

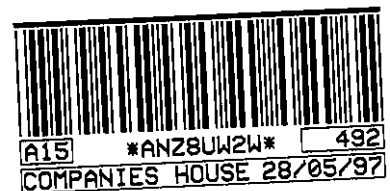
THE RANK ORGANISATION PLC
Registered No. 324504

DIRECTORS' REPORT

AND

ACCOUNTS

31ST DECEMBER 1996



THE RANK ORGANISATION PLC

Directors

J.F. Garrett
A.H. Teare
N.V. Turnbull
D.M. Yates

DIRECTORS' REPORT

The Directors present their Report and Accounts for the year ended 31st December 1996.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company has been that of an investment holding company. The Company also acts as an in-house banker and provides various administration and technical services to subsidiaries for which it charges a fee.

During the year, arising from a Scheme of Arrangement, the Company was de-listed and became a wholly owned subsidiary of a new listed company, The Rank Group Plc. Pursuant to this change, the Company will no longer provide banking and other services, as from 31st December 1996.

The profit for the year on ordinary activities after charging taxation was £94,741,000 (1995: £817,344,000). The loss of £264,276,000 (1995: profit £661,559,000) after the dividends shown below was transferred from reserves.

DIVIDENDS

Dividends of £18,776,277 being 8.25p per share were paid on the Cumulative Redeemable Preference shares on 31st January 1996 and 31st July 1996.

Dividends of 11p and 5p per share were paid on the ordinary shares on 19th August and 8th October 1996 respectively and on 20th December 1996 a dividend of £300,000,000 was paid to The Rank Group Plc.

No further dividend payments have been recommended by the Directors.

FIXED ASSETS

Details of fixed assets are shown in notes 8 and 9 to the accounts on pages 17 and 18.

THE RANK ORGANISATION PLC

DIRECTORS' REPORT

(Continued)

DIRECTORS

The following were Directors of the Company during the year:-

	<u>Appointed</u>	<u>Resigned</u>
Dr. D.V. Atterton		28th October 1996
H.A. Crichton-Miller		11th July 1996
J. Daly		10th April 1996
J.F. Garrett		
M.B. Gifford		10th April 1996
Sir Denys Henderson		28th October 1996
J.A. Harmon		28th October 1996
M.C.J. Jackaman		28th October 1996
P.J. Jarvis		28th October 1996
H.R. Jenkins		28th October 1996
T.H. North		31st December 1996
Mme. C. Morin-Postel	1st October 1996	28th October 1996
A.W.P. Stenham		28th October 1996
A.H. Teare	10th April 1996	
N.V. Turnbull		
D.M. Yates		

SHARE CAPITAL

On 12th September 1996 the Authorised share capital of the Company was increased by US\$ 10,000,000. The total Authorised share capital after this increase is £168,750,000 and US\$ 15,000,000. This consists of 1,087,500,000 Ordinary shares of 10p each, 300,000,000 Convertible Redeemable Preference shares of 20p each and US\$ 15,000,000 divided into 1,000,000,000 Preferred Ordinary shares of US\$0.01 each and 500,000,000 Convertible Cumulative Preference shares of US\$ 0.01 each.

DIRECTORS' INTERESTS

Directors' interests relate to the ordinary and convertible preference shares of the Company up to and including 6th October 1996 and to the ordinary and convertible preference shares of The Rank Group Plc thereafter. Under a scheme of arrangement pursuant to Section 425 of the Companies Act 1985 ordinary and convertible preference shares in the Company were replaced by an identical number of ordinary and convertible preference shares in The Rank Group Plc.

Following the scheme of arrangement certain options over ordinary shares in the Company were replaced by options over ordinary shares in The Rank Group Plc. Other options over ordinary shares in the Company remain outstanding which, if exercised, will result in the allotment of ordinary shares in The Rank Group Plc. The last date for exercise of such options is 2nd April 1997, but the relevant option holders may elect to exchange options outstanding under executive share option schemes over ordinary shares in the Company for options over an equal number of ordinary shares in The Rank Group Plc on this date.

THE RANK ORGANISATION PLC

DIRECTORS' REPORT

(Continued)

DIRECTORS' INTERESTS (Continued)

The Directors' interests in shares or stocks of The Rank Group Plc, or the Company, including options to purchase ordinary shares under the terms of the Group's Executive Share Option Schemes ('ESOS') and Share Savings Schemes ('SAYE') were as noted in Table 'A' on page 5 (options relating to ordinary shares in The Rank Group Plc are headed 'RG' and options relating to ordinary shares in the Company are headed 'RO').

Options to subscribe for ordinary shares of The Rank Group Plc (and where applicable the Company) granted to and exercised by Directors, or which lapsed, in the year ended 31st December 1996 are set out in Table 'B' on page 6.

The Market price of an ordinary share at 31st December 1996 was 435.5p and the range during the preceding 12 months was 403.5p to 545p. For the preceding twelve months the options outstanding at 31st December 1996 were exercisable at varying dates between 10th February 1998 and 1st April 2006 (on the assumption that options over ordinary shares in the Company outstanding under executive share option schemes are replaced by options over ordinary shares in The Rank Group Plc). There were no changes in Directors' interests between 1st January 1997 and the date of this report.

In addition to the above interests, pursuant to the requirements of the Companies Act 1985, each Director is deemed to be interested in the ordinary shares and options over ordinary shares of The Rank Group Plc held by The Rank Group Plc Employee Benefit Trust. As at the date of this report and 31st December 1996, the interest was in a total of 145,739 ordinary shares and an option over 3,500,000 ordinary shares and at 1st January 1996 it was in nil shares and nil options.

Except as stated above, none of the Directors had an interest in the shares, share options, stocks or debentures of the Company, its ultimate parent undertaking or any subsidiary of that company at 1st January 1996, at the date of appointment if later, or at 31st December 1996.

PERSONNEL

The Company values the contribution that its employees make to the success of the business. Substantial investment is made in the training, development and motivation of staff with particular focus on ensuring customer satisfaction through the consistent achievement of high standards of personal care and service. The involvement of employees in the success of the business is encouraged through company wide communications and consultation programmes.

The Company endorses the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age or disability.

POLICY ON THE PAYMENT OF SUPPLIERS

The Company agrees terms and conditions for its business transactions with its suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

THE RANK ORGANISATION PLC

DIRECTORS' REPORT

(Continued)

AUDITORS

KPMG Audit Plc resigned during the year and Price Waterhouse were appointed to fill the casual vacancy.

In accordance with Section 386(2) of the Companies Act 1985 Price Waterhouse will continue as Auditors of the Company under the terms of an elective resolution passed by the Company.

By Order of the Board

A handwritten signature in black ink, appearing to read 'C.B.A. Cormick', with a stylized flourish at the end.

C.B.A. Cormick
Secretary

Registered Office
6 Connaught Place
London W2 2EZ

THE RANK ORGANISATION PLC

DIRECTORS' REPORT

(Continued)

DIRECTORS' INTERESTS (Continued)

TABLE 'A'

Directors' Interests

	31st December 1996					1st January 1996 (or at date of appointment if later)			
	Ordinary shares	ESOS RG	ESOS RO	SAYE RG	SAYE RO	Exercise price (p)	Ordinary shares	ESOS	SAYE
J.F. Garrett	83,500	208,840	-	-	-	373.50	83,500	208,840	-
T.H. North	29,730	93,340	-	-	-	373.50	14,484	206,377	9,292
	-	27,695	-	-	-	427.50	-	-	-
A. H. Teare	50,000	165,118	-	-	-	484.50	30,000	-	-
N.V. Turnbull	29,070	161,680	-	-	-	373.50	29,441	202,878	7,905
	-	41,198	-	-	-	427.50	-	-	-
	-	-	-	1,008	-	342.00	-	-	-
D.M. Yates	38,962	208,840	-	-	-	373.50	30,926	208,840	6,876
	-	-	-	3,026	-	342.00	-	-	-

As at 31st December 1996, Mr. A.H. Teare had a beneficial interest in 20,000 Convertible Cumulative Redeemable Preference shares of 20p each, having acquired the interest during the year.

THE RANK ORGANISATION PLC

DIRECTORS' REPORT

(Continued)

DIRECTORS' INTERESTS (Continued)

TABLE 'B'

Options to subscribe for Ordinary shares granted to and exercised by the Directors, and lapsed, in the year ended 31st December 1996 are included in the table below:

	Granted		Lapsed		Exercised		Price per option (p)	Market price at date of exercise (p)
	ESOS	SAYE	ESOS	SAYE	ESOS	SAYE		
T.H. North	-	-	-	-	85,342	-	366.73	538.00
	-	-	-	-	-	5,442	206.56	539.50
	-	-	-	940	-	2,910	194.78	442.00
A.H. Teare	165,118	-	-	-	-	-	484.50	-
N.V. Turnbull	-	-	-	1,066	-	2,784	194.78	446.50
	-	-	-	1,337	-	1,710	226.20	446.50
D.M. Yates	-	-	-	1,003	-	2,847	194.78	412.00

THE RANK ORGANISATION PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state that all applicable accounting standards have been followed, save as disclosed in the notes to the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to do so.

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

AUDITORS' REPORT TO THE MEMBERS OF THE RANK ORGANISATION PLC

We have audited the accounts on pages 9 to 27 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 and 13.

Respective responsibilities of Directors and Auditors

As described on page 7 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 judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company'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 Company's affairs as at 31st December 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
Registered Auditors

21st April 1997

Southwark Towers
32 London Bridge Street
London SE1 9SY

THE RANK ORGANISATION PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1996

	<u>Note</u>	<u>1996</u> <u>12 months</u> <u>£'000</u>	<u>1995</u> <u>14 months</u> <u>£'000</u>
OPERATING (LOSS)/PROFIT			
Continuing operations	2	(56,485)	23,917
Non-operating items	3	45	687,211
		<hr/>	<hr/>
(Loss)/profit before interest		(56,440)	711,128
Income from shares in group undertakings		140,144	111,628
Interest receivable and similar income	4	56,388	58,987
Interest payable	5	(45,620)	(61,438)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		94,472	820,305
Tax on profit on ordinary activities	6	269	(2,961)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		94,741	817,344
Dividends proposed and paid (including non-equity dividends)	7	(359,017)	(155,785)
		<hr/>	<hr/>
Retained (loss)/profit for the year		(264,276)	661,559
		<hr/> <hr/>	<hr/> <hr/>

There have been no recognised gains or losses other than the profit or loss for the year.

The notes to the accounts are on pages 12 to 27.

THE RANK ORGANISATION PLC

BALANCE SHEET AT 31ST DECEMBER 1996

	<u>Note</u>	<u>1996</u> <u>31 December</u> <u>£'000</u>	<u>1995</u> <u>31 December</u> <u>£'000</u>
FIXED ASSETS			
Tangible Assets	8	-	1,818
Investments - Subsidiaries	9	3,705,507	4,160,219
- Other		35	35
		<hr/>	<hr/>
		3,705,542	4,162,072
		<hr/> <hr/>	<hr/> <hr/>
CURRENT ASSETS			
Stocks		-	21
Debtors: Amounts falling due within one year	10	38,347	32,634
Debtors: Amounts falling due after more than one year	10	-	54,174
Cash and deposits	11	2,662	117,717
		<hr/>	<hr/>
		41,009	204,546
		<hr/> <hr/>	<hr/> <hr/>
CREDITORS: Amounts falling due within one year:			
Loan capital and borrowings	12	(7)	(8,922)
Others	13	(15,761)	(146,155)
Amounts owed to subsidiary undertakings		<hr/>	<hr/>
		(1,653,724)	(1,743,032)
		<hr/>	<hr/>
		(1,669,492)	(1,898,109)
		<hr/> <hr/>	<hr/> <hr/>
NET CURRENT LIABILITIES		<hr/>	<hr/>
		(1,628,483)	(1,693,563)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,077,059	2,468,509
CREDITORS: Amounts falling due after more than one year:			
Loan capital and borrowings	12	(99,136)	(231,163)
Other creditors	13	-	(500)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	-	(4,431)
Provisions - other		-	(182)
		<hr/>	<hr/>
NET ASSETS		1,977,923	2,232,233
		<hr/> <hr/>	<hr/> <hr/>


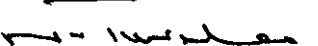
THE RANK ORGANISATION PLC

BALANCE SHEET AT 31ST DECEMBER 1996

(Continued)

	<u>Note</u>	<u>1996</u> <u>31 December</u> <u>£'000</u>	<u>1995</u> <u>31 December</u> <u>£'000</u>
CAPITAL AND RESERVES			
Called up share capital	15	135,976	128,786
Share premium account		524,742	521,966
Capital redemption reserve		1,287	1,287
Merger reserve		386,136	386,136
Revaluation reserve		152,054	152,054
Preference share redemption reserve	16	-	11,144
Retained profit	16	777,728	1,030,860
		<hr/>	<hr/>
		1,977,923	2,232,233
		<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity interests		1,770,692	2,020,595
Non-equity interests		207,231	211,638
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	17	1,977,923	2,232,233
		<hr/> <hr/>	<hr/> <hr/>

These accounts were approved by the Board of Directors on 21st April 1997

 A. H. TEARE
) Directors
) N. TURNBULL

The notes to the accounts are on pages 12 to 27.

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

1. Accounting policies

(i) Basis of accounting

The accounts have been prepared under the historical cost convention modified by the revaluation of investments and in accordance with applicable accounting standards except for the departure stated in note 15 and on a basis consistent with the previous year.

(ii) Land and buildings

Freehold land and buildings and leasehold properties are included in the balance sheet on a historical cost basis. Any permanent diminution in value is charged to the profit and loss account.

(iii) Investments

Investments are stated at cost or at the Directors' valuation.

(iv) 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 not less than cost or valuation.

Other freehold properties are depreciated on a straight line basis over 100 years or remaining 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.

(v) Deferred taxation

Deferred taxation, computed under the liability method, is provided in respect of timing differences to the extent that it is probable that a liability will arise in the foreseeable future.

(vi) Stock

Stock is valued at the lower of cost and net realisable value.

(vii) Leased assets

Rental payments in respect of operating leases are charged to profit and loss account as incurred.

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

1. Accounting policies (Continued)

(viii) Foreign currency

Assets, liabilities, revenues and cost arising from transactions denominated in foreign currencies are translated into Sterling either at the exchange rate in operation on the date on which the transactions occurred or at the contracted rate if the transaction is covered by a related or matching foreign exchange contract.

At the balance sheet date monetary assets and liabilities are translated at closing, or if appropriate, forward contract rates. Non-monetary assets are maintained at their historic Sterling equivalent.

Exchange gains or losses on settled transactions and unsettled monetary items are dealt with in the profit and loss account as part of the results from ordinary activities.

(ix) Pensions

The pension costs relating to the U.K. Schemes which are of the defined benefit type are assessed in accordance with the advice of a qualified actuary using the projected unit method. Actuarial surpluses and deficiencies are recognised over the expected average remaining service lives of the employees. The pension costs relating to the U.K. Schemes which are of the defined contribution type represent the contributions payable by the Company.

(x) Cash flow statement

Under Financial Reporting Standard 1, the Company is exempt from the requirement to include a cash flow statement within its accounts since it is a wholly owned subsidiary undertaking.

(xi) Consolidation

The information in these financial statements is presented about the Company as an individual undertaking and not about its group.

Under the provisions of Section 228 of the Companies Act 1985, the Company is exempt from the obligation to prepare and deliver group accounts. The Company is a wholly owned subsidiary of The Rank Group Plc, a company incorporated in Great Britain and registered in England and Wales.

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

2. Operating loss (1995 - profit) - continuing operations

	<u>1996</u>	<u>1995</u>
	<u>12 months</u>	<u>14 months</u>
	£'000	£'000
Administrative expenses	21,978	19,835
Property costs	110	594
Cost recharges	(23,960)	(23,248)
Exchange losses/(gains)	58,357	(21,098)
	<hr/>	<hr/>
	56,485	(23,917)
	<hr/>	<hr/>

Operating profit is stated after charging the following items:

	<u>1996</u>	<u>1995</u>
	<u>12 months</u>	<u>14 months</u>
	£'000	£'000
Depreciation of tangible fixed assets:		
Charge for the year	588	679
Profit on disposal of assets	(69)	(22)
Redundancy and reorganisation costs	2,039	15
Auditors' remuneration for audit work	172	233
Non-audit fees paid to current auditors	727	-
Non-audit fees paid to former auditors	303	349
	<hr/>	<hr/>

3. Non-operating and other exceptional items

	<u>1996</u>	<u>1995</u>
	<u>12 months</u>	<u>14 months</u>
	£'000	£'000
<u>Non-operating items:</u>		
Release of restrictive covenant	45	-
Profit on sale of shares	-	707,288
Costs related to disposal of 40% of interest in Rank Xerox	-	(19,279)
Write down of property value	-	(630)
Provision against investments in subsidiary undertaking	-	(168)
	<hr/>	<hr/>
	45	687,211
	<hr/>	<hr/>

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

4. Interest receivable and similar income

	<u>1996</u> <u>12 months</u> <u>£'000</u>	<u>1995</u> <u>14 months</u> <u>£'000</u>
Interest receivable from subsidiary undertakings	43,324	51,833
Interest receivable on short term deposits and investments	13,064	7,154
	<hr/>	<hr/>
	56,388	59,987
	<hr/> <hr/>	<hr/> <hr/>

5. Interest payable

	<u>1996</u> <u>12 months</u> <u>£'000</u>	<u>1995</u> <u>14 months</u> <u>£'000</u>
Interest payable on external borrowings	18,747	44,557
Interest payable to subsidiary undertakings	26,873	16,881
	<hr/>	<hr/>
	45,620	61,438
	<hr/> <hr/>	<hr/> <hr/>

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

6. Tax on profit on ordinary activities

	<u>1996</u> <u>12 months</u> <u>£'000</u>	<u>1995</u> <u>14 months</u> <u>£'000</u>
<u>United Kingdom taxation:</u>		
Corporation tax credit	3,378	3,987
Deferred taxation charge	(3,109)	(6,948)
	<hr/>	<hr/>
Total credit/(charge) as per profit and loss account	269	(2,961)
	<hr/> <hr/>	<hr/> <hr/>

United Kingdom corporation tax on profits for the year has been provided at 33% (1995: 33%).

7. Dividends paid in the year

	<u>Equity</u> <u>Ordinary</u> <u>shares</u> <u>£'000</u>	<u>Non-equity</u> <u>Preference</u> <u>shares</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Balance at 31st December 1995	91,599	7,872	99,471
Paid in year	(433,488)	(18,775)	(452,263)
Balance at 31st December 1996	-	(6,225)	(6,225)
	<hr/>	<hr/>	<hr/>
Charged in year	341,889	17,128	359,017
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Charged in period ended 31st December 1995	131,396	24,389	155,785
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

8. Tangible assets

	<u>Long Leasehold Properties</u> £'000	<u>Equipment Fixtures Fittings</u> £'000	<u>Total</u> £'000
<u>Cost:</u>			
At 31st December 1995	1,528	3,287	4,815
External additions	24	779	803
External disposals	-	(1,123)	(1,123)
Internal additions	-	54	54
Internal disposals	(1,552)	(2,997)	(4,549)
	<hr/>	<hr/>	<hr/>
At 31st December 1996	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Depreciation:</u>			
At 31st December 1995	(802)	(2,195)	(2,997)
External disposals	-	997	997
Internal additions	-	(16)	(16)
Internal disposals	905	1,699	2,604
Charge for the year	(103)	(485)	(588)
	<hr/>	<hr/>	<hr/>
At 31st December 1996	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Net book amount:</u>			
At 31st December 1995	726	1,092	1,818
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31st December 1996	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

9. Investments

<u>Principal subsidiary undertakings</u>	<u>Principal activities</u>	<u>Holding of share capital</u>	
		<u>Class</u>	<u>Percentage</u>
Rank Leisure Holdings Plc	Investment Holding Company	Ordinary	100%
Rank Investments Ltd	Investment Holding Company	Ordinary	100%
Rank Investments Ltd	Investment Holding Company	5½% Pref	100%
Rank RX Holdings Ltd	Investment Holding Company	Ordinary	100%

All shareholdings are directly held, except for Rank RX Holdings, 50% of which is held indirectly via Rank Investments Limited.

Cost of investments in subsidiary undertakings:

	<u>Shares at valuation</u> £'000	<u>Shares at cost</u> £'000	<u>Loans and advances</u> £'000	<u>Total</u> £'000
Balances at 1st January 1996	155,332	3,068,411	956,939	4,180,682
Additions	-	-	-	-
Disposals/repayments	-	-	(475,195)	(475,195)
Balances at 31st December 1996	155,332	3,068,411	481,764	3,705,507

Provision for diminution in value:

Balance at 1st January 1996	-	-	(20,463)	(20,463)
Written back on disposal	-	-	20,463	20,463
Balance at 31st December 1996	-	-	-	-

Net book value:

31st December 1996	155,332	3,068,411	481,764	3,705,507
31st December 1995	155,332	3,068,411	936,476	4,160,219

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

Group accounts have not been prepared as the Company is a wholly owned subsidiary undertaking of another company incorporated in Great Britain.

In the opinion of the Directors the value of the Company's investments in subsidiaries is not less than the amount at which they are stated in the balance sheet.

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

10. Debtors

	<u>1996</u>	<u>1995</u>
	<u>31 December</u>	<u>31 December</u>
	£'000	£'000
<u>Amounts falling due within one year:</u>		
Trade debtors	-	737
Trade debtors: Amounts owed by subsidiary undertakings	-	6,216
Prepayments and accrued income	60	769
Tax recoverable	33,792	407
Other debtors	100	987
Assets held for disposal	-	2,046
Interest	4,395	4,108
Inter-company dividends	-	13,289
Group relief	-	3,500
Corporation tax	-	575
	38,347	32,634
	38,347	32,634
<u>Amounts falling due after more than one year:</u>		
Advance corporation tax	-	54,174
	-	54,174
	-	54,174

11. Cash and deposits

	<u>1996</u>	<u>1995</u>
	<u>31 December</u>	<u>31 December</u>
	£'000	£'000
Short term deposits	2,199	114,823
Cash at bank	463	2,894
	2,662	117,717
	2,662	117,717

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

12. Loan capital and borrowings

	<u>1996</u>	<u>1995</u>
	<u>31 December</u>	<u>31 December</u>
	£'000	£'000
<u>Amounts falling due within one year:</u>		
Bank overdrafts	7	5,479
Short term loans	-	3,443
	7	8,922
<u>Amounts falling due after more one year:</u>		
- Between one and two years		
Other long term borrowings	-	132,290
- Between two and five years		
Eurobond	99,136	98,873
	99,136	231,163

13. Other creditors

	<u>1996</u>	<u>1995</u>
	<u>31 December</u>	<u>31 December</u>
	£'000	£'000
<u>Amounts falling due within one year:</u>		
Trade creditors	-	2,656
Payroll taxes	-	335
Other creditors	671	974
Accruals	-	9,271
Accrued dividend payable	6,225	99,471
Advance corporation tax	-	19,853
Interest	6,194	11,865
VAT	2,671	1,730
	15,761	146,155
<u>Amounts falling due after more than one year:</u>		
Deferred discount payment	-	500

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

14. Provisions for liabilities and charges

Deferred taxation

	<u>Provided</u>			
	<u>1996</u>	<u>Transfer to</u>	<u>Transferred</u>	<u>1995</u>
	<u>£'000</u>	<u>subsidiary</u>	<u>to profit &</u>	<u>£'000</u>
		<u>undertaking</u>	<u>loss account</u>	
		<u>£'000</u>	<u>£'000</u>	
Capital allowances	-	14,316	-	14,316
Short term timing differences	-	40	(3,109)	(3,069)
Advance corporation tax set off	-	-	-	(6,816)
	-	14,356	(3,109)	(4,431)

There are no liabilities for deferred taxation which have not been fully provided for above.

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

15. Authorised and called up share capital

	<u>1996</u> <u>31 December</u> <u>£'000</u>	<u>1995</u> <u>31 December</u> <u>£'000</u>
<u>Authorised share capital:</u>		
1,087,500,000 Ordinary shares of 10p each	108,750	108,750
300,000,000 Convertible Redeemable Preference shares of 20p each	60,000	60,000
1,000,000,000 US\$ Preferred Ordinary shares of 1 cent each (see below)	5,890	-
500,000,000 US\$ Convertible Cumulative Preference shares of 1 cent each (see below)	2,945	2,945
	<u>177,585</u>	<u>171,695</u>
	<u>\$'000</u>	<u>\$'000</u>
US Dollars:		
1,000,000,000 Preferred Ordinary shares of 1 cent each	10,000	-
500,000,000 Convertible Cumulative Preference shares of 1 cent each	5,000	5,000
	<u>15,000</u>	<u>5,000</u>
	<u>£'000</u>	<u>£'000</u>
<u>Called up share capital:</u>		
Sterling:		
Allotted, called up, issued and fully paid:		
836,597,686 Ordinary shares of 10p each	83,660	83,260
227,552,614 Convertible Redeemable Preference shares of 20p each	45,512	45,526
US\$ Preference shares (see below)	6,804	-
	<u>135,976</u>	<u>128,786</u>
	<u>\$'000</u>	<u>\$'000</u>
US Dollars:		
836,597,686 Preferred Ordinary shares of 1 cent each	8,362	-
227,552,614 Convertible Cumulative Preference shares of 1 cent each	2,276	-
	<u>10,638</u>	<u>-</u>

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

15. Authorised and called up share capital (Continued)

Sterling Convertible Redeemable Ordinary Preference shares of 20p each

- The shares carry no fixed dividend entitlement. In respect of any dividend declared attributable to Ordinary Preference shares 0.25% is deemed attributable to the Sterling Ordinary shares.
- Redeemable by Company at 1p per share in July 2007.

US\$ Preference shares

- The Convertible Preference share fixed dividend is paid in two equal instalments on 31st January and 31st July at 5.54 cents.
- The Preferred Ordinary shares carry no fixed dividend entitlement. Any dividend declared attributable to Ordinary shares are deemed 99.75% attributable to the US\$ Preferred Ordinary shares.

Share capital and share premium account

	<u>Share capital</u>		<u>Total</u>	<u>Share premium account</u>
	<u>Ordinary</u> £'000	<u>Preference</u> £'000	£'000	£'000
Balance at 31st December 1995	83,260	45,526	128,786	521,966
Issue of 3.98m Ordinary shares of 10p each under option scheme at average premium of £2.40	398	-	398	9,568
Conversion of Preference shares	2	(14)	(12)	12
Issue of 836m US\$ Preferred Ordinary shares of 1 cent each	-	5,348	5,348	(5,348)
Issue of 228m US\$ Convertible Preference shares of 1 cent each	-	1,456	1,456	(1,456)
Balance at 31st December 1996	<u>83,660</u>	<u>52,316</u>	<u>135,976</u>	<u>524,742</u>

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

15. Authorised and called up share capital (Continued)

Departure from FRS4

During the year the Company became a wholly owned subsidiary. As part of a capital restructuring the redemption value of the Sterling Redeemable Ordinary Preference shares of 20p each in July 2007 has been reduced from £1 to 1p each as a result of a resolution passed at the Extraordinary General Meeting on 12th September 1996. Following this change, the accrued redemption premium at 1st January 1996 of £11 million has been credited as an appropriation to the profit and loss account. This is a departure from FRS4 which would require the difference in the current carrying value and new redemption value to be taken as financing credits over the period to redemption.

The Directors consider that the treatment required by FRS4 would not give a true and fair view as it would involve the inclusion of a credit to profit and loss each year until 2007 of approximately £17 million per annum as the shareholding until the redemption is held entirely by another group company. The Directors also consider that the non-equity shares should be attributed a share of net assets equivalent to the amount to be repaid on redemption.

16. Preference share redemption reserve

Retained profit

	<u>Redemption reserve</u>	<u>Retained profit</u>
	£'000	£'000
Balance at 31st December 1995	11,144	1,030,860
Retained loss for the year	-	(264,276)
Transfer of reserve no longer required	(11,144)	11,144
Balance at 31st December 1996	-	777,728

17. Reconciliation of movements in shareholders' funds

	£'000
Balance at 31st December 1995	2,232,233
Issue of Ordinary shares of 10p each	9,966
Movement on profit and loss account	(264,276)
Issue of US\$ Preferred Ordinary shares	6,804
Reduction in share premium re issue of US\$ Preference shares	(6,804)
Balance at 31st December 1996	1,977,923

Non-equity interests relate solely to the Preference share capital.

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

18. Directors

	<u>1996</u> <u>31 December</u> £'000	<u>1995</u> <u>31 December</u> £'000
Total emoluments of directors	2,849	3,082
Contribution to pension scheme	455	228
	<hr/>	<hr/>
	3,304	3,310
	<hr/>	<hr/>
Emoluments of Chairman	268	220
Emoluments of former Chairman	-	83
Emoluments of highest paid director	386	750
	<hr/>	<hr/>

The table which follows shows the number of Directors of the Company whose emoluments during the year, excluding pensions contributions, were within the bands stated.

Emoluments - £:	<u>1996</u> <u>31 December</u>	<u>1995</u> <u>31 December</u>
5,001 - 10,000	1	1
20,001 - 25,000	4	1
25,001 - 30,000	2	4
80,001 - 85,000	-	1
110,001 - 115,000	1	-
155,001 - 160,000	1	-
195,001 - 200,000	1	-
215,001 - 220,000	-	1
260,001 - 265,000	-	1
265,001 - 270,000	1	-
280,001 - 285,000	1	-
285,001 - 290,000	1	-
295,001 - 300,000	1	-
320,001 - 325,000	1	1
330,001 - 335,000	-	1
340,001 - 345,000	-	3
385,001 - 390,000	1	-
685,001 - 690,000	-	1

Information relating to the Directors' shareholdings and share options is given in the Directors' Report on pages 2, 3, 5 and 6.

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

19. Staff number and costs

	<u>1996</u>	<u>1995</u>
Average number of employees	108	104
	<hr/> <hr/>	<hr/> <hr/>
	<u>1996</u> <u>31 December</u>	<u>1995</u> <u>31 December</u>
Wages and salaries	6,652	7,107
Social security	661	725
Other pension costs	267	257
Other employment costs	886	171
	<hr/>	<hr/>
	8,466	8,260
	<hr/> <hr/>	<hr/> <hr/>

The Company participates in group pension schemes operated by The Rank Group Plc. Such schemes are contracted out of the State earnings related pension arrangements and are externally funded under separate trusts.

Benefits under defined benefit schemes are fixed by reference to final pay. Valuations of the funds are carried out by the scheme's actuary triennially, the last actuarial report being to 5th April 1994. That report disclosed that the funds were adequate to meet all the accrued obligations of the schemes. Particulars of the actuarial valuation of the group scheme are contained in the accounts of The Rank Group Plc.

Benefits under defined contribution schemes depend on the level of contributions paid and on the emerging investment performance.

The Company's share of contributions to the group pension schemes less its share of the actuarial variation is charged against profits on ordinary activities each year. The difference between the amounts paid and the amounts charged to the profit and loss account is shown as a prepayment.

20. Contingent liabilities

There are contingent liabilities amounting to £16m (1995: £17m) in respect of indemnities.

As a result of the scheme of arrangement following which The Rank Group Plc acquired 100% of the issued share capital of The Rank Organisation Plc on 7th October 1996, it is possible that further liabilities other than those provided for in these accounts may arise. No provision has been made for these liabilities at 31st December 1996 as, in the opinion of the Directors, it is unlikely that they will occur.

THE RANK ORGANISATION PLC

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1996

(Continued)

21. Ultimate parent undertaking

The Company's parent undertaking is The Rank Group Plc, a company incorporated in Great Britain and registered in England and Wales, a copy of whose consolidated accounts can be obtained from Companies House.

The Rank Group Plc heads the largest and smallest higher group of undertakings for which group accounts are drawn up and of which the Company is a member.