an everyday working practice focussed, by the Company's Leadership Through Quality processes, on customer satisfaction.

Employee motivation and satisfaction remains a key business objective, with many employees involved in resolving workplace issues. The Company is also introducing, on a progressive basis, self-directed work groups.

### *Health and Safety*

The Company aims to ensure that all employees work in a safe and healthy environment, free from accident, illness and injury whilst at work.

### *Pensions*

The Company has made an external appointment to the Management Committee of its pension schemes in the UK, to act along with employee,

pensioner and management members. The appointee, who performs the role of 'Independent Trustee' is the independent trustee company, BEST Trustees. BEST Trustees are represented on the Management Committee by Clive Gilchrist, its Managing Director, who is the recently retired vice president of the National Association of Pension Funds Council and a past member of its Investment Council.

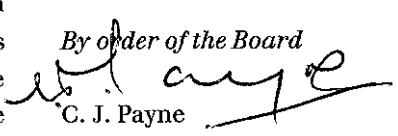
## CHANGE OF ACCOUNTING REFERENCE DATE

The Board of Directors resolved to change the Company's Accounting Reference Date to 31 December, to be effective in 1995, which will result in an Accounting Reference Period of 14 months to 31 December 1995.

## 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

20 January 1995

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 1994

	<i>Note</i>	<b>1994 £m</b>	1993 £m
<b>Turnover</b>	2	3309	3161
Cost of revenue	2	(2016)	(2018)
<b>Gross profit</b>		1293	1143
Operating expenses (1994 includes restructuring costs of £175m)	3	(1065)	(918)
Xerox Corporation charges	4	(122)	(100)
Income from associates	<i>11D</i>	135	116
<b>Operating profit</b>	5	241	241
Net interest expense	6	(20)	(23)
<b>Profit on ordinary activities before tax</b>		221	218
Tax on profit on ordinary activities	7	(121)	(108)
<b>Profit on ordinary activities after tax</b>		100	110
Equity minority interests after tax		(1)	(1)
<b>Profit for the financial year</b>		99	109
Dividends paid and proposed	8	(32)	(72)
<b>Retained profit for the year</b>	<i>18B</i>	67	37

Turnover and Operating Profit derive entirely from continuing operations.

The notes on pages 42 to 62 form part of these financial statements.

# BALANCE SHEETS

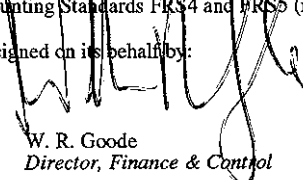
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	Note	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
<b>Fixed assets</b>					
Intangible assets	9	8	7	-	-
Tangible assets	10	337	370*	107	105
Investments	11	683	643	129	128
<b>Total fixed assets</b>		<b>1028</b>	<b>1020</b>	<b>236</b>	<b>233</b>
<b>Current assets</b>					
Stocks	12	357	306	280	165
Debtors					
Due within one year	13A	1426	1398*	565	518
Due after more than one year	13B	1447	1335	63	63
Deposits and cash		24	29	5	5
<b>Total current assets</b>		<b>3254</b>	<b>3068</b>	<b>913</b>	<b>751</b>
<b>Creditors due within one year</b>					
Borrowings	14A	913	933*	64	68
Other creditors	14B	657	611	610	527
<b>Net current assets</b>		<b>1684</b>	<b>1524</b>	<b>239</b>	<b>156</b>
<b>Total assets less current liabilities</b>		<b>2712</b>	<b>2544</b>	<b>475</b>	<b>389</b>
<b>Creditors due after more than one year</b>					
Borrowings	15	684	707*	4	6
<b>Provisions for liabilities and charges</b>	16	<b>298</b>	<b>197</b>	<b>26</b>	<b>26</b>
<b>Net assets</b>		<b>1730</b>	<b>1640</b>	<b>445</b>	<b>357</b>
<b>Capital and reserves</b>					
Called up share capital	17A	30	30	30	30
Share premium account	17C	7	7	7	7
Other reserves	18A	830	773	-	(1)
Profit and loss account	18B	860	827	408	321
<b>Equity shareholders' funds</b>		<b>1727</b>	<b>1637</b>	<b>445</b>	<b>357</b>
Equity minority interests		3	3	-	-
<b>Total capital employed</b>		<b>1730</b>	<b>1640</b>	<b>445</b>	<b>357</b>

\*1993 has been restated to reflect the implementation of Accounting Standards FRS4 and FRS5 (note 1A).

Approved by the Board of Directors on 20 January 1995 and signed on its behalf by:

  
B. D. Fournier  
Managing Director

  
W. R. Goode  
Director, Finance & Control

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 1994

	<i>Note</i>	<b>1994 £m</b>	1993 £m
<b>Net cash inflow from operating activities before finance lease receivables</b>	22A	263	234
Increase in finance lease receivables		(149)	(92)
<b>Net cash inflow from operating activities</b>		114	142
<b>Returns on investments and servicing of finance</b>			
Net interest expense		(20)	(23)
Dividends received from associates		22	15
Dividends paid to shareholders		(32)	(76)
Distributions to minorities		(1)	(2)
<b>Net cash (outflow) from returns on investments and servicing of finance</b>		(31)	(86)
<b>Tax paid</b>		(20)	(21)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(128)	(123)
Sale of tangible fixed assets		75	30
<b>Net cash (outflow) from investing activities</b>		(53)	(93)
<b>Net cash inflow/(outflow) before financing</b>		10	(58)
<b>Financing</b>			
Net cash (outflow)/inflow from financing	22B	(148)	46
<b>(Decrease) in cash and cash equivalents</b>	22C	(138)	(12)

1993 has been restated to reflect the implementation of Accounting Standards FRS4 and FRS5 (note 1A).



# SUPPLEMENTARY INFORMATION (FRS3)

FOR THE YEAR ENDED 31 OCTOBER 1994

## STATEMENT OF TOTAL RECOGNISED GAINS

	1994 £m	1993 £m
Profit for the financial year	99	109
Currency translation movement on foreign currency net investments	23	38
<b>Total recognised gains for the year</b>	<b>122</b>	<b>147</b>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit for the financial year	99	109
Dividends paid and proposed	(32)	(72)
Retained profit for the year	67	37
Currency translation movement on foreign currency net investments	23	38
<b>Net addition to shareholders' funds</b>	<b>90</b>	<b>75</b>
Opening shareholders' funds	1637	1562
<b>Closing shareholders' funds</b>	<b>1727</b>	<b>1637</b>

## HISTORICAL COST PROFIT AND LOSS

All assets are stated in the financial statements at historical cost. Accordingly, there are no adjustments required to the reported profit which is stated on an unmodified historical cost basis.

## 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 on an unmodified historical cost basis and in accordance with applicable United Kingdom Accounting Standards, including the recent standards FRS4 "Capital Instruments" and FRS5 "Reporting the Substance of Transactions". The consequences of these recent standards are reflected in notes 10D, 13A, 15B and 24A. Comparative numbers have been restated to reflect these changes.
- 
- (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 18) 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 3C). Subsidiaries operating in hyper-inflationary economies report their financial results using a stable currency as the functional currency of operation.
- 
- (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 9).
- 
- (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 12).
- 
- (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 16C).

(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 19). The net investment in leases is included in Debtors (note 13).

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.

**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 14 and 15). 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 Kingdom Statement of Standard Accounting Practice No. 24 - Accounting for Pension Costs (note 20).

Prepayments relating to funded defined benefit pension schemes are included within Debtors (note 13). Provisions relating to unfunded pension schemes in certain overseas subsidiaries are included within Provisions for Liabilities and Charges (note 16).

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 (note 16C). 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.

(K) Research and development

Expenditure on product research and development is charged to the profit and loss account as incurred.

(L) Company profit and loss account

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.

## 2 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.

(B) Intra-group transactions

The turnover of Rank Xerox Limited and Subsidiaries exceeds that of the Proforma Group because 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. For the Proforma Group, these transactions are intra-group and therefore eliminated.

(C) Segmental information

In accordance with the exemption allowed under Statement of Standard Accounting Practice No. 25 - Segmental Reporting, no 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) Treatment of Leasing Operations

Interest and other income from finance leases and credit sale agreements and the related interest expense within leasing operations 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.

**3 OPERATING EXPENSES**

(A) Operating expenses	<i>Note</i>	1994 £m	1993 £m
Distribution costs	<i>3B</i>	552	566
Administrative expenses	<i>3C</i>	513	352
Operating expenses		1065	918

(B) Distribution costs      Distribution costs 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.

(C) Administrative expenses      Administrative expenses of £513m (1993 - £352m) include the following (profit)/cost items:

Restructuring Costs	<i>3D</i>	175	17
Research and development expenditure incurred in the year		22	26
Foreign exchange impacts on transactions	<i>1C</i>	-	2
Sale of surplus facilities		(6)	(4)
Auditors remuneration for audit work		1.3	1.3
Other services provided by KPMG Peat Marwick (UK)		0.4	0.2

(D) Restructuring Costs      On 8 December 1993, Xerox Corporation announced a worldwide restructuring programme, aimed at improving productivity and significantly reducing the Corporation's cost base. This programme is expected to result in a reduction of more than 10,000 Xerox employees worldwide.

The Rank Xerox Group's share of the costs for this programme is £175m before tax which has been provided for in full in the 1994 accounts. Tax relief of £49m has been set up in relation to these restructuring costs.

**4 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 £122m for the year ended 31 October 1994 (1993 - £100m).

**5 OPERATING PROFIT**

The Group's document processing business includes associated operations in the Far East and South Pacific region; accordingly, as allowed under Accounting Standard FRS3 - Reporting Financial Performance, paragraph 39, income from associates has been included within operating profit.

As stated in note 3 above, the operating profit for 1994 is after charging £175m of restructuring costs (1993 - £17m).

## 6 NET INTEREST EXPENSE

Analysis of Group interest  
for the year

	<i>Note</i>	1994 £m	1993 £m
Bank loans and other loans repayable within five years		128	159
Loans, other than from banks, not fully repayable within five years		11	4
Capital leases		2	1
		141	164
Less leasing interest expense included within cost of revenue		(115)	(133)
Interest expense		26	31
Interest income: Short term deposits and loans to banks		(2)	(3)
Fellow subsidiaries (net) and other sources		(4)	(5)
Net interest expense		20	23

Interest income from finance leases and credit sale agreements within leasing operations of £246m (1993 - £256m) has been included in turnover.

## 7 TAX

Analysis of Group tax charge  
for the year

United Kingdom corporation tax:			
Current tax at 33% (1993 - 33%)		21	20
Double tax relief		(20)	(20)
Total current tax		1	-
Deferred tax		35	13
Total United Kingdom corporation tax		36	13
Overseas tax: current		31	17
deferred		13	14
Prior year adjustments: current		3	(11)
deferred		10	5
		93	38
Restructuring tax relief	<i>3D</i>	(49)	-
Associates (predominantly Fuji Xerox Co., Ltd)	<i>11D</i>	77	70
Tax on profit on ordinary activities		121	108

During 1994, unrelieved overseas tax in respect of dividends amounted to £6m (1993 - £5m).

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**8 DIVIDENDS PAID AND PROPOSED**

	1994 £m	1993 £m
Interim	32	72
Final*	-	-
	32	72

\*There is a final dividend proposed of £0.4m (1993 - £0.1m)

**9 INTANGIBLE FIXED ASSETS - GOODWILL**

Capitalised goodwill is being amortised on a straight line basis over 20 years. The cost of goodwill at 31 October 1994 was £9m (1993 - £8m) and net book value was £8m (1993 - £7m). Additions in the year amounted to £1m.

**10 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
<b>Cost</b>						
At 1 November 1993	187	92	354	19	132	784
Additions	10	4	38	23	59	134
Disposals and transfers	(18)	(8)	(95)	(17)	(64)	(202)
Net stock transfers	-	-	(6)	-	(4)	(10)
Currency translation	1	-	3	-	3	7
<b>At 31 October 1994</b>	<b>180</b>	<b>88</b>	<b>294</b>	<b>25</b>	<b>126</b>	<b>713</b>
<b>Depreciation Provision</b>						
At 1 November 1993	58	55	218	-	83	414
Charge for period	7	6	56	-	39	108
Disposals	(8)	(6)	(72)	-	(41)	(127)
Net stock transfers	-	-	(19)	-	(4)	(23)
Currency translation	1	-	2	-	1	4
<b>At 31 October 1994</b>	<b>58</b>	<b>55</b>	<b>185</b>	<b>-</b>	<b>78</b>	<b>376</b>
<b>Net book value</b>						
<b>At 31 October 1994</b>	<b>122</b>	<b>33</b>	<b>109</b>	<b>25</b>	<b>48</b>	<b>337</b>
At 31 October 1993	129	37	136	19	49	370

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

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Freehold	95	100	39	39
Short leasehold	22	24	-	-
Long leasehold	5	5	1	2
	122	129	40	41

(C) Company

	Land and Buildings	Plant and Machinery	Fixtures Fittings Tools and Equipment	Assets in Course of Construction	Total £m
<b>Cost</b>					
At 1 November 1993	48	39	89	15	191
Additions	8	3	17	17	45
Disposals and transfers	(10)	(4)	(28)	(9)	(51)
<b>At 31 October 1994</b>	<b>46</b>	<b>38</b>	<b>78</b>	<b>23</b>	<b>185</b>
<b>Depreciation Provision</b>					
At 1 November 1993	7	23	56	-	86
Charge for period	1	2	14	-	17
Disposals	(2)	(4)	(19)	-	(25)
<b>At 31 October 1994</b>	<b>6</b>	<b>21</b>	<b>51</b>	<b>-</b>	<b>78</b>
<b>Net book value at 31 October 1994</b>	<b>40</b>	<b>17</b>	<b>27</b>	<b>23</b>	<b>107</b>
Net book value at 31 October 1993	41	16	33	15	105

(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 £8m (1993 - £6m) in respect of interest capitalised on long term construction projects.

Land and buildings of the Group includes £30m (1993 - £30m) of land which is not depreciated.

Net book value for the Group includes assets held under finance leases of £23m (1993 - £29m). Finance leases within Group assets now include certain vehicles previously reported as operating leases. The 1993 comparative figures have been restated.

11 FIXED ASSETS - INVESTMENTS

(A) Group

	<i>Note</i>	Fuji Xerox	Other Associates and loans	Total £m
At 1 November 1993		628	15	643
Retained income for the year	11D,11E	36	-	36
Currency translation and other movements (net)		4	-	4
At 31 October 1994		668	15	683

(B) Company

	Subsidiaries	Associates and loans	Total £m
At 1 November 1993	116	12	128
Net additions in the year	-	1	1
At 31 October 1994	116	13	129

(C) Associates

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 18, were subject to distribution.

(D) Income from associates

	<i>Note</i>	Group 1994 £m	Group 1993 £m
Income before tax		135	116
Tax	7	(77)	(70)
Income after tax		58	46
Dividends		(22)	(21)
Transfer to non-distributable reserves	18B	36	25



(E) Fuji Xerox Co., Ltd.

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 1994 and 20 October 1993.

<b>Balance Sheet</b>	<b>1994 £m</b>	<b>1993 £m</b>
Fixed assets	1862	1732
Net current assets	492	577
Total assets less current liabilities	2354	2309
Creditors due after more than one year	(863)	(918)
Net assets	1491	1391
<b>Attributable to the Group</b>		
Group's share of net assets	745	695
Dividends	(20)	(19)
Intercompany eliminations	(57)	(48)
Group's share of net assets in Fuji Xerox	668	628
<b>Profit and Loss Account - Extracts</b>		
Turnover	4751	4106
Depreciation and amortisation	291	266
Early retirement programme*	36	-
Profit on ordinary activities before tax	265	225
<b>Attributable to the Group</b>		
Income before tax	132	113
Tax	(76)	(69)
Dividends	(20)	(19)
Fuji Xerox transfer to non-distributable reserves	36	25

\* On 21 September 1994, Fuji Xerox announced an early retirement programme, aimed at improving productivity and lowering the cost base.

(F) Other loans

Other loans include advances 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.

## (G) Subsidiaries

The principal subsidiaries of Rank Xerox Limited at 31 October 1994 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 Czech Republic s.r.o.		Czech Republic	100	-	100
Rank Xerox A/S		Denmark	100	-	100
Rank Xerox Finans A/S	*	Denmark	-	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
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
Creditex - Aluguer de Equipamentos SA	*	Portugal	-	100	100
Rank Xerox (C. I. S.)		Russian Federation	100	-	100
Rank Xerox Española 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
Xerox Büro Araçları Ticaret ve Servis AS		Turkey	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.

## 12 STOCKS

	Note	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Finished goods and goods for resale					
Equipment		187	153	165	93
Spares, consumables and paper		143	123	88	52
Raw materials, consumables and work in progress					
		27	30	27	20
	<i>1F</i>	357	306	280	165

## 13 DEBTORS

### (A) Due within one year

Finance lease receivables	<i>19B</i>	695	630	-	-
Trade debtors		437	401	39	22
Prepayments and accrued income		182	200	26	17
Amounts owed by:					
Fellow subsidiaries		33	76	17	23
Xerox Corporation and subsidiaries		33	61	30	57
Group companies - dividends		-	-	134	100
Group companies - other		-	-	273	267
Associates		39	25	39	24
Current tax		7	5	7	8
		1426	1398	565	518

Trade debtors include £21m (1993 - £24m) in respect of factored debt and bills discounted with recourse as required by FRS5 - Reporting the Substance of Transactions. The 1993 comparative figures have been restated.

### (B) Due after more than one year

Finance lease receivables	<i>19B</i>	1292	1177	-	-
Pension prepayments	<i>20</i>	142	141	59	59
Current tax		-	7	-	-
Other debtors		13	10	4	4
		1447	1335	63	63

Other debtors due after more than one year include a loan of £20,000 (1993 - £20,000) to an officer of the Company.

## 14 CREDITORS - DUE WITHIN ONE YEAR

(A) Borrowings	Note	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
<b>Bank loans and overdrafts</b>					
Overdrafts and acceptances		555	496	61	65
Long term loans	<i>15D</i>	358	437	3	3
	<i>15B</i>	913	933	64	68
<hr/>					
(B) Other creditors					
Accruals and deferred income		363	324	69	44
Trade creditors		117	123	36	37
Amounts owed to:					
Xerox Corporation and subsidiaries		42	42	32	26
Fellow subsidiaries		44	63	44	64
Group companies		-	-	411	352
Other creditors and social security		75	59	9	4
Current tax		16	-	9	-
		657	611	610	527

## 15 BORROWINGS - DUE AFTER MORE THAN ONE YEAR

(A) Analysis by category	Long term loans				
Bank loans and overdrafts	<i>15B</i>	488	486	-	-
Public and private bond issues		182	200	-	-
Other loans	<i>15C</i>	14	21	4	6
	<i>15D</i>	684	707	4	6

(B) 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 from the same group of lenders and on similar conditions, have been included in bank loans and overdrafts falling due after more than one year; £130m (1993 - £179m) of debt supported by committed facilities has been classified in this way.

Debt eligible for reclassification according to the FRS4 definition is more restrictive than previously applied and hence the comparative figures for Borrowings due within one year and due after more than one year have been restated to a comparable basis.

(C) Secured and Other loans

The aggregate amount of secured loans was £4m (1993 - £4m) for the Group. As in 1993, there are no secured loans to the Company. The category 'Other loans' includes non-current capital lease obligations, which are specifically secured on the leased assets involved.

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

	Note	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Due within one year	14A	358	437	3	3
<b>Due after more than one year</b>					
Second year		287	244	2	2
Third year		197	204	1	2
Fourth year		60	120	1	1
Fifth year		15	10	-	1
Sixth to tenth years*		125	127	-	-
Thereafter*		-	2	-	-
Total due after more than one year	15A	684	707	4	6
		1042	1144	7	9

\* £nil (1993 - £4m) is repayable by instalments.

(E) Currencies in which loans are denominated

	Group interest rate*	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
<b>Loans and capitalised leases not fully repayable within five years</b>					
Sterling	8.7%	125	129	-	4
Other currencies	8.0%	2	7	-	-
<b>Loans and capitalised leases fully repayable within five years</b>					
German marks	7.2%	188	181	-	-
Sterling	6.8%	175	211	7	5
French francs	6.5%	128	192	-	-
Dutch guilders	8.0%	115	137	-	-
Spanish pesetas	8.3%	76	75	-	-
Swiss francs	5.9%	59	53	-	-
Italian lira	9.2%	50	44	-	-
Danish kroner	8.6%	30	40	-	-
Other currencies	8.3%	94	75	-	-
		1042	1144	7	9

\* Based on rates ruling at 31 October 1994.

RANK XEROX LIMITED & SUBSIDIARIES

## 16 PROVISIONS FOR LIABILITIES AND CHARGES

(A) Composition

	Note	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Pensions and similar obligations	20	133	128	-	-
Restructuring provision	3D	114	3	-	-
Deferred tax	16C, 16D	42	49	21	22
Other provisions	16B	9	17	5	4
		298	197	26	26

(B) Utilisation

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

(C) Deferred tax

		1994 Potential liability £m	1994 Provision in accounts £m	1993 Potential liability £m	1993 Provision in accounts £m
<b>Group</b>					
Fixed assets		(84)	(21)	(82)	(26)
Finance leases		239	43	224	51
Other		46	64	14	35
		201	86	156	60
Tax on restructuring provision		(28)	(28)	-	-
Tax on unrealised intra-Group profits on stocks and rental equipment	1G	(16)	(16)	(11)	(11)
Balance at 31 October		157	42	145	49
<b>Company</b>					
Fixed assets		-	-	1	-
Other		23	21	22	22
Balance at 31 October		23	21	23	22

Timing differences relating to pension costs are included under other timing differences.

(D) Movements on the deferred tax provision

	Group £m	Company £m
Balance at 1 November 1993	49	22
Profit and loss account	(5)	(1)
Currency translation	(2)	-
Balance at 31 October 1994	42	21

## 17 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 fully paid	Issued and fully paid
		£m	1994 £m	1993 £m
	'A' Shares	7.6	7.4	7.4
	'B' Shares	7.6	7.4	7.4
	'C' Shares	7.8	7.6	7.6
	'D' Shares	7.6	7.6	7.6
	'E' Shares	0.1	0.1	0.1
		30.7	30.1	30.1

### (B) Rights of shares

All classes of shares are non-redeemable and are equity shares under the meaning of Accounting Standard FRS4 - Capital Instruments. The rights of each class are as follows:

Class A and B shareholders each receive 5% of total dividends and are entitled to repayment of capital and premium on winding up, together with 5% of surplus assets in priority to C, D and E shareholders. They have no voting rights.

Class C shareholders receive a proportion, determined by the Directors, of the remaining 90% of total dividends and are entitled to repayment of capital and premium on winding up, together with a proportion of surplus assets as determined by the Directors. They have 21 votes for every block of 20 shares held.

Class D shareholders receive a proportion, determined by the Directors, of the remaining 90% of total dividends and are entitled to repayment of capital and premium on winding up (less £3.7m), together with a proportion of surplus assets as determined by the Directors. They have 20 votes for every block of 20 shares held.

E shareholders have no voting rights. In terms of dividend, they receive the greater of (i) one tenth of the nominal value of issued E shares divided by the total nominal value of issued C, D and E shares multiplied by the dividend payable on such C, D and E shares; and (ii) one ninth of the nominal value of the issued E shares divided by the nominal value of issued D and E shares multiplied by the dividend payable on such D and E shares. There is no entitlement to assets on winding up beyond repayment of capital and related premium in priority to C and D shareholders. All E shares are held by the trustees of the Rank Xerox Share Purchase Scheme which is no longer active.

(C) The Company's share premium account	Attributable as follows:	1994 £m	1993 £m
	'C' Shares	2.6	2.6
	'D' Shares	1.3	1.3
	'E' Shares	3.0	3.0
		6.9	6.9

## 18 OTHER RESERVES AND PROFIT AND LOSS ACCOUNT

### (A) Analysis of other reserves

	Note	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Non-distributable reserves					
Group companies	18B	64	66	-	-
Associates	18B	407	371	-	-
Currency translation	18B	359	336	-	(1)
		830	773	-	(1)

**(B) Movements in reserves**

<i>Note</i>	<b>Group 1994 £m</b>	<b>Group 1993 £m</b>	<b>Company 1994 £m</b>	<b>Company 1993 £m</b>
Currency translation				
At 1 November	336	298	(1)	(1)
Movement in year	23	38	1	-
At 31 October	359	336	-	(1)

Of the Group currency translation reserve at 31 October 1994, £318m (1993 - £305m) relates to Fuji Xerox Co., Ltd.

	Profit and loss account		Non-distributable reserves	
	Group	Company	Group	Associates
Other reserves and profit and loss account				
At 1 November 1993	827	321	66	371
Retained profit for the year	67	87	-	-
Transfers	<i>11D</i> (34)	-	(2)	36
At 31 October 1994	860	408	64	407

**(C) Allocation of reserves**

The profit and loss account and non-distributable reserves at 31 October 1994 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	17	8	1	3
'B' Shares reserves	17	8	1	3
General reserves	826	392	62	401
	860	408	64	407

**(D) Other reserve data**

The Group profit after tax includes a profit of £119m (1993 - £120m) 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.



## 19 LEASING ARRANGEMENTS

(A) As lessee

The commitment at 31 October 1994 to make operating lease payments in the year to 31 October 1995 relates to leases which expire as follows:

Group	1994		1993	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
<b>Leases expiring in:</b>				
One year	3	5	4	4
Years two to five	12	10	15	16
More than five years	17	1	17	1
	32	16	36	21
<b>Company</b>				
<b>Leases expiring in:</b>				
One year	-	1	1	1
Years two to five	-	2	-	6
More than five years	2	-	2	-
	2	3	3	7

Rentals under operating leases charged against profits amounted to £68m (1993 - £77m) for the Group. Of this, hire of plant and machinery amounted to £4m (1993 - £6m).

1993 comparative figures have been restated to reflect the fact that certain vehicles, previously reported as operating leases, are now treated as finance leases under FRS5 (see note 10).

(B) As lessor

The Group leases equipment to customers under both operating leases and finance leases. The net investment in finance leases at 31 October 1994 consisted of minimum lease payments due in the following years after the balance sheet date:

	Note	Group 1994 £m	Group 1993 £m
First year		901	816
Second year		652	612
Third year		473	442
Fourth year		278	260
Fifth year		114	86
Thereafter		21	17
<b>Total minimum lease payments receivable</b>		<b>2439</b>	<b>2233</b>
Unguaranteed residual values		61	64
Deferred interest income		(465)	(450)
Allowance for doubtful debts		(48)	(40)
<b>Net investment in finance leases</b>	13	<b>1987</b>	<b>1807</b>

There are no finance leases in the Company.

Operating lease income in the year was £102m (1993 - £123m).

The Group operates various pension schemes consisting of both defined benefit plans and state sponsored schemes of a defined contribution nature. 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 £142m (1993 - £141m), within Debtors (note 13), is £121m (1993 - £121m) relating to the United Kingdom Final Salary scheme, which is the Group's principal funded defined benefit pension scheme. Actuarial valuations of this scheme are carried out triennially, with the most recent valuation made as at 31 August 1992 using the projected unit method. This latest valuation showed that the market value of the assets of the scheme was £528m and that the actuarial value of those assets represented 137% of the benefits that had been accrued to members, after allowing for expected future increase in earnings. The excess funding is being spread over the average future working lives of members in equal capital instalments with an interest credit on the outstanding balance. The assumptions which have the most significant effect on the results of the valuations are the relationships between the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 2.3% per annum higher than the rate of annual salary increases and 4.3% per annum higher than the rate of increase of present and future pensions.

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 £133m (1993 - £128m), within Provisions for liabilities and charges (note 16A), is £100m (1993 - £95m) relating to the German scheme, which is the Group's principal unfunded defined benefit plan. The significant assumptions used in accounting for the German scheme are a discount rate of 7.3%, future salary increases of 4%, and post retirement pension increases of 2%. The most recent actuarial valuation for this scheme was at 31 July 1993.

The net pension cost for the defined benefit schemes of the Group in 1994 was £10m (1993 - £15m). The net pension cost for the defined contribution schemes and other schemes operated in accordance with local practice and legislation was £7m (1993 - £11m).

## 21 DIRECTORS AND EMPLOYEES

(A) Average number of persons (including Directors) employed by the Group during the year	1994 Number	1993 Number
Marketing operations	20,801	21,912
Manufacturing operations	2,338	2,510
	23,139	24,422
	1994 £m	1993 £m
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	591	614
Social security costs	104	104
Other pension costs	17	22
	712	740

(B) Remuneration of Directors	Remuneration of Chairman and Directors of Rank Xerox Limited	1994 £000's	1993 £000's
	Emoluments for services as Executives	3,271	3,408*
	*Includes an ex gratia payment of £352,500 to an ex-director of the Company		
	Emoluments of individual Directors:		
	Highest paid Director	726	611
	Chairman	49	43

	1994 Number	1993 Number
Nil	4	4
£ 35,001 - £ 40,000	1	-
£ 40,001 - £ 45,000	-	3
£ 45,001 - £ 50,000	3	-
£ 65,001 - £ 70,000	-	1
£130,001 - £135,000	-	1
£150,001 - £155,000	-	1
£200,001 - £205,000	1	-
£240,001 - £245,000	1	-
£245,001 - £250,000	-	1
£280,001 - £285,000	1	-
£295,001 - £300,000	-	1
£355,001 - £360,000	-	1
£375,001 - £380,000	1	-
£430,001 - £435,000	1	-
£525,001 - £530,000	-	1
£545,001 - £550,000	1	-
£550,001 - £555,000	-	1
£610,001 - £615,000	-	1
£725,001 - £730,000	1	-

## (C) Directors' interests

The interests of the Directors of Rank Xerox Limited in office as at 31 October 1994 (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)	Deferred compensation in Xerox stock fund	Series 'B' convertible preferred stock (units)
P.A. Allaire	a	37,425	282,732	-	286.894
	b	33,035	196,580	-	213.821
B.D. Fournier	a	5,287	27,644	-	-
	b	4,278	31,716	-	-
W.R. Goode	a	-	5,850	-	-
	b	-	6,700	-	-
O.P.M. Grouès	a	-	6,050	-	-
	b	-	6,300	-	-
L.L. Haddon	a	900	7,500	-	-
	b	900	5,000	-	-
R.T. Orrico	a	337	3,900	-	263.064
	b	330	3,700	-	193.723
G. Rabbat	a	-	2,700	-	-
	b	-	1,200	-	-
A.B. Rand	a	4,089	29,244	-	286.895
	c	3,761	39,430	-	213.822
B.D. Romeril	a	705	37,494	\$473,699	-
	b	500	40,093	\$187,016	-
S.K. Singh	a	-	5,100	-	161.005
	b	-	3,100	-	119.446

- a Holding at 31 October 1994  
 b Holding at 1 November 1993  
 c Holding at date of appointment

Apart from the interests set out above, no Director in office at 31 October 1994 had any interest in the shares or debentures of the Company, Xerox Corporation or other Group companies during the year under review.

22 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(A) Reconciliation of operating profit to net cash inflow before finance lease receivables	1994 £m	1993 £m
<b>Operating profit</b> (1994 includes restructuring costs of £175m)	241	241
Income from associates	(135)	(116)
Depreciation and other items not involving the movement of cash	101	105
Net movement in working capital		
(Increase)/decrease in debtors	(8)	11
(Increase)/decrease in stocks	(64)	39
Increase/(decrease) in creditors	126	(25)
Effect of foreign exchange rate changes	2	(21)
<b>Net cash inflow from operating activities before finance lease receivables</b>	<b>263</b>	<b>234</b>

(B) Loan finance

Loan finance comprises:		
Creditors - due within one year*	463	606
- due after more than one year	684	707
Debtors	(35)	(78)
	1112	1235

The movement in loan finance comprises:

At 1 November	1235	1256
Bank loans and overdrafts with original maturity over three months	(100)	4
Notes payable after three months	(76)	(10)
Bond issues, other loans and finance lease payments	(27)	103
Fellow subsidiary loans	55	(51)
Net movement in loan finance in the year	(148)	46
Effect of foreign exchange rate changes	25	(67)
At 31 October	1112	1235

\* Consists mainly of long term loans £358m (1993 - £437m) and those overdrafts and acceptances with original maturity over three months £76m (1993 - £152m).

## (C) Cash and cash equivalents

	1994 £m	1993 £m
Deposits and cash	24	29
Creditors due within one year*	(479)	(344)
Total cash and cash equivalents	(455)	(315)
(Decrease)/increase in cash and cash equivalents	(140)	7
Adjust for the effect of foreign exchange rate changes	2	(19)
Net (decrease) in cash and cash equivalents in the year after currency	(138)	(12)

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

**23 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 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Contracted expenditure	3	15	1	9
Expenditure authorised but not committed	7	11	5	9
	10	26	6	18

**24 CONTINGENT LIABILITIES**

## (A) The Group

There are contingent liabilities, arising from the ordinary activities of the Group, which amount to approximately £19m (1993 - £14m) in respect of guarantees and other liabilities. Of this, £2m (1993 - £7m) relates to guarantees of loans and bank overdrafts of fellow subsidiaries. The comparative figures have been restated to exclude recourse items now included in Debtors.

## (B) The Company

Loans and bank overdrafts of Group companies and fellow subsidiaries have been guaranteed by the Company; at 31 October 1994 £282m (1993 - £313m) was outstanding.

**25 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, 800 Long Ridge Road, P O Box 1600, Stamford, Connecticut 06904, U.S.A.

## DIRECTORS' RESPONSIBILITIES

Company law requires Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss for the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## REPORT OF THE AUDITORS

### To the members of Rank Xerox Limited

We have audited the financial statements on pages 38 to 62.

### Respective responsibilities of Directors and Auditors

As described above, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud, or other irregularity, or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 October 1994 and of the profit 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  
20 January 1995

## FIVE YEAR FINANCIAL SUMMARY

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Turnover	3309	3161	2923	2766	2913
Operating profit other than associates (1994 includes restructuring costs of £175m)	106	125	83	114	147
Income from associates	135	116	86	102	110
Profit on sale of discontinued operations	-	-	-	-	57
Operating profit	241	241	169	216	314
Net interest expense	(20)	(23)	(18)	(10)	(15)
Profit on ordinary activities before tax	221	218	151	206	299
Tax on profit on ordinary activities	(121)	(108)	(70)	(89)	(117)
Profit after tax	100	110	81	117	182
Equity minority interests after tax	(1)	(1)	(2)	(2)	(2)
Profit for the financial year	99	109	79	115	180
Dividends paid and proposed	(32)	(72)	(68)	(55)	(143)
Retained profit for the year	67	37	11	60	37

## CONSOLIDATED BALANCE SHEET

Fixed assets	1028	1020*	914*	726	646
Net current assets	1684	1524*	1605*	1386	1305
Total assets less current liabilities	2712	2544*	2519*	2112	1951
Creditors due after more than one year	684	707*	780*	612	573
Provisions for liabilities and charges	298	197	172	129	115
Net assets	1730	1640	1567	1371	1263
Share capital and premium	37	37	37	33	33
Other reserves	830	773	710	505	422
Profit and loss account	860	827	815	823	798
Equity shareholders' funds	1727	1637	1562	1361	1253
Equity minority interests	3	3	5	10	10
Total capital employed	1730	1640	1567	1371	1263

\*1993 and 1992 have been restated to reflect the implementation of Accounting Standards FRS4 and FRS5 (notes 10D, 13A and 15B). No adjustment has been made for years prior to 1992.



# PRINCIPAL LOCATIONS

## INTERNATIONAL HEADQUARTERS

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Fax +44 1628 892001

Rank Xerox Leasing International  
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Buckinghamshire SL7 1YL

## MARKETING OPERATIONS

### Austria

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1100 Wien

### Belgium

NV Rank Xerox SA  
Wezembeekstraat 5  
B-1930 Zaventem

### China

Xerox of Shanghai Limited  
46 Nan Gu Road  
Minhang  
Shanghai 200240  
People's Republic of China

### Czech Republic

Rank Xerox Czech Republic s.r.o.  
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Prague 1

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### Egypt

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Rank Xerox (Ireland) Limited  
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# PRINCIPAL LOCATIONS

## **MANUFACTURING, ENGINEERING AND RESEARCH**

### **France**

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### **France**

**Grenoble**  
Rank Xerox Research Centre  
Grenoble Laboratory  
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### **The Netherlands**

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PO Box 43  
5800 MA Venray

### **Spain**

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### **UK**

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