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THE RANK ORGANISATION

Directors' Report and Accounts 1995

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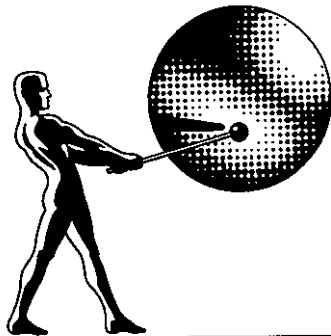
BOOK 2
DRAFT 12
28/2/96

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Leaders in Leisure and Entertainment



The Rank Organisation Plc is a leader in leisure and entertainment and in the supply of products and services to the world's film and television industries. It is an equal partner in Universal Studios Florida, a major theme park in Orlando, and has an investment in Rank Xerox, owned with Xerox Corporation.

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This document contains the Directors' Report, the Accounts and the Auditors' Report for the fourteen months ended 31st December 1995. The Chairman's Statement, Divisional Review and Operating and Financial Review are contained in a separate document – the Review and Financial Summary.

The Review and Financial Summary together with the Directors' Report and Accounts comprise the full annual report and accounts of The Rank Organisation Plc for 1995, in accordance with the Companies Act 1985.

BOOK 2
DRAFT 12
28/2/96

Directors' Report

The Directors submit their Report and Statement of Accounts for the fourteen month period ended 31st December 1995.

Principal activities and business review

The Rank Organisation is engaged in the supply of products and services to the film and television industries, owns holiday businesses and operates organised recreation and leisure facilities in the United Kingdom and overseas. Rank has an equal investment with MCA in the Universal Studios motion picture theme park at Orlando, Florida, and has an investment in the Rank Xerox companies, owned with Xerox Corporation.

On 28th February 1995, the Company completed its transaction with Xerox Corporation whereby Xerox Corporation acquired 40% of the Company's financial interest in the Rank Xerox companies for £620 million.

On 6th April 1995, the Company completed its acquisition of shares in A. Kershaw & Sons, Plc not already owned by the Company for a consideration consisting of £57 million cash and the allotment of 284,757 Ordinary shares in the Company.

In August 1995, the Company announced the signing of agreements with MCA, a subsidiary of The Seagram Company Ltd., providing for the development of a major destination resort to be known as Universal City Florida on the land in Orlando, Florida which already contains Universal Studios Florida. This proposed investment was approved by shareholders at the Extraordinary General Meeting held on 3rd October 1995.

Other acquisitions and disposals of businesses and assets during the year are detailed in the Operating and Financial Review.

An analysis of turnover, profit, operating assets and net cash flow by business activity is given on pages 47 and 48. The Group's continuing activities and businesses are reported on in the Review and Financial Summary.

Profit and dividends

Profit before tax for the period was £658 million (1994 £284 million). Profit for the period was £525 million (1994 £168 million).

The Directors recommend a final dividend of 11.00p per Ordinary share which, together with the interim dividend of 4.75p already paid, makes a total for the period of 15.75p per share (1994 13.25p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 19th April 1996 to those shareholders whose names are on the register on 2nd April 1996.

The amounts which it is proposed should be transferred to reserves are detailed in note 20 to the Accounts on pages 59 and 60.

Accounting reference date

The Company changed its accounting reference date in 1995 from 31st October to 31st December. The change brings the Company in line with the majority of other FT-SE 100 companies.

Fixed assets

Properties held by Butlin's, Grosvenor Casinos, Odeon Cinemas, Resorts USA and Shearings were professionally revalued resulting in a net increase of £24 million in revaluation surpluses. After taking into account the disposals in the period, the overall revaluation surplus now stands at £186 million. Changes in tangible fixed assets during the period are set out in note 9 on pages 51 and 52.

Share capital

Details of the new Ordinary shares issued pursuant to the conversion of Convertible Preference shares and the exercise of options under the Company's share option schemes are set out in note 20 on pages 58 and 59.

A resolution will be proposed at the Annual General Meeting to renew for a further year the authority of the Directors to allot and grant rights over the unissued share capital and to authorise the Directors to allot and grant

Directors' Report

rights over Ordinary shares for cash up to a maximum nominal amount of £4,163,781, representing 5% of the issued Ordinary share capital, without first making a strict pro rata offer to all existing Ordinary shareholders.

Directors

With the exception of Mr. P. J. Jarvis, Mr. H. R. Jenkins and Mr. A. H. Teare, the Directors listed on pages 24 and 25 of the Review and Financial Summary were Directors of the Company throughout the period.

Sir Leslie Fletcher was a Director until his retirement at the conclusion of the Annual General Meeting held on 28th February 1995. Mr. P. J. Jarvis was appointed a Director on 1st February 1995 and elected at the Annual General Meeting held on 28th February 1995. Mr. H. R. Jenkins and Mr. A. H. Teare were appointed Directors with effect from 1st October 1995 and 1st January 1996 respectively. They both retire at the Annual General Meeting and, being eligible, offer themselves for election. Mr. H. R. Jenkins has no service contract with the Company. Mr. A. H. Teare has a service contract under which his employment will commence on 1st April 1996; the contract contains a notice period of two years save that the earliest date for expiration of any notice is 1st April 1999.

Mr. M. C. J. Jackaman (a member of the Audit Committee), Mr. A. W. P. Stenham (Chairman of the Audit Committee), Mr. H. A. Crichton-Miller and Mr. J. F. Garrett retire by rotation and, being eligible, offer themselves for re-election. Mr. M. C. J. Jackaman and Mr. A. W. P. Stenham have no service contracts with the Company; Mr. H. A. Crichton-Miller and Mr. J. F. Garrett both have service contracts with the Company which are terminable by either party on not less than two years' notice.

The interests of the Directors in shares of the Company and their share options together with their remuneration are shown in note 29 on pages 63 and 64, with fuller details contained in the Report of the Remuneration Committee set out on pages 27 to 31 of the Review and Financial Summary. The Company maintains Directors' and Officers'

liability insurance which provides insurance cover for Directors and other Officers of Group companies, including those of the Company.

Personnel

The Company regards the employment, development and motivation of high calibre employees as a prerequisite of its policy of continued business growth. The attraction and retention of key personnel requires the Company to maintain market competitive pay and benefits and to provide training and development opportunities for employees to advance their careers. The Company also gives positive support to key national initiatives such as Investors in People, BS 5750, National Training Awards and National Vocational Qualifications. The Company continues to encourage national and local initiatives with trade and education bodies and, whenever possible, provides work experience placements for young people.

Effective programmes aimed at employee communication and involvement operate at national and local level, using journals, newspapers, videos and briefing groups. During the period employee involvement was further encouraged by the extension of the Company's successful UK share savings scheme to most overseas companies in the Group.

The Company's policy and practice in the area of Equal Opportunities continues to be developed with particular emphasis on the employment and development of people with disabilities. Full membership of the 'Opportunity 2000' initiative remains an objective for 1996.

It is the Company's policy to ensure that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunities should be based on a realistic assessment of their aptitudes and abilities. Wherever possible the Company will continue the employment of persons who become disabled during the course of their employment with the Company through retraining, acquisition of

Directors' Report

special aids and equipment or the provision of suitable alternative employment.

Significant shareholdings

At the date of this Report the Company is aware or has been notified of holdings of more than 3% of the Company's issued Ordinary share capital by Prudential Portfolio Managers Limited (35,841,062 - 4.3%), Schroder Nominees Limited (32,768,082 - 3.9%), Nutracor Nominees Limited (30,939,405 - 3.7%) and Phildrew Nominees Limited (27,279,965 - 3.3%).

The Company is not aware of any other person who is interested whether directly or indirectly in 3% or more of the issued Ordinary share capital of the Company.

Charitable and political donations

Charitable donations made in the UK during the period ended 31st December 1995 amounted to £239,000.

Overseas companies supported a variety of local and national charities and, in particular, Hard Rock Cafe International Inc. donated approximately US\$1.5 million, focusing on humanitarian and environmental causes. The Group made no political donations in the period.

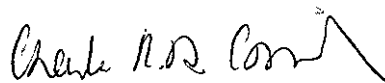
Auditors

The Company's auditors, KPMG, have indicated that a limited liability company, KPMG Audit Plc, is to undertake part of their audit business. Accordingly, a resolution is to be proposed at the Annual General Meeting for the appointment of KPMG Audit Plc as auditors of the Company.

By Order of the Board
Charles B. A. Cormick

Secretary

21st February 1996



Directors' Responsibilities in relation to Accounts

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts the Directors are required to select appropriate accounting policies and apply them consistently, to make reasonable and prudent judgments and estimates, and to state that all accounting standards which they consider to be applicable have been followed, save as disclosed in the notes to the accounts. The Directors

are also required to prepare the accounts on the going concern basis unless it is inappropriate to do so.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors also have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors

REPORT OF THE AUDITORS TO THE MEMBERS OF THE RANK ORGANISATION PLC.

We have audited the accounts set out on pages 41 to 71 and the detailed information set out in the tables within pages 27 to 31 of the Report of the Remuneration Committee.

Respective responsibilities of Directors and Auditors

As described on page 39, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the affairs of the Company and the Group as at 31st December 1995 and of the profit of the Group for the fourteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

The accounts include unaudited proforma profit and loss accounts for the years ended 31st December 1994 and 31st December 1995. These have been prepared in order to facilitate a comparison with information given in the primary statements for the year ended 31st October 1994. In our opinion, these proforma statements have, so far as the calculations are concerned, been properly compiled on the basis set out in the Basis of Preparation policy note on page 45.



KPMG

Chartered Accountants

Registered Auditors

London

21st February 1996

Group Profit and Loss Account

For the fourteen month period ended 31st December 1995

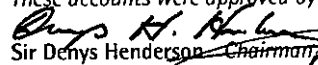
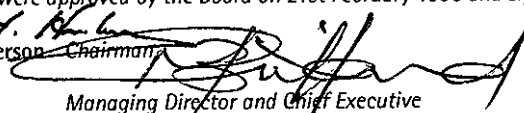
	Actual		Proforma*	
	14 months to 31st December 1995 £m	Year to 31st October 1994 £m	Year to 31st December 1995 £m	Year to 31st December 1994 £m
Turnover				
Continuing operations	2,614	2,169	2,312	2,188
Discontinued operations	—	30	—	15
	<u>2,614</u>	<u>2,199</u>	<u>2,312</u>	<u>2,203</u>
Operating profit				
Continuing operations	266	230	251	239
Discontinued operations	1	(3)	1	(1)
	<u>267</u>	<u>227</u>	<u>252</u>	<u>238</u>
Non-operating items				
Loss less profit on disposal of continuing operations' properties	(33)	2	(34)	3
Loss on disposal of continuing operations	(20)	—	(20)	—
Profit on disposal of interests in associates	300	—	300	—
Profit less loss on disposal of discontinued operations	1	(33)	1	(32)
	<u>248</u>	<u>(31)</u>	<u>247</u>	<u>(29)</u>
Income from interests in associated undertakings				
Rank Xerox before restructuring costs	192	214	187	210
Rank Xerox restructuring costs	—	(62)	—	(62)
	<u>192</u>	<u>152</u>	<u>187</u>	<u>148</u>
Others	9	11	9	10
	<u>201</u>	<u>163</u>	<u>196</u>	<u>158</u>
Profit before interest	<u>716</u>	<u>359</u>	<u>695</u>	<u>367</u>
Net interest payable and other similar charges	(58)	(75)	(44)	(74)
Profit on ordinary activities before tax	<u>658</u>	<u>284</u>	<u>651</u>	<u>293</u>
Tax on profit on ordinary activities	(130)	(111)	(127)	(113)
Profit on ordinary activities after tax	<u>528</u>	<u>173</u>	<u>524</u>	<u>180</u>
Minority interests (including non-equity interests)	(3)	(5)	(3)	(5)
Profit for the financial period	<u>525</u>	<u>168</u>	<u>521</u>	<u>175</u>
Dividends and other appropriations				
Preference	(24)	(21)		
Ordinary	(132)	(110)		
Transfer to reserves	<u>369</u>	<u>37</u>		
Earnings per Ordinary share	<u>60.3p</u>	<u>17.9p</u>	<u>60.2p</u>	<u>18.6p</u>
Headline earnings per Ordinary share	<u>31.3p</u>	<u>21.2p</u>	<u>31.3p</u>	<u>21.8p</u>

*See Basis of Preparation on page 45.

Balance Sheets

	Note	Group		Company	
		31st December 1995 £m	31st October 1994 £m	31st December 1995 £m	31st October 1994 £m
Fixed assets					
Tangible assets	9	1,672	1,515	2	2
Investments	11	655	810	4,160	2,964
		<u>2,327</u>	<u>2,325</u>	<u>4,162</u>	<u>2,966</u>
Current assets					
Stocks	14	151	142	-	-
Debtors (amounts falling due within one year)	15	338	261	32	33
Debtors (amounts falling due after more than one year)	15	203	172	54	55
Investments	16	17	3	-	-
Cash and deposits	16	296	129	118	36
		<u>1,005</u>	<u>707</u>	<u>204</u>	<u>124</u>
Creditors (amounts falling due within one year)					
Loan capital and borrowings	16	(63)	(120)	(9)	(28)
Other	17	(528)	(498)	(1,889)	(1,192)
		<u>(591)</u>	<u>(618)</u>	<u>(1,898)</u>	<u>(1,220)</u>
Net current assets (liabilities)		<u>414</u>	<u>89</u>	<u>(1,694)</u>	<u>(1,096)</u>
Total assets less current liabilities		<u>2,741</u>	<u>2,414</u>	<u>2,468</u>	<u>1,870</u>
Creditors (amounts falling due after more than one year)					
Loan capital and borrowings	16	(676)	(771)	(231)	(308)
Other	17	(12)	(9)	(1)	(1)
		<u>(688)</u>	<u>(780)</u>	<u>(232)</u>	<u>(309)</u>
Provisions for liabilities and charges	18	<u>(26)</u>	<u>(27)</u>	<u>(4)</u>	<u>(2)</u>
		<u>2,027</u>	<u>1,607</u>	<u>2,232</u>	<u>1,559</u>
Capital and reserves					
Called up share capital	20	129	129	129	129
Share premium account	20	522	514	522	514
Capital redemption reserve	20	1	1	1	1
Revaluation reserves	20	186	144	152	152
Other reserves	20	1,164	771	1,428	763
Shareholders' funds		<u>2,002</u>	<u>1,559</u>	<u>2,232</u>	<u>1,559</u>
Equity interests		1,790	1,350	2,020	1,350
Non-equity interests		212	209	212	209
Minority interests (including non-equity interests)	21	<u>25</u>	<u>48</u>	<u>-</u>	<u>-</u>
		<u>2,027</u>	<u>1,607</u>	<u>2,232</u>	<u>1,559</u>

These accounts were approved by the Board on 21st February 1996 and signed on its behalf by:


 Sir Denys Henderson *Chairman*

 M. B. Gifford *Managing Director and Chief Executive*

Group Cash Flow Statement

For the fourteen month period ended 31st December 1995

	Note	14 months to 31st December 1995 £m	Year to 31st October 1994 £m
Net cash inflow from operating activities	22	<u>278</u>	<u>336</u>
Returns on investment and servicing of finance			
Interest received		43	15
Interest paid		(122)	(100)
Distributions from associated undertakings		69	84
Dividends paid to shareholders of the Company		(133)	(54)
Dividends paid to minority shareholders in subsidiary undertakings		(10)	(3)
		<u>(153)</u>	<u>(58)</u>
Net cash outflow from returns on investment and servicing of finance			
Tax paid (net)		<u>(45)</u>	<u>(26)</u>
Investing activities			
Purchase of tangible fixed assets		(305)	(201)
Purchase of investments		(16)	(7)
Purchase of subsidiaries and minorities	24	(65)	(1)
Utilisation of accruals and provisions		(2)	(7)
Sale of fixed assets and assets held for disposal		52	18
Sale of businesses and investments	25	618	73
Purchase of deposits and current asset investments	26	(398)	(1)
Sale of deposits and current asset investments	26	371	-
		<u>255</u>	<u>(126)</u>
Net cash inflow (outflow) from investing activities			
Net cash inflow before financing		<u>335</u>	<u>126</u>
Financing			
Issue of ordinary share capital	27	(8)	(32)
Net decrease in loans and borrowings	27	172	46
Capital element of finance lease rental payments	27	6	4
		<u>178</u>	<u>50</u>
Net cash outflow from financing		<u>170</u>	<u>18</u>
Increase in cash and cash equivalents	28	<u>165</u>	<u>108</u>
		<u>335</u>	<u>126</u>

Group Recognised Gains and Losses

For the fourteen month period ended 31st December 1995

	14 months to 31st December 1995 £m	Year to 31st October 1994 £m
Profit for the financial period	525	168
Net increase in valuation of properties	29	-
Tax released from revaluation reserve	5	2
Currency translation differences on foreign currency net investments	33	(6)
	<u>67</u>	<u>(4)</u>
Total recognised gains and losses for the financial period	592	164

Group Historical Cost Profits and Losses

For the fourteen month period ended 31st December 1995

	14 months to 31st December 1995 £m	Year to 31st October 1994 £m
Profit on ordinary activities before tax	658	284
Realisation of property revaluation (deficits) gains of previous years	(13)	32
Difference between permanent diminutions on an historical cost basis and the actual charge calculated on the revalued amount	5	-
Difference between an historical cost depreciation charge and the actual charge calculated on the revalued amount	1	1
	<u>651</u>	<u>317</u>
Historical cost profit on ordinary activities before tax	651	317
Historical cost profit retained after tax, minority interests and dividends	365	70

Movements in Shareholders' Funds

For the fourteen month period ended 31st December 1995

	14 months to 31st December 1995 £m	Year to 31st October 1994 £m
Profit for the financial period	525	168
Dividends payable	(153)	(129)
Retained profit for the period	372	39
Other recognised gains and losses (net)	67	(4)
Issue of ordinary share capital	8	32
Goodwill realised on closures or disposals	45	7
Elimination of goodwill arising in the period	(49)	(1)
	<u>443</u>	<u>73</u>
Net movement in shareholders' funds	443	73
Opening shareholders' funds	1,559	1,486
Closing shareholders' funds	<u>2,002</u>	<u>1,559</u>

Accounting Policies

I BASIS OF PREPARATION

The accounts are prepared under the historical cost convention, modified by the revaluation of land and buildings, and comply with applicable accounting standards on a basis consistent with the previous year. The Group's profit and loss account and balance sheet include the accounts of the Company and its subsidiary undertakings, and the Group's share of profits or losses and reserves of its associated undertakings. The profits or losses of subsidiary undertakings acquired or sold during the period are included as from or up to the dates on which control passes.

Following the change of accounting reference date, the audited accounts have been prepared for the fourteen month period to 31st December 1995, with comparatives for the year to 31st October 1994. Unless otherwise stated, references to 1995 within the notes to the accounts are for the fourteen month period or, in the case of balance sheet notes, to the balance sheet at 31st December 1995 with comparatives at 31st October 1994.

To facilitate analysis of the results, unaudited proforma Group profit and loss accounts and related segmental information have been provided for the twelve month periods to 31st December 1995 and 1994. The information, which is unaudited, has been derived from previously published interim results and internal management accounts.

II FOREIGN CURRENCY

Revenues, costs and cash flows of overseas undertakings are included in the Group profit and loss account at average rates of exchange. Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date except where a forward exchange contract has been arranged when the contracted rate is used. Exchange differences on the retranslation of opening net assets and results for the period of foreign subsidiary undertakings are dealt with through reserves net of differences on related foreign currency borrowings. Other gains and losses arising from foreign currency transactions, including trading, are included in the consolidated profit and loss account.

The principal exchange rates affecting the Group, including associated undertakings, were:

	1995		1994		Proforma	
	31st December	Average	31st October	Average	1995	1994
US dollar	1.55	1.59	1.63	1.52	1.58	1.54
Japanese yen	160	148	158	158	148	158
French franc	7.59	7.90	8.40	8.55	7.90	8.55
German mark	2.22	2.26	2.45	2.50	2.26	2.50
Dutch guilder	2.49	2.53	2.75	2.81	2.53	2.81

III INCOME RECOGNITION

(a) Turnover

Turnover consists of sales of goods and services, including the value of work carried out on property developments in progress, and interest receivable on instalment sales. Turnover for casinos includes the value of gaming chips sold.

(b) Campground memberships

The income from the sale of long term campground memberships is recognised in full on completion with provision being made for all actual and anticipated cancellations. Costs of developing the campgrounds, excluding land, are charged against income in the proportion actual sales bear to total anticipated sales.

(c) Interest receivable on instalment sales

Interest income arising from instalment sales is recognised over the life of the contracts concerned.

IV DEFERRED EXPENDITURE

Deferred expenditure comprises (a) those costs, including interest, incurred prior to the commencement of trading which are regarded as a prepayment against future profits to be earned, (b) other intangible assets including rights acquired and (c) advance payments on supply contracts. The expenditure is included in the balance sheet as a prepayment and is written off over periods of three to eight years, the period over which the related benefits are expected to arise.

V GOODWILL

Goodwill arising on acquisition is eliminated against reserves in the year that it arises. The profit or loss on the disposal or termination of a business includes any goodwill previously eliminated against reserves.

Accounting Policies

VI STOCKS

Stocks include work in progress and are valued at the lower of cost (including an appropriate proportion of overhead) and net realisable value. Profits recognised on property developments completed or in progress have regard to the stage of development and the anticipated profit on the project.

VII RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure incurred in the period (net of recoveries) is charged against operating profit.

VIII LAND AND BUILDINGS

Freehold land and buildings and leasehold properties with unexpired lease terms exceeding 20 years are revalued on a rolling cycle and the resultant valuation is included in the balance sheet.

Any revaluation deficit, calculated by reference to the previous carrying value, is recorded in the revaluation reserve to the extent that it is considered to be a temporary diminution in value. To the extent that any such diminution is considered to be permanent, it is charged to the profit and loss account.

The profit or loss on the disposal of a property is determined by reference to the property's net carrying amount.

IX DEPRECIATION

No depreciation is provided on freehold land or on certain properties, which are freehold or held on lease for a term exceeding 20 years unexpired, where the Directors are of the opinion that the properties concerned are currently sufficiently well maintained to ensure that the residual values of such properties, based on prices prevailing at the time of acquisition or subsequent valuation, are such that the depreciation would be insignificant.

Other freehold properties are depreciated on a straight line basis over 100 years or useful life, if less. Other leasehold properties are depreciated over the lesser of 100 years, their useful life or the term of the lease. Expenditure on major refurbishment of properties is amortised over periods of between three and 15 years. Other fixed assets are depreciated mainly at rates between 5% and 25% per annum on a straight line basis.

X LEASED ASSETS

Assets acquired under finance leases are included in tangible fixed assets. Depreciation is provided at rates designed to write off the cost in equal annual amounts over the shorter of the estimated useful lives of the assets (which are the same as those for assets purchased outright) and the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the leases in proportion to the balances outstanding.

Operating lease payments are charged to the profit and loss account as incurred.

No provision is made for future costs on vacant leasehold properties. Such costs are expensed as incurred.

XI PENSIONS

The pension costs relating to the UK defined benefit Scheme are assessed in accordance with the advice of a qualified actuary using the projected unit method. Actuarial surpluses and deficiencies are amortised on a straight line basis over the expected average remaining service lives of the employees. The pension costs relating to the UK defined contribution Scheme represent the contributions payable by the Group. Overseas Schemes are accounted for in accordance with local conditions and practice such that the costs are charged against profits on a systematic basis over the service lives of the employees.

XII TAXATION

Current taxation is applied to taxable profits at the rates ruling in the relevant country. Deferred taxation, computed under the liability method, is provided in respect of timing differences, including revaluation surpluses, to the extent that it is probable that a liability will arise in the foreseeable future. Advance Corporation Tax on dividends paid is set off against United Kingdom current tax liabilities and deferred tax provisions to the extent that it is considered recoverable. Irrecoverable Advance Corporation Tax is written off as part of the tax charge for the period. Tax attributed to non-operating items represents the incremental effect of those items on the tax charge for the period.

Notes to the Accounts

1 SEGMENTAL INFORMATION

	Actual				Proforma			
	Turnover		Profit before tax		Turnover		Profit before tax	
	14 months to 31st December 1995 £m	Year to 31st October 1994 £m	14 months to 31st December 1995 £m	Year to 31st October 1994 £m	Year to 31st December 1995 £m	Year to 31st December 1994 £m	Year to 31st December 1995 £m	Year to 31st December 1994 £m
Analysis by division								
Film and Television	851	680	92	67	755	691	82	74
Holidays	514	460	53	57	480	463	63	58
Recreation	867	730	59	69	742	732	50	69
Leisure	368	269	77	51	325	273	69	52
Other	14	30	(15)	(14)	10	29	(13)	(14)
Continuing operations	2,614	2,169	266	230	2,312	2,188	251	239
Discontinued operations	-	30	1	(3)	-	15	1	(1)
	<u>2,614</u>	<u>2,199</u>	<u>267</u>	<u>227</u>	<u>2,312</u>	<u>2,203</u>	<u>252</u>	<u>238</u>
Share of associated undertakings:								
Rank Xerox			192	152			187	148
Universal City Florida			10	11			10	10
Other			(1)	-			(1)	-
			201	163			196	158
Non-operating items			248	(31)			247	(29)
Net interest payable and other similar charges			(58)	(75)			(44)	(74)
Profit before tax			<u>658</u>	<u>284</u>			<u>651</u>	<u>293</u>
	Actual				Proforma			
	Turnover		Operating profit		Turnover		Operating profit	
	14 months to 31st December 1995 £m	Year to 31st October 1994 £m	14 months to 31st December 1995 £m	Year to 31st October 1994 £m	Year to 31st December 1995 £m	Year to 31st December 1994 £m	Year to 31st December 1995 £m	Year to 31st December 1994 £m
Analysis by geographical area of origin								
United Kingdom	1,736	1,483	145	142	1,527	1,495	140	147
North America	756	607	105	74	676	611	96	77
Rest of the World	122	79	16	14	109	82	15	15
Continuing operations	2,614	2,169	266	230	2,312	2,188	251	239
Discontinued operations	-	30	1	(3)	-	15	1	(1)
	<u>2,614</u>	<u>2,199</u>	<u>267</u>	<u>227</u>	<u>2,312</u>	<u>2,203</u>	<u>252</u>	<u>238</u>

Inter-segmental turnover is not material.

Details of the results of the principal associated undertakings are given on pages 69 to 71. In accordance with the exemption allowed under Statement of Standard Accounting Practice 25, Rank Xerox does not disclose segmental information as, in the opinion of its directors, such disclosure would be seriously prejudicial to its interests.

The proforma results have been translated using the average exchange rates over the relevant years.

Notes to the Accounts

1 SEGMENTAL INFORMATION (continued)

	Actual			
	Net assets		Net cash flow	
	31st December 1995 £m	31st October 1994 £m	14 months to 31st December 1995 £m	Year to 31st October 1994 £m
Analysis by division				
Film and Television	456	335	(8)	78
Holidays	531	486	13	40
Recreation	566	511	(9)	51
Leisure	387	316	8	6
Other	(1)	28	580	(16)
Continuing operations	1,939	1,676	584	159
Discontinued operations	41	32	(8)	59
	<u>1,980</u>	<u>1,708</u>	<u>576</u>	<u>218</u>
Share of associated undertakings:				
Rank Xerox	432	607	52	62
Universal City Florida	222	201	1	15
Other	1	2	-	-
	<u>655</u>	<u>810</u>	<u>53</u>	<u>77</u>
Interest paid (net)			(79)	(85)
Tax and dividends	(121)	(102)	(188)	(83)
(Purchases) less sales of deposits and current asset investments			(27)	(1)
Other non-operating liabilities (net)	(61)	(50)		
Net borrowings	(426)	(759)		
	<u>2,027</u>	<u>1,607</u>	<u>335</u>	<u>126</u>

Analysis of net operating assets by geographical area

	Actual	
	31st December 1995 £m	31st October 1994 £m
United Kingdom	1,409	1,276
North America	464	348
Rest of the World	66	52
Continuing operations	<u>1,939</u>	<u>1,676</u>

Analysis of turnover by destination

	Actual	
	14 months to 31st December 1995 £m	Year to 31st October 1994 £m
United Kingdom	1,672	1,434
North America	763	612
Rest of the World	179	123
Continuing operations	<u>2,614</u>	<u>2,169</u>

Notes to the Accounts

2 TURNOVER AND OPERATING PROFIT

	Actual					
	1995			1994		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Turnover	2,614	-	2,614	2,169	30	2,199
Cost of sales	(1,996)	-	(1,996)	(1,636)	(24)	(1,660)
Gross profit	618	-	618	533	6	539
Distribution costs	(140)	-	(140)	(116)	(4)	(120)
Administrative expenses	(217)	-	(217)	(192)	(5)	(197)
Other operating income	5	1	6	5	-	5
Operating profit	266	1	267	230	(3)	227

Turnover includes £21m (1994 £18m) in respect of interest receivable on instalment sales.

	1995 £m	1994 £m
Operating profit is stated after charging the following items:		
Depreciation of tangible fixed assets	127	110
Permanent diminution of operating assets	3	-
Operating lease payments – land and buildings	40	33
– plant and machinery	3	4
Research and development expenditure (net of recoveries)	12	10
	£000	£000
Auditors' remuneration (Company £20,000 (1994 £20,000))	1,600	1,600
Other fees paid to Auditors – UK	900	900
– overseas	200	300

3 NON-OPERATING ITEMS

	1995 £m	1994 £m
Profit on disposal of continuing operations' properties	7	3
Loss (including provision for loss) on disposal of continuing operations' properties	(40)	(1)
	(33)	2
Loss on disposal of continuing operations	(20)	-
Profit on disposal of interests in associates (net of goodwill of £45m and exchange losses on related foreign currency borrowings of £6m)	300	-
Profit (including release of provisions) on disposal of discontinued operations	1	9
Loss (including provision for loss) on closure or disposal of discontinued operations (net of goodwill of £NIL (1994 £7m))	-	(42)
	1	(33)
Non-operating items before tax	248	(31)

The tax charge attributable to non-operating items is £4m (1994 credit £3m).

Notes to the Accounts

4 NET INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	1995 £m	1994 £m
Interest payable on bank loans and overdrafts	25	29
Interest payable on other loans fully repayable within five years	36	27
Interest payable on other loans not fully repayable within five years	30	35
Net gain on cancellation of interest rate swaps (gains £15m, losses £14m)	(1)	-
Finance charges on finance leases	2	2
Interest capitalised in period	(6)	(3)
Amortisation of interest capitalised (Note 13)	1	1
	<u>87</u>	<u>91</u>
Interest payable and other similar charges	87	91
Interest receivable other than on instalment sales	(29)	(16)
Net interest payable and other similar charges	<u>58</u>	<u>75</u>

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1995			1994		
	Company and its subsidiaries £m	Associated under- takings £m	Total £m	Company and its subsidiaries £m	Associated under- takings £m	Total £m
United Kingdom corporation tax						
Current	36	7	43	20	1	21
Deferred	12	4	16	(2)	12	10
ACT (recovered) written off	(2)	-	(2)	11	-	11
	<u>46</u>	<u>11</u>	<u>57</u>	<u>29</u>	<u>13</u>	<u>42</u>
Overseas tax						
Current	6	57	63	9	73	82
Deferred	-	10	10	-	(13)	(13)
	<u>6</u>	<u>67</u>	<u>73</u>	<u>9</u>	<u>60</u>	<u>69</u>
	<u>52</u>	<u>78</u>	<u>130</u>	<u>38</u>	<u>73</u>	<u>111</u>

Company and its subsidiaries

United Kingdom corporation tax on profits for the period has been provided at 33.0% (1994 33.0%). The reduction in the effective tax rate is explained on page 20 of the Review and Financial Summary. The United Kingdom tax charge is stated after crediting double tax relief of £1m (1994 £NIL) in respect of income of subsidiary undertakings.

Associated undertakings

The share of associated undertakings' taxation relates entirely to the Rank Xerox companies, whose charge for United Kingdom corporation tax has been provided at 33.0% (1994 33.0%). The total charge in 1994 is after relief of £18m in respect of restructuring costs.

6 PROFIT ATTRIBUTABLE TO THE RANK ORGANISATION Plc

The profit for the financial period dealt with in the accounts of The Rank Organisation Plc was £817m (1994 £197m). As allowed by Section 230 of the Companies Act 1985, no profit and loss account is presented in respect of The Rank Organisation Plc.

Notes to the Accounts

7 DIVIDENDS

	1995 £m	1994 £m
Convertible redeemable preference shares		
Dividends payable for the period	21	19
Provision for redemption premium	3	2
	<u>24</u>	<u>21</u>
Ordinary shares		
Interim paid of 4.75p per share (1994 4.25p)	40	35
Final proposed of 11.00p per share (1994 9.00p)	92	75
	<u>132</u>	<u>110</u>
	<u>156</u>	<u>131</u>

8 EARNINGS PER ORDINARY SHARE

	Actual		Proforma	
	14 months to 31st December 1995 £m	Year to 31st October 1994 £m	Year to 31st December 1995 £m	Year to 31st December 1994 £m
Profit for the financial period	525	168	521	175
Less: Preference dividends	(24)	(21)	(21)	(21)
Earnings as reported	501	147	500	154
Eliminate: Non-operating items after tax	(244)	28	(243)	26
Permanent diminution of operating assets	3	-	3	-
Headline earnings	<u>260</u>	<u>175</u>	<u>260</u>	<u>180</u>
Weighted average number of Ordinary Shares	830.7m	824.4m	830.9m	826.4m
Earnings per share	60.3p	17.9p	60.2p	18.6p
Headline earnings per share (a)	31.3p	21.2p	31.3p	21.8p

(a) Calculated in accordance with the Institute of Investment Management and Research's definition since the Directors consider that this gives a useful additional indication of underlying performance.

(b) The earnings per share would not be materially lower if calculated on a fully diluted basis.

9 TANGIBLE ASSETS

Company	Leasehold land and buildings £m	Fixtures fittings tools and equipment £m	Total £m
Cost at 31st October 1994 and 31st December 1995	2	3	5
Depreciation at 31st October 1994 and 31st December 1995	1	2	3
Net book amount at 31st October 1994 and 31st December 1995	<u>1</u>	<u>1</u>	<u>2</u>

Notes to the Accounts

9 TANGIBLE ASSETS (continued)

Group	Freehold land and buildings £m	Leasehold land and buildings £m	Fixtures fittings tools and equipment £m	Plant and machinery £m	Total £m
Cost or valuation at 31st October 1994	781	350	679	194	2,004
Currency translation adjustment	4	2	5	6	17
Additions	53	45	118	111	327
Disposals	(41)	(15)	(83)	(7)	(146)
Transfers including to current assets	5	21	12	(41)	(3)
Revaluation adjustments (a)	(2)	16	-	-	14
Cost or valuation at 31st December 1995	<u>800</u>	<u>419</u>	<u>731</u>	<u>263</u>	<u>2,213</u>
At cost	131	156	731	263	1,281
At valuation in 1991	12	-	-	-	12
At valuation in 1992	35	10	-	-	45
At valuation in 1993	401	127	-	-	528
At valuation in 1995	221	126	-	-	347
Cost or valuation at 31st December 1995	<u>800</u>	<u>419</u>	<u>731</u>	<u>263</u>	<u>2,213</u>
Depreciation at 31st October 1994	22	26	353	88	489
Currency translation adjustment	-	1	2	3	6
Disposals	(2)	(3)	(59)	(6)	(70)
Depreciation for the period	9	8	85	25	127
Transfers including to current assets	-	-	(1)	-	(1)
Revaluation adjustments (a)	(4)	(6)	-	-	(10)
Depreciation at 31st December 1995	<u>25</u>	<u>26</u>	<u>380</u>	<u>110</u>	<u>541</u>
Net book amount at 31st December 1995	<u>775</u>	<u>393</u>	<u>351</u>	<u>153</u>	<u>1,672</u>
Net book amount at 31st October 1994	<u>759</u>	<u>324</u>	<u>326</u>	<u>106</u>	<u>1,515</u>

(a) The property valuation as at 31st December 1995 was made by Messrs Knight Frank, Chartered Surveyors, as external valuers, in accordance with the RICS Appraisal and Valuation Manual on the basis of existing use value having regard to trading potential assuming where applicable the continued benefit of licences and permits. Of the net revaluation adjustments of £24m, a net surplus of £29m has been taken to revaluation reserve and a £5m permanent diminution to profit and loss account.

(b) The net book amount of land and buildings includes £918m (1994 £866m) in respect of assets carried at valuation.

(c) The total amount of land and buildings as determined under the historical cost accounting rules was cost £1,121m (1994 £1,064m), accumulated depreciation £105m (1994 £98m) and net book amount £1,016m (1994 £966m).

(d) Land and buildings with a net book amount of £974m (1994 £901m) are not depreciated. The net book amount of leasehold land and buildings at 31st December 1995 includes £150m (1994 £163m) for the Group and £1m (1994 £1m) for the Company in respect of leases with less than 50 years to run. The net book amount of tangible assets for the group includes £9m (1994 £7m) interest capitalised.

(e) The net book amount of plant and machinery includes £52m (1994 £28m) in respect of assets in the course of construction.

(f) The net book amount of plant and machinery includes £32m (1994 £22m) in respect of assets held under finance leases. The depreciation charge in respect of these assets was £3m (1994 £2m).

Notes to the Accounts

10 COMMITMENTS

Future capital expenditure

At 31st December 1995 commitments for capital expenditure amounted to £78m (1994 £54m) for the Group and £NIL (1994 £NIL) for the Company. Expenditure authorised by the Directors but not contracted amounted to £373m (1994 £111m) for the Group and £NIL (1994 £NIL) for the Company.

Film production commitments

At 31st December 1995 commitments by a subsidiary undertaking for film productions amounted to £84m (1994 £37m).

Group operating lease commitments

The commitment at 31st December 1995 to make payments on operating leases in the following twelve months was:

	Land and buildings		Plant and machinery	
	1995 £m	1994 £m	1995 £m	1994 £m
Leases expiring in one year	1	2	-	1
Leases expiring in two to five years	5	6	2	1
Leases expiring in more than five years	29	26	-	-
	35	34	2	2

11 INVESTMENTS

	Note	Group		Company	
		1995 £m	1994 £m	1995 £m	1994 £m
Subsidiary undertakings	12	-	-	4,160	2,964
Associated undertakings	13	655	810	-	-
		655	810	4,160	2,964

12 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares at valuation £m	Shares at cost £m	Loans and advances £m	Provisions £m	Net book amount £m
Balances at 31st October 1994	155	2,039	834	(64)	2,964
Additions	-	1,396	259	-	1,655
Disposals/repayments	-	(366)	(136)	43	(459)
Balances at 31st December 1995	155	3,069	957	(21)	4,160

(a) The shares shown at valuation were valued by the Directors in 1990. The historic cost of such shares is £3m.

(b) Of the loans and advances to subsidiary undertakings £16m (1994 £16m) has been subordinated to other creditors as an alternative to increasing the share capital of certain subsidiary undertakings.

(c) Details of principal subsidiary undertakings are given on pages 67 and 68.

Notes to the Accounts

13 INTERESTS IN ASSOCIATED UNDERTAKINGS

	Participating interests at cost £m	Group share of post acquisition reserves £m	Total £m
Rank Xerox companies (unlisted)			
Balances at 31st October 1994	25	582	607
Currency translation adjustment	-	21	21
Partial disposal of interest (a)	(10)	(247)	(257)
Profits less losses for the period less dividends receivable (see below)	-	61	61
Balances at 31st December 1995	<u>15</u>	<u>417</u>	<u>432</u>
Other (unlisted)			
Balances at 31st October 1994	173	30	203
Currency translation adjustment	8	1	9
Additions	20	-	20
Capital distributions	(7)	-	(7)
Amortisation of interest capitalised	(1)	-	(1)
Profits less losses for the period less dividends receivable (see below)	-	(1)	(1)
Balances at 31st December 1995 (b)	<u>193</u>	<u>30</u>	<u>223</u>
Net book amount at 31st December 1995	<u>208</u>	<u>447</u>	<u>655</u>
Net book amount at 31st October 1994	<u>198</u>	<u>612</u>	<u>810</u>

(a) On 28th February 1995, the Group completed its transaction with Xerox Corporation whereby Xerox Corporation acquired 40% of the Group's financial interest in the Rank Xerox companies for £620m. Since then the Group has been entitled to some 20% of the Participation Profit of the Rank Xerox companies, as compared with approximately 33% previously.

(b) Included in interests in other associates is £222m (1994 £201m) in respect of the Group's 50% interests in the Universal City Florida and Universal City Development partnerships. These amounts include £16m (1994 £13m) net interest capitalised.

	Rank Xerox companies		Others	
	1995 £m	1994 £m	1995 £m	1994 £m
Share of retained profit for the period				
Share of profits less losses before restructuring costs and taxation	192	214	9	11
Share of restructuring costs	-	(62)	-	-
Share of taxation (note 5)	(78)	(73)	-	-
	<u>114</u>	<u>79</u>	<u>9</u>	<u>11</u>
Dividends and distributions receivable by the Group	(53)	(62)	(10)	(11)
Profits less losses for the period less dividends receivable	61	17	(1)	-
Minority interests	(1)	(1)	-	-
Amounts retained attributable to shareholders of the Company	<u>60</u>	<u>16</u>	<u>(1)</u>	<u>-</u>

Details of principal associated undertakings are given on pages 69 to 71.

Notes to the Accounts

14 STOCKS

	Group	
	1995 £m	1994 £m
Raw materials	36	24
Work in progress	18	15
Finished goods and goods for resale	42	40
Film productions	17	29
Completed properties for resale	15	10
Property developments in progress	23	24
	151	142

Interest capitalised included in completed properties for resale and property developments in progress amounted to £1m (1994 £1m).

15 DEBTORS

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Amounts falling due within one year				
Trade debtors	180	151	1	1
Amounts owed by subsidiary undertakings	-	-	19	18
Other debtors	30	30	9	14
Assets held for disposal	7	11	2	-
Prepayments and accrued income	99	50	1	-
Instalment sale debtors	11	10	-	-
Notes receivable	11	9	-	-
	338	261	32	33
Amounts falling due after more than one year				
Trade debtors	8	8	-	-
Other debtors	16	12	-	-
Prepayments and accrued income	27	28	-	-
Instalment sale debtors	59	51	-	-
Notes receivable	70	54	-	-
Advance Corporation Tax recoverable	23	19	54	55
	203	172	54	55

16 LOAN CAPITAL, BORROWINGS, CASH, DEPOSITS AND CURRENT ASSET INVESTMENTS

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Cash, deposits and current asset investments				
Cash, current accounts and overnight deposits	58	52	3	6
Term deposits	238	77	115	30
	296	129	118	36
Current asset investments	17	3	-	-
	313	132	118	36

Notes to the Accounts

16 LOAN CAPITAL, BORROWINGS, CASH, DEPOSITS AND CURRENT ASSET INVESTMENTS (continued)

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Loan capital and borrowings				
Bank overdrafts	12	8	6	6
Bank loans:				
Amounts repayable				
Within one year or on demand	3	51	3	22
Between one and two years	-	211	-	210
Between two and five years	-	-	-	-
In five years or more	132	-	132	-
	135	262	135	232
Other borrowings:				
Amounts repayable				
Within one year or on demand	48	61	-	-
Between one and two years	43	41	-	-
Between two and five years	266	161	99	-
In five years or more	235	358	-	98
	592	621	99	98
Total	739	891	240	336
Secured	14	12	-	-
Unsecured	701	861	240	336
Obligations under finance leases	24	18	-	-
Total	739	891	240	336
Amounts due within one year or on demand	63	120	9	28
Amounts due after more than one year	676	771	231	308
Loan capital and borrowings	739	891	240	336
Cash, deposits and current asset investments	(313)	(132)	(118)	(36)
Net borrowings	426	759	122	300

Certain borrowings are secured by either fixed or floating charges on various assets and certain subsidiary undertakings.

Borrowings shown above include:

- (a) borrowings not fully repayable within five years totalling £461m (1994 £495m) for the Group and £NIL (1994 £NIL) for the Company which are repayable at par in part by annual sinking funds or by instalments with an average rate of interest payable of 8.6% (1994 7.7%).
- (b) £99m (1994 £98m) for both the Group and the Company in respect of an 8% Eurosterling bond redeemable at par in 2000, and
- (c) bank loans repayable between one and five years of £NIL (1994 £207m) for the Group and £NIL (1994 £206m) for the Company which are repayable within one year but have been borrowed under committed facilities. These amounts can be refinanced on maturity from these same facilities and have therefore been classified as long term borrowings.

A description of the policies relating to financial instruments is set out on page 22 of the Operating and Financial Review. At 31st December 1995 there were outstanding contracts to manage currency exposures in the ordinary course of business which had principal amounts equivalent to £116m (1994 £78m) for the Group and £7m (1994 £NIL) for the Company at the exchange rates ruling on that date.

In addition, the Group uses interest rate swap agreements to manage its exposure to interest rate movements.

Notes to the Accounts

17 OTHER CREDITORS

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Amounts falling due within one year				
Payments received on account	15	17	-	-
Trade creditors	159	185	2	1
Amounts owed to subsidiary undertakings	-	-	1,743	1,066
United Kingdom corporation tax	16	13	-	-
Overseas taxation	4	6	-	-
Advance Corporation Tax	20	23	20	19
Other tax and social security	14	19	2	-
Other creditors	72	30	1	3
Accruals and deferred income	128	123	21	23
Accrued dividends	8	7	8	5
Proposed final dividend on Ordinary shares	92	75	92	75
	528	498	1,889	1,192

Amounts falling due after more than one year

Payments received on account	-	1	-	-
Overseas taxation	-	1	-	-
Other creditors	5	3	-	-
Accruals and deferred income	7	4	1	1
	12	9	1	1

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £m	Acquisition provisions £m	Other provisions £m	Total £m
Group				
Balances at 31st October 1994	8	4	15	27
Charged to the profit and loss account in the period	13	-	5	18
Released to revaluation reserve	(5)	-	-	(5)
Advance Corporation Tax recoverable	(5)	-	-	(5)
Utilised during the period	-	(2)	(7)	(9)
Balances at 31st December 1995	11	2	13	26
Company				
Balances at 31st October 1994	2	-	-	2
Charged to the profit and loss account in the period	7	-	-	7
Advance Corporation Tax recoverable	(5)	-	-	(5)
Balances at 31st December 1995	4	-	-	4

Other provisions at 31st December 1995 principally represent closure costs in respect of the termination of activities.

Notes to the Accounts

19 DEFERRED TAXATION

	Provided				Not provided			
	Group		Company		Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m
Capital allowances	19	17	14	14	51	51	-	-
Other timing differences	4	(7)	(3)	(10)	4	3	-	-
Revaluation surplus	1	6	-	-	-	-	-	-
	<u>24</u>	<u>16</u>	<u>11</u>	<u>4</u>	<u>55</u>	<u>54</u>	<u>-</u>	<u>-</u>
Advance Corporation Tax	(13)	(8)	(7)	(2)				
	<u>11</u>	<u>8</u>	<u>4</u>	<u>2</u>				

The above figures exclude:

- unrecovered Advance Corporation Tax of £41m (1994 £42m)
- taxation payable in the event of the accumulated reserves of certain overseas subsidiary and associated undertakings being distributed as there is no present intention to distribute them
- taxation payable on capital gains which might arise from the sale of certain investments by the Company at the values at which they are stated in the Company's balance sheet and
- taxation payable on capital gains which might arise if land and buildings, not currently identified for sale, were to be sold at the amounts at which they are carried in the Group's balance sheet as, in the opinion of the Directors, the majority of such properties will be retained for use in the business.

20 CAPITAL AND RESERVES

	1995		1994	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
	£m	Number m	£m	Number m
US\$ Cumulative Preference shares	3	-	3	-
Convertible Cumulative Redeemable Preference shares of 20p each	60	227.6	60	227.7
Ordinary shares of 10p each	109	832.6	109	829.2
	<u>172</u>	<u>129</u>	<u>172</u>	<u>129</u>

Non-equity shareholders' funds relate entirely to the Convertible Redeemable Preference shares ("Preference shares"). These shares carry an entitlement to a dividend at the rate of 8.25p (net) per share per annum. They are convertible in any of the years up to 2003 into Ordinary shares of 10p each at a rate equivalent to 27.09 Ordinary shares for every 100 Preference shares and may be redeemed at £1.00 per share at any time after 30th April 2003 at the option of the Company and, in any event, will be redeemed at £1 per share on 31st July 2007. Holders of the Preference shares have one vote for every five shares held but only on a resolution for the winding-up of the Company or on a resolution affecting the rights attached to the shares or if the Preference Dividend has remained unpaid for six months. Holders of Preference shares have the right on a winding-up to receive, in priority to any other class of shares, the sum of £1 per share together with any arrears of dividend. 284,757 Ordinary shares were issued on 31st March 1995 pursuant to the Scheme of Arrangement to acquire the shares in A. Kershaw & Sons, Plc not already owned by the Company.

21,661 Ordinary shares were issued on 12th April 1995 by virtue of the conversion of 79,961 Preference shares. A further 3,041,956 Ordinary shares were issued during the year on the exercise of options.

Under the Share Savings Scheme approved by shareholders on 14th March 1985 and the 1995 Share Savings Scheme approved by shareholders on 28th February 1995, employees hold options to subscribe for up to 7,273,866 (1994 5,911,312) Ordinary shares at prices between 194.78p and 342p per share exercisable by 2001.

Under the Executive Share Option Scheme, approved by shareholders on 14th March 1985 and the 1995 Executive Share Option Scheme approved by shareholders on 28th February 1995, Directors and executives hold options to subscribe for up to 11,167,464 (1994 5,329,232) Ordinary shares at prices ranging between 243.08p and 427.5p per share exercisable by 2005. Under the Overseas Executive Share Option Plan approved by shareholders on 15th March 1989, executives hold options to subscribe for up to 2,956,267 (1994 2,904,173) Ordinary shares at prices ranging between 234.84p and 427.5p per share exercisable by 2005.

Notes to the Accounts

20 CAPITAL AND RESERVES (continued)

Options granted under the Share Savings Scheme are exercisable normally within a period of six months after the fifth anniversary of the SAYE contracts. Options granted under the Executive Share Option Scheme and the Overseas Executive Share Option Plan are exercisable within a period normally commencing on the third anniversary and ending on the tenth anniversary of the date of the grant.

	Preference £m	Share capital Ordinary £m	Total £m	Share premium account £m
Share capital and share premium account				
Balances at 31st October 1994	46	83	129	514
Issue of Ordinary shares in the period	-	-	-	8
Balances at 31st December 1995	<u>46</u>	<u>83</u>	<u>129</u>	<u>522</u>
			Group £m	Company £m
Capital redemption reserve				
Balances at 31st October 1994 and 31st December 1995			1	1

	Company and its subsidiaries £m	Associated under- takings £m	Group £m	Company £m
Revaluation reserves				
Balances at 31st October 1994	113	31	144	152
Currency translation adjustments	(1)	2	1	-
Transfer on disposal (net of tax)	12	-	12	-
Surplus on revaluation	29	-	29	-
Tax released from revaluation reserve	5	-	5	-
Permanent impairment and depreciation on revaluation	(6)	-	(6)	-
Realisation of revaluation deficit	1	-	1	-
Balances at 31st December 1995	<u>153</u>	<u>33</u>	<u>186</u>	<u>152</u>

The Company's revaluation reserve arises from the revaluation of its investment in a subsidiary undertaking as set out in Note 12.

	Company and its subsidiaries Preference redemption £m	Other £m	Associated under- takings £m	Group £m
Other reserves				
Group				
Balances at 31st October 1994	8	201	562	771
Currency translation adjustments	-	12	20	32
Surplus on profit and loss account for the period	-	310	59	369
Realisation of associates' reserves	-	228	(228)	-
Permanent impairment and depreciation on revaluation	-	6	-	6
Provision for redemption premium	3	-	-	3
Realisation of revaluation deficit	-	(1)	-	(1)
Transfer on disposal of fixed assets (net of tax)	-	(12)	-	(12)
Elimination of goodwill arising in the period	-	(49)	-	(49)
Goodwill realised on disposals	-	45	-	45
Balances at 31st December 1995	<u>11</u>	<u>740</u>	<u>413</u>	<u>1,164</u>

Of the £12m other net currency translation adjustments, a loss of £1m arises from the translation of foreign currency borrowings less deposits. Reserves of associated undertakings include £414m in respect of Rank Xerox companies.

The total cumulative goodwill eliminated against reserves at 31st December 1995 amounted to £773m (1994 £757m).

A merger reserve of £1m arose during the period on the acquisition of the minority in A. Kershaw & Sons, Plc against which goodwill of £1m was eliminated.

Notes to the Accounts

20 CAPITAL AND RESERVES (continued)

	Merger £m	Preference redemption £m	Other £m	Total £m
Other reserves				
Company				
Balances at 31st October 1994	385	8	370	763
Surplus on profit and loss account for the period	-	-	661	661
Provision for redemption premium	-	3	-	3
Merger reserve arising on acquisition of shares in A. Kershaw & Sons, Plc	1	-	-	1
Balances at 31st December 1995	<u>386</u>	<u>11</u>	<u>1,031</u>	<u>1,428</u>

Of the other reserves of £1,031m, £82m is not available for distribution.

21 ANALYSIS OF MINORITY INTERESTS

	Equity £m	Non-equity £m	Total £m
Balances at 31st October 1994	23	25	48
Minority interests purchased in the period	(18)	-	(18)
Minority interest in the profit on ordinary activities after tax	1	2	3
Dividends payable to minority shareholders	(6)	(2)	(8)
Balances at 31st December 1995	<u>-</u>	<u>25</u>	<u>25</u>

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995 £m	1994 £m
Operating profit	267	227
Depreciation	130	110
(Profit) less loss on sale of tangible fixed assets	(2)	(1)
(Increase) in stocks	(10)	(16)
(Increase) in debtors	(94)	(4)
(Decrease) increase in creditors	(11)	21
Other items	(2)	(1)
Net cash inflow from operating activities	<u>278</u>	<u>336</u>

23 CASH EFFECT OF NON-OPERATING ITEMS

	1995 £m	1994 £m
Non-operating items before tax	248	(31)
Profit less loss on disposal of businesses and investments	(283)	(1)
Profit less loss on disposal of properties	-	(2)
Writedown of properties and businesses for closure or disposal	35	34
Non-cash (profit) less loss on terminated activities	-	(7)
Cash charges on terminated activities included in utilisation of accruals and provisions	-	(7)
Cash proceeds from sale of businesses and investments	618	73
Cost of acquiring minority interest	(57)	-
Cash proceeds of disposed properties included in proceeds from the sale of fixed assets	24	7
Cash effect of non-operating items before tax	<u>585</u>	<u>73</u>

Notes to the Accounts

24 PURCHASE OF SUBSIDIARIES AND MINORITIES

	1995 £m	1994 £m
Net book amount of minority interest acquired	18	-
Goodwill on acquisition of minority interest	40	-
Net liabilities of subsidiaries acquired	(1)	-
Goodwill on acquisition of subsidiaries	9	1
	<u>66</u>	<u>1</u>
Satisfied by:		
Cash	65	1
Issue of Ordinary shares	1	-
	<u>66</u>	<u>1</u>

In April 1995, the Group purchased the outstanding shares in A. Kershaw & Sons, Plc ("Kershaw") which it did not already own. The purchase consideration consisted of £57m in cash and the issue of 284,757 Ordinary shares to the Kershaw shareholders who elected to receive the share alternative.

25 SALE OF BUSINESSES AND INVESTMENTS

	1995 £m	1994 £m
Net assets disposed of:		
Tangible fixed assets	20	70
Interests in associated undertakings	257	-
Stocks	5	-
Debtors	3	3
Creditors	(1)	-
	<u>284</u>	<u>73</u>
Goodwill previously eliminated against reserves	45	-
Profits less losses on disposal before tax (net)	283	1
Sales consideration	<u>612</u>	<u>74</u>
Reconciliation to cash flow statement:		
Sales consideration	612	74
Accrual for future related costs	8	-
Less: deferred consideration receivable	(4)	(2)
Add: deferred consideration received in respect of disposals in prior years	2	1
Cash proceeds from sale of businesses and investments	<u>618</u>	<u>73</u>

The principal transaction included above relates to the acquisition by Xerox Corporation of 40% of the Company's financial interest in the Rank Xerox companies for a gross amount of £620m.

Notes to the Accounts

26 DEPOSITS AND CURRENT ASSET INVESTMENTS

	1995 £m	1994 £m
Opening balance	3	2
Purchase of deposits and current asset investments	398	1
Sale of deposits and current asset investments	(371)	-
Closing balance	<u>30</u>	<u>3</u>

Deposits and current asset investments are current assets, readily convertible into cash, which were over three months from maturity when acquired.

27 ANALYSIS OF CHANGES IN FINANCING

	Share capital and premium £m	Loans and borrowings £m	Finance lease obligations £m
Balances at 31st October 1993	611	937	17
Net cash inflow (outflow) from financing	32	(46)	(4)
Inception of finance leases	-	-	5
Currency translation adjustments	-	(44)	-
Balances at 31st October 1994	<u>643</u>	<u>847</u>	<u>18</u>
Net cash inflow (outflow) from financing	8	(172)	(6)
Inception of finance leases	-	-	12
Currency translation adjustments	-	27	-
Balances at 31st December 1995	<u>651</u>	<u>702</u>	<u>24</u>

Borrowings exclude bank overdrafts and loans repayable within three months from the date of advance.

28 CASH AND CASH EQUIVALENTS

	1995 £m	1994 £m
Cash, current accounts and overnight deposits	58	52
Investments and short-term deposits which were within three months of maturity when acquired	225	77
Bank overdrafts and loans repayable within three months from date of advance	(13)	(26)
Total cash and cash equivalents	<u>270</u>	<u>103</u>
Changes in cash and cash equivalents		
Opening balance	103	(3)
Increase in the period	165	108
Currency translation adjustments	2	(2)
Closing balance	<u>270</u>	<u>103</u>

Notes to the Accounts

29 DIRECTORS

(a) The Directors' interests in shares or stocks of the Company, including options to purchase Ordinary shares under the terms of the Company's Executive Share Option Schemes ("ESOS") and Share Savings Schemes ("SAYE"), were as follows:

	31st December 1995			31st October 1994 (or date of appointment if later)		
	Ordinary Shares	Share Options ESOS	Share Options SAYE	Weighted Average Exercise Price (p)	Ordinary Shares	Share Options
Dr D. V. Atterton	8,242	-	7,905	225.66	6,792	8,347
H. A. Crichton-Miller	24,355	208,840	6,876	369.87	20,000	8,205
J. Daly	18,055	208,840	6,876	369.87	11,103	5,300
J. F. Garrett	83,500	208,840	-	373.50	83,500	-
M. B. Gifford	45,542	462,915	3,850	344.39	87,400	119,890
J. A. Harmon	32,500	-	-	-	32,500	-
Sir Denys Henderson	50,000	-	-	-	5,000	-
M. C. J. Jackaman	1,000	-	1,925	194.78	-	1,925
P. J. Jarvis	2,500	-	-	-	2,500	-
H. R. Jenkins	2,300	-	-	-	-	-
T. H. North	14,484	206,377	9,292	370.35	13,609	140,519
A. W. P. Stenham	11,450	-	7,905	225.66	-	8,347
N. V. Turnbull	29,441	202,878	7,905	378.51	13,506	76,614
D. M. Yates	30,926	208,840	6,876	369.87	19,514	8,205

The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe for shares.

Options to subscribe for Ordinary shares granted to and exercised by Directors in the fourteen months to 31st December 1995 are set out in the Report of the Remuneration Committee on page 29 of the Review and Financial Summary.

No options lapsed during the period. The market price of an ordinary share at 31st December 1995 was 466p and the range during the 14 months ended 31st December 1995 was 358p to 466p. The options outstanding at 31st December 1995 are exercisable at varying dates between 14th August 1992 and 8th September 2005 subject, where applicable, to satisfaction of any relevant performance conditions. There have been no changes in the above interests in shares and share options between 31st December 1995 and 21st February 1996, except that the holding of Ordinary shares by Mr T. H. North has increased by virtue of his monthly subscription to the Company's Corporate PEP.

As at 1st November 1994 Mr N. V. Turnbull had a beneficial interest in 500 Ordinary shares of 5p each in A. Kershaw & Sons, Plc. Under the terms of the Scheme of Arrangement by which the Company acquired the shares in A. Kershaw & Sons, Plc, not already owned by the Rank Group, Mr Turnbull was allotted 900 ordinary shares in The Rank Organisation Plc on 31st March 1995 as consideration for the 300 shares he owned in A. Kershaw & Sons, Plc on that date.

Three Directors had beneficial interests in the Company's Convertible Cumulative Preference shares of 20p each, as follows:

	31st December 1995	31st October 1994 (or date of appointment if later)
Mr M. B. Gifford	20,000	-
Sir Denys Henderson	10,000	10,000
Mr H. R. Jenkins	10,000	-

Except as stated above none of the Directors had any interest in the shares, share options or stocks of the Company or its subsidiaries.

No contract or arrangement has been entered into at any time during the period or subsisted at the end of the period in which any Director had a material interest which was significant in relation to the Group's business.

Notes to the Accounts

29 DIRECTORS (continued)

(b) Total emoluments of the Directors of The Rank Organisation Plc

	14 months to 31st December 1995 £000	Year to 31st October 1994 £000
Fees	156	120
Basic salaries, allowances and taxable benefits	2,230	1,686
Bonuses	696	653
Pension contributions	228	166
Total emoluments	3,310	2,625

(c) Emoluments of current Chairman – as Chairman

209 –

– as Non-Executive Director

11 16

Emoluments of former Chairman

83 175

(d) Emoluments of highest paid Director

750 529

(e) The table which follows shows the number of Directors of The Rank Organisation Plc, including the Chairman and highest paid Director, whose emoluments (exclusive of pension contributions) during the period were within the bands stated:

Emoluments £	Directors	
	14 months to 31st December 1995	Year to 31st October 1994
5,001 – 10,000	1	2
15,001 – 20,000	–	1
20,001 – 25,000	1	4
25,001 – 30,000	4	–
80,001 – 85,000	1	–
170,001 – 175,000	–	1
215,001 – 220,000	1	–
230,001 – 235,000	–	1
255,001 – 260,000	–	1
260,001 – 265,000	1	–
290,001 – 295,000	–	2
300,001 – 305,000	–	2
320,001 – 325,000	1	–
330,001 – 335,000	1	–
340,001 – 345,000	3	–
485,001 – 490,000	–	1
685,001 – 690,000	1	–

(f) Company policy on the remuneration of Directors and details of the remuneration of each Director are set out in the Report of the Remuneration Committee on pages 27 to 31 of the Review and Financial Summary.

Notes to the Accounts

30 EMPLOYEES

	1995 £m	1994 £m
Employee costs		
Wages and salaries	474	393
Social security costs	36	30
Other pension costs	12	14
	<u>522</u>	<u>437</u>
	1995	1994

Number of employees by geographical area

United Kingdom	30,958	31,017
North America	6,978	6,783
Rest of the World	1,214	913
Continuing operations	<u>39,150</u>	<u>38,713</u>
Discontinued operations	8	1,030
Average in period	<u>39,158</u>	<u>39,743</u>
At end of period	<u>37,451</u>	<u>40,094</u>

Provision for Pension and Similar Obligations

United Kingdom

The Group has two pension schemes for UK employees both of which are contracted-out of the State Earnings Related Pension arrangements. The schemes are externally funded under separate trusts and the funds' assets are held separately from Group assets. The accounts of both schemes for the year ended 5th April 1995 have been reported upon by their auditors without qualification.

The Rank Organisation Pension Plan is a defined benefit scheme with pensions fixed by reference to final pay and length of service. Formal actuarial valuations of the Plan are carried out triennially by an independent actuary.

Following their appointment as independent actuary in May 1995, William M. Mercer carried out a review as at 5th April 1995 using the projected unit method. The actuarial value of the assets was sufficient to cover 106% of the accrued benefits allowing for expected future increases in earnings. The main actuarial assumptions adopted were that, over the long term, the annual rate of return on investments would be 3% higher than the annual increase in pensionable remuneration and 7% higher than the annual increase in pensions. The market value of the funds' assets at 5th April 1995 was £309m excluding the value of annuities purchased to match pensions in payment.

The pension charge for the period to 31st December 1995 was £4m (1994 £7m). The charge was determined after £6m (1994 £NIL) amortisation of the actuarial surplus that is being recognised over the average remaining service lives of the active members of the Plan.

The actual Group cash contributions to the Plan in the period to 31st December 1995 totalled £10m (1994 £7m). At 31st December 1995 there was a prepayment in debtors of £6m (1994 £NIL) resulting from the difference between pension costs charged in the accounts and amounts funded to date.

The Rank Organisation Money Purchase Pension Scheme is a defined contribution scheme with benefits which depend on the contribution levels and the emerging investment performance. The market value of its assets at 5th April 1995 was £18m (1994 £16m). Group contributions to this Scheme in the period to 31st December 1995 totalled £2m (1994 £2m).

USA

The Group operates defined contribution schemes in the USA. The market value of their combined assets at 31st December 1995 was £41m (1994 £31m). Group contributions to these schemes totalled £5m (1994 £5m).

Other countries

Group contributions to schemes for employees in other countries totalled £1m (1994 £NIL).

Notes to the Accounts

31 CONTINGENT LIABILITIES

	1995 £m	1994 £m
Group		
Guarantees by the Company and by subsidiary undertakings, bills discounted by Group companies and uncalled liability in respect of partly paid shares	<u>68</u>	<u>59</u>

A subsidiary undertaking is involved in class action suits in the USA. The actions are being vigorously contested and the Directors believe that none of these actions will result in a material adverse effect on the financial condition of the Group.

	1995 £m	1994 £m
Company		
Guarantees of advances to subsidiary undertakings, bills discounted and uncalled liabilities in respect of partly paid shares:		
Provided as liabilities in the Group balance sheet	458	521
Others	<u>17</u>	<u>17</u>

No security has been given in respect of any contingent liability.

32 RELATED PARTY TRANSACTIONS

The Group recharges The Rank Organisation Pension Scheme with the costs of administration and independent advisers borne by the Group. The total amount recharged in the period to 31st December 1995 was £1,185,000 (1994 £949,000).

In October 1994, the Group agreed to sell its 70% interest in the Rank Hotels North America partnership to Quorum Hotels and Resorts ("Quorum"). Quorum was connected with a number of Rank Hotels North America's Board of Management. The terms of the sale are that Quorum will pay up to \$4.75m for the Group's 70% interest in the partnership. The final sale price will be determined by the proceeds from any future sale of certain Group properties.

Principal Subsidiary Undertakings

Except where otherwise stated The Rank Organisation Plc ("Rank") owns indirectly 100% of the ordinary share capital of the following companies. There are also holdings of Preference shares which are separately disclosed. The country of registration or incorporation is England unless otherwise indicated after the company name. The principal operations are carried out in the country of registration.

FILM AND TELEVISION	Principal activities
Deluxe Laboratories Inc. (USA)	Film processing laboratory
Deluxe Toronto Limited (Canada)	Film processing laboratory
Odeon Cinemas Limited	Film exhibition
Pinewood Studios Limited	Film production studios, post-production facilities and services
Rank Brimar Limited	Design, manufacture and marketing of high performance, high resolution cathode ray tube products
Rank Cintel Limited	Design, manufacture and marketing of broadcast equipment and software based television graphic products
Rank Film Distributors Limited	Investment in and international distribution of feature films
Rank Film Laboratories Limited	Film processing laboratory
Rank Taylor Hobson Limited	Design, manufacture and marketing of high precision metrology instruments
Rank Video Services America Inc (USA)	Video duplication
Rank Video Services GmbH (Germany)	Video duplication
Rank Video Services Limited	Video duplication
Strand Lighting Limited	Design, manufacture and marketing of entertainment lighting and lighting control equipment
HOLIDAYS	
Oasis Villages Limited	Holiday villages in the UK
ParkWorld Holidays Limited	Management of Butlin's and Haven operations
Butlin's Limited	Holiday Worlds and holiday hotels
<i>(Rank also owns indirectly all the 6% Cumulative Preference shares)</i>	
Haven Leisure Limited	Caravan/chalet parks in the UK, France, Spain and Italy
Shearings Limited	UK and continental coach holidays and UK holiday hotels
Warner Holidays Limited	Holidays just for adults in the UK
RECREATION	
Associated Leisure Limited	Amusement machine hire and sales
Grosvenor Casinos Limited	London and provincial casinos
Rank Amusements Limited	Amusement centres
Top Rank Limited	Social and bingo clubs

Principal Subsidiary Undertakings

LEISURE

Principal activities

Hard Rock Cafe International Inc (USA)	Hard Rock Cafes owned by the Group
Rank Leisure Limited	Development and operation of multi-leisure centres and nightclubs in the UK
Resorts USA Inc (USA)	Outdoor World holiday memberships at caravan park resorts, the sale of timeshares, second homes and land

HOLDING COMPANIES

Rank America Inc (USA)	Owns the Group's investments in the USA
Rank Holding España SA (Spain)	Owns the Group's investments in Spain
Rank Holdings France SA (France)	Owns the Group's investments in France
Rank Holdings Germany GmbH (Germany)	Owns the Group's investments in Germany
Rank Holdings (Netherlands) BV (Netherlands)	Owns the Group's investments in Rank America Inc. and other overseas subsidiary undertakings
Rank Orlando Inc (USA)	Owns the Group's investments in Universal City Florida Partners
Rank Orlando II Inc (USA)	Owns the Group's investments in Universal City Development Partners
Rank Organisation (Leisure Holdings) Plc	Owns the Group's investments in the UK operating subsidiary undertakings and Rank Overseas Holdings Limited
Rank Overseas Holdings Limited	Owns 100% of Rank Holdings (Netherlands) BV
Rank Precision Industries (Holdings) Limited	Owns 50% of the share capital of Rank RX Holdings Limited
Rank RX Holdings Limited (<i>Rank owns 50% directly and 50% indirectly of the Ordinary shares</i>)	Owns the Group's investment in Rank RX International Limited
Rank RX International Limited (<i>Rank owns 100% indirectly of the 'A' shares and 19.8% indirectly of the 'B' shares</i>)	Owns the Group's investment in the Rank Xerox companies

A full list of subsidiary undertakings will be included in the Company's Annual Return.

Principal Associated Undertakings

RANK XEROX COMPANIES

	Country of registration	Percentage voting interest	Class of capital owned
Rank Xerox Limited	England	48.8	'B' Ordinary 'D' Ordinary
Rank Xerox Holding BV	Netherlands	48.8	'B' Ordinary 'C' Ordinary
Rank Xerox Investments Limited	Bermuda	49.0	'B' Ordinary
R-X Holdings Limited	Bermuda	33.3	'B' Ordinary

Principal activities

The business of Rank Xerox and its associates is research, development, manufacture, marketing and maintenance of document processing systems and equipment. This includes copiers and duplicators, laser printers, scanners, electronic typewriters, facsimile machines, workstations, and related supplies. It is also active in financing through its leasing operations. Rank Xerox has its principal manufacturing operations in the United Kingdom, France and the Netherlands. Its principal associated undertaking is Fuji Xerox Co. Limited, a company incorporated in Japan, which is 50% owned by Rank Xerox Limited.

Rank Xerox changed its accounting reference date from 31st October to 31st December but its main associated undertaking, Fuji Xerox, has retained a 20th October reference date. The contribution from Rank Xerox companies in the fourteen month period to 31st December 1995 is therefore based on fourteen months' results of Rank Xerox to that date and twelve months' results of Fuji Xerox to 20th October 1995.

A summary of the audited combined financial statements of the Rank Xerox companies is set out below:

	14 months to 31st December 1995 £m	Year to 31st October 1994 £m
Profit and loss account		
Turnover	4,175	3,262
Cost of sales	(2,418)	(1,934)
Gross profit	1,757	1,328
Operating expenses	(1,142)	(885)
Xerox Corporation charges	(143)	(122)
Income from associated undertakings	173	136
Operating profit before restructuring costs	645	457
Restructuring costs	-	(186)
Operating profit	645	271
Net interest payable	(19)	(22)
Profit before tax	626	249
Tax	(257)	(138)
Minority interests	(2)	(2)
Profit for the financial period	367	109

Principal Associated Undertakings

	31st December 1995 £m	31st October 1994 £m
Balance sheet		
Tangible fixed assets	433	417
Investments	747	693
Total fixed assets	1,180	1,110
Net current assets	2,081	1,674
Total assets less current liabilities	3,261	2,784
Creditors falling due after more than one year	(763)	(684)
Provisions for liabilities and charges	(351)	(304)
	2,147	1,796
Share capital and reserves	2,141	1,790
Minority interests	6	6
	2,147	1,796

Profit participation

Under an agreement with Xerox Corporation made in 1977, the Group, through Rank RX International Limited ("RRXIL"), is entitled to a share in the combined profits before taxation of all the associated undertakings owned jointly with Xerox Corporation. RRXIL's share amounts to one half of such profits up to a maximum sum of £3,700,627 plus one third of the amount by which such profits exceed £7,401,254, from which is deducted the related taxation. For this purpose, the combined profit before tax as shown above is adjusted for charges made by Xerox Corporation for research and development and corporate overhead costs and for profit participation adjustments in accordance with the above agreement. The Group's underlying share in the participation profit was reduced from approximately 33% to some 20% as a result of the transaction with Xerox Corporation whereby Xerox Corporation acquired 40% of the Group's interest in RRXIL with effect from 28th February 1995.

	14 months to 31st December 1995 £m	Year to 31st October 1994 £m
Profit after restructuring costs and before taxation	626	249
Add: Xerox Corporation charges	143	122
Add: Profit participation adjustments	94	82
Deduct: Minority interests	(2)	(2)
Profit before tax for participation purposes	861	451
Group share after restructuring costs	192	152

Rank RX International Limited ("RRXIL")

RRXIL has been excluded from consolidation on the grounds that the shareholder agreement entered into with the Xerox Corporation in connection with the transaction referred to above places restrictions on the Group's ability to exercise its rights over the Company's assets, namely its interest in the Rank Xerox companies. RRXIL is accounted for under the equity method.

Principal Associated Undertakings

UNIVERSAL CITY FLORIDA

On 3rd October 1995, shareholders approved the Group's participation in the development of a major destination resort to be known as Universal City Florida on the land in Orlando, Florida which already contains Universal Studios Florida.

In the segmental analysis set out on pages 47 and 48, the Group's interests in Universal City Florida Partners (trading as Universal Studios Florida) and Universal City Development Partners are referred to as "Universal City Florida". Both partnerships are 50% owned joint ventures between the Group and MCA Inc. and are managed by MCA Inc.

Universal City Florida Partners operates Universal Studios Florida, a television and film studio and motion picture theme park in Orlando, Florida. Universal City Development Partners was formed to develop an 821 acre site in Orlando, Florida on which is situated Universal Studios Florida and on which will be constructed a second theme park, an entertainment zone and associated infrastructure.

Following the shareholders' approval of the expansion, the Directors now consider it appropriate to treat the Group's investments in the two partnerships as a single investment. The prior year figures shown below have accordingly been restated to include Universal City Development Partners.

A summary of the combined financial statements of the two partnerships and the Group's share thereof is set out below:

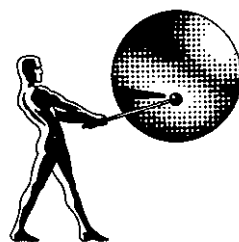
	14 months to 30th December 1995 £m	Year to 31st October 1994 £m
Profit and loss account		
Turnover	229	208
Depreciation and amortisation	(42)	(37)
Other costs	(152)	(137)
Operating profit	35	34
Net interest payable	(15)	(11)
Profit before tax	20	23
Group share	10	11
	30th December 1995 £m	31st October 1994 £m
Balance sheet		
Fixed assets	476	403
Net current liabilities	(2)	(40)
Net borrowings	(212)	(129)
Net assets	262	234
Group share of net assets	131	117
Additional Group investment	58	53
Share of revaluation reserve	33	31
Carrying value	222	201

The accounting date for Universal City Florida Partners and Universal City Development Partners is 30th December 1995. Both partnerships are registered in the United States of America.

Five Year Review

	14 months to 31st December 1995 £m	Year to 31st October 1994 £m	Year to 31st October 1993 £m	Year to 31st October 1992 £m	Year to 31st October 1991 £m
Turnover					
Current operations	2,600	2,139	1,943	1,783	1,802
Former operations	14	60	164	229	312
	<u>2,614</u>	<u>2,199</u>	<u>2,107</u>	<u>2,012</u>	<u>2,114</u>
Operating profit					
Current operations	269	232	208	166	173
Former operations	(2)	(5)	(7)	11	6
	<u>267</u>	<u>227</u>	<u>201</u>	<u>177</u>	<u>179</u>
Non-operating items (including share of associates)	248	(31)	2	(108)	(5)
Rank Xerox before restructuring costs	192	214	151	137	159
Rank Xerox restructuring costs	-	(62)	-	-	-
Other associates	9	11	11	7	(1)
Interest (net)	(58)	(75)	(88)	(87)	(93)
Profit before tax	658	284	277	126	239
Tax	(130)	(111)	(104)	(81)	(102)
Minority interests	(3)	(5)	(5)	(5)	(7)
Preference dividends and appropriations	(24)	(21)	(21)	(21)	(25)
Earnings	501	147	147	19	105
Earnings per Ordinary share	60.3p	17.9p	18.6p	2.4p	13.4p
Headline earnings per Ordinary share	31.3p	21.2p	18.5p	15.2p	14.0p
Total Dividend per Ordinary share	15.75p	13.25p	12.16p	12.16p	12.16p
Group funds employed					
Fixed assets	1,672	1,515	1,523	1,620	1,822
Investments	655	810	813	766	636
Other assets (net)	126	41	152	44	40
Total funds employed at year end	2,453	2,366	2,488	2,430	2,498
Financed by					
Ordinary share capital and reserves	1,790	1,350	1,279	1,178	1,291
Preference share capital including premium	212	209	207	205	203
Minorities	25	48	47	45	43
	<u>2,027</u>	<u>1,607</u>	<u>1,533</u>	<u>1,428</u>	<u>1,537</u>
Net borrowings	426	759	955	1,002	961
	<u>2,453</u>	<u>2,366</u>	<u>2,488</u>	<u>2,430</u>	<u>2,498</u>
Average number of employees (000's)	39.2	39.7	41.0	42.0	45.0

Earnings per Ordinary share and Dividends per Ordinary share have been restated to reflect the effects of the Enhanced Share Alternative approved in September 1993 and the subdivision of Ordinary shares which took place in March 1994.



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