

**XRO LIMITED**  
**(formerly THE RANK ORGANISATION LIMITED)**  
**Registered No. 324504**

**DIRECTORS' REPORT**

**AND**

**ACCOUNTS**

**30TH JUNE 1997**



**XRO LIMITED**  
**(formerly THE RANK ORGANISATION LIMITED)**

**Directors**

C P Gilliam  
R Y Okasako  
M R Smart  
C Shephard

**DIRECTORS' REPORT**

The Directors present their Report and Accounts for the 6 month period commencing 1st January 1997 and ending 30th June 1997.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

On 30th June 1997 the Company became a wholly owned subsidiary of Xerox Overseas Holdings PLC, a member of the Xerox Corporation group of companies. Prior to this, on 28th April 1997, the Company was re-registered as a private limited company from a public limited company.

The principal activity of the Company has been that of an investment holding company. The profit for the period on ordinary activities after charging taxation was £1,298,341,000 (1996: £94,741,000). The loss of £175,579,000 (1996: £264,276,000) after the dividends shown below was transferred from reserves.

**CHANGE OF NAME**

The name of the Company was changed from The Rank Organisation Limited to XRO Limited on 23rd July 1997.

**DIVIDENDS**

Dividends totalling £1,473,290,000 were declared and paid in the period (1996: £359,017,000).

**FIXED ASSETS**

Details of fixed asset investments are shown in note 9 to the accounts on page 12. During the period the Company sold its subsidiary undertaking Rank Leisure Holdings Plc and realised a profit on disposal of £1,000,000.

**DIRECTORS**

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

C P Gilliam (appointed 30 June 1997)  
R Y Okasako (appointed 30 June 1997)  
M R Smart (appointed 30 June 1997)  
C Shephard (appointed 30 June 1997)

J F Garrett (resigned 24 June 1997)  
A H Teare (resigned 24 June 1997)  
N V Turnbull (resigned 24 June 1997)  
D M Yates (resigned 30 June 1997)

**XRO LIMITED**  
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**DIRECTORS (Continued)**

C B A Cormick (appointed 4 March 1997, resigned 30 June 1997)

F G N Thomas (appointed 24 June 1997, resigned 30 June 1997)

**DIRECTORS' INTERESTS**

The interests (including family interests) of the Directors of the Company in office as at 30th June 1997 in the stock of Xerox Corporation are as set out below:-

	Common Stock par value \$1.00 holding (shares)	Profit Sharing & Savings Plan Xerox Stock fund (units)	Series 'B' Convertible Preferred Stock (shares)	Options for Common Stock par value \$1.00 (shares)
C P Gilliam	600	-	272,465	10,840
R Y Okasako	17,322	3,540,889	404,813	21,424
M R Smart	-	-	-	15,810
C Shephard	-	-	-	3,300

The interests are stated as at 30th June 1997 which is also the date of appointment of the Directors listed in the table above.

**PERSONNEL**

The Company had no employees during the period.

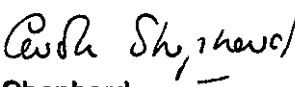
**CHANGE OF ACCOUNTING REFERENCE DATE**

In order to coincide with the closing date for the transaction whereby the Company became a wholly owned subsidiary of Xerox Overseas Holdings PLC, the accounting reference date of the Company was initially changed to 30th June. Subsequently the accounting reference date of the Company has changed to 31st December.

**AUDITORS**

The Company's auditors, Price Waterhouse, have indicated that they will not be seeking reappointment.

By Order of the Board

  
C Shephard  
Secretary

Registered Office  
6 Connaught Place  
London W2 2EZ

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**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.

*Price Waterhouse*



## **Auditors Report to the Members of XRO Limited**

We have audited the accounts on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

### **Respective responsibilities of Directors and Auditors**

As described on page 3 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 30 June 1997 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants  
and Registered Auditors

**20 APR 1998**

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED 30TH JUNE 1997**

	<u>Note</u>	<u>1997</u> <u>6 months</u> <u>£'000</u>	<u>1996</u> <u>12 months</u> <u>£'000</u>
<b>OPERATING PROFIT/(LOSS)</b>			
Continuing operations	2	14,642	(56,485)
Non-operating items	3	(402,359)	45
		-----	-----
Loss before interest		(387,717)	(56,440)
Interest receivable and similar income	4	4,201	56,388
Interest payable	5	(4,336)	(45,620)
Income from shares in group undertakings	6	1,686,192	140,144
		-----	-----
Profit on ordinary activities before taxation		1,298,340	94,472
Tax on profit on ordinary activities	7	-	269
		-----	-----
Profit on ordinary activities after taxation		1,298,340	94,741
Dividends proposed and paid (including non-equity dividends)	8	(1,473,920)	(359,017)
		-----	-----
Retained loss for the period		(175,580)	(264,276)
		=====	=====

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

The notes to the accounts are on pages 8 to 20.

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**BALANCE SHEET AT 30TH JUNE 1997**

	<u>Note</u>	<u>1997</u> <u>30 June</u> <u>£'000</u>	<u>1996</u> <u>31 December</u> <u>£'000</u>
<b>FIXED ASSETS</b>			
Investments - Subsidiaries	9	931,738	3,705,507
- Other		-	35
		<hr/>	<hr/>
		931,738	3,705,542
		<hr/> <hr/>	<hr/> <hr/>
<b>CURRENT ASSETS</b>			
Debtors: Amounts falling due within one year	10	884,164	38,347
Cash and deposits	11	-	2,662
		<hr/>	<hr/>
		884,164	41,009
		<hr/> <hr/>	<hr/> <hr/>
<b>CREDITORS: Amounts falling due within one year:</b>			
Loan capital and borrowings	12	-	(7)
Others	13	(7,511)	(15,761)
Amounts owed to subsidiary undertakings		(1,742)	(1,653,724)
		<hr/>	<hr/>
		(9,253)	(1,669,492)
		<hr/> <hr/>	<hr/> <hr/>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>874,911</b>	<b>(1,628,483)</b>
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,806,649</b>	<b>2,077,059</b>
<b>CREDITORS: Amounts falling due after more than one year:</b>			
Loan capital and borrowings	12	-	(99,136)
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>1,806,649</b>	<b>1,977,923</b>
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**XRO LIMITED**  
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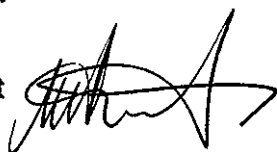
**BALANCE SHEET AT 30TH JUNE 1997**

(Continued)

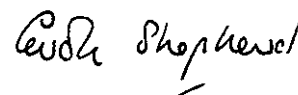
	<u>Note</u>	<u>1997</u> <u>30 June</u> <u>£'000</u>	<u>1996</u> <u>31 December</u> <u>£'000</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	136,163	135,976
Share premium account	15	528,861	524,742
Capital redemption reserve		1,287	1,287
Merger reserve		-	386,136
Revaluation reserve		-	152,054
Retained profit	16	1,140,338	777,728
		1,806,649	1,977,923
		1,806,649	1,977,923
<b>ANALYSIS OF SHAREHOLDERS' FUNDS</b>			
Equity interests		1,599,418	1,770,692
Non-equity interests		207,231	207,231
		1,806,649	1,977,923
		1,806,649	1,977,923
<b>SHAREHOLDERS' FUNDS</b>	<b>17</b>	<b>1,806,649</b>	<b>1,977,923</b>

These accounts were approved by the Board of Directors on 20th April 1998 and were signed on its behalf by:

M.R. Smart  
Director



C. Shephard  
Director



The notes to the accounts are on pages 8 to 20.



**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

**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) **Investments**

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

(iii) **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.

(iv) **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.

(v) **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.

(vi) **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 Xerox Overseas Holdings PLC, a company incorporated in Great Britain and registered in England and Wales.

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**2. Operating profit (1996 - loss) - continuing operations**

	<b><u>1997</u></b> <b><u>6 months</u></b> <b><u>£'000</u></b>	<b><u>1996</u></b> <b><u>12 months</u></b> <b><u>£'000</u></b>
Administrative expenses	(1,005)	(21,978)
Property costs	-	(110)
Cost recharges	-	23,960
Exchange gains/(losses)	15,647	(58,357)
	14,642	(56,485)
	14,642	(56,485)

Operating profit is stated after charging the following items:

	<b><u>1997</u></b> <b><u>6 months</u></b> <b><u>£'000</u></b>	<b><u>1996</u></b> <b><u>12 months</u></b> <b><u>£'000</u></b>
Depreciation of tangible fixed assets:		
Charge for the period	-	(588)
Profit on disposal of assets	-	69
Redundancy and reorganisation costs	-	(2,039)
Auditors' remuneration for audit work	-	(172)
Non-audit fees paid to current auditors	-	(727)
Non-audit fees paid to former auditors	-	(303)
	-	(3,899)
	-	(3,899)

Audit fees for the period have been borne by another company within The Rank Group

**3. Non-operating and other exceptional items**

	<b><u>1997</u></b> <b><u>6 months</u></b> <b><u>£'000</u></b>	<b><u>1996</u></b> <b><u>12 months</u></b> <b><u>£'000</u></b>
<u>Non-operating items:</u>		
Release of restrictive covenant	-	45
Profit on disposal of continuing operations	1,000	-
Write down of investments in subsidiary undertakings	(403,573)	-
Profit on sale of investment	8	-
Elimination of unclaimed dividends	206	-
	(402,359)	45
	(402,359)	45

**XRO LIMITED**  
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**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**4. Interest receivable and similar income**

	<b><u>1997</u></b> <b><u>6 months</u></b> <b><u>£'000</u></b>	<b><u>1996</u></b> <b><u>12 months</u></b> <b><u>£'000</u></b>
Interest receivable from subsidiary undertakings	-	43,324
Interest receivable on short term deposits and investments	4,200	13,064
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	4,200	56,388
	<hr/> <hr/>	<hr/> <hr/>

**5. Interest payable**

	<b><u>1997</u></b> <b><u>6 months</u></b> <b><u>£'000</u></b>	<b><u>1996</u></b> <b><u>12 months</u></b> <b><u>£'000</u></b>
Bank loans and overdrafts	4,336	18,747
Interest payable to subsidiary undertakings	-	26,873
	<hr/>	<hr/>
	4,336	45,620
	<hr/> <hr/>	<hr/> <hr/>

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**6. Dividends receivable**

	<b><u>1997</u></b> <b><u>6 months</u></b> <b>£'000</b>	<b><u>1996</u></b> <b><u>12 months</u></b> <b>£'000</b>
Income from shares in group undertakings	1,686,192	140,144
	1,686,192	140,144

**7. Tax on profit on ordinary activities**

	<b><u>1997</u></b> <b><u>6 months</u></b> <b>£'000</b>	<b><u>1996</u></b> <b><u>12 months</u></b> <b>£'000</b>
<b><u>United Kingdom taxation:</u></b>		
Corporation tax credit	-	3,378
Deferred taxation charge	-	(3,109)
	-	269
Total credit as per profit and loss account	-	269

United Kingdom corporation tax on profits for the period has been provided at 33% (1996: 33%).

**8. Dividends paid in the period**

	<b><u>Equity</u></b> <b><u>Ordinary</u></b> <b><u>shares</u></b> <b>£'000</b>	<b><u>Non-equity</u></b> <b><u>Preference</u></b> <b><u>shares</u></b> <b>£'000</b>	<b><u>Total</u></b> <b>£'000</b>
Balance at 31st December 1996	-	(6,225)	(6,225)
Paid in period	1,464,855	7,864	1,472,719
Balance at 30th June 1997	-	7,511	7,511
Exchange loss	-	(85)	(85)
	1,464,855	9,065	1,473,920
Charged in period	1,464,855	9,065	1,473,920
Charged in year ended 31st December 1996	341,889	17,128	359,017

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**9. Investments**

<u>Principal subsidiary undertakings</u>	<u>Principal activities</u>	<u>Holding of share capital</u>	
		<u>Class</u>	<u>Percentage</u>
XRI Limited (formerly Rank Investments Limited)	Investment Holding Company	Ordinary	100%
XRI Limited	Investment Holding Company	5% Pref	100%
RRXH Limited (formerly Rank RX Overseas Limited)	Investment Holding Company	Ordinary	100%

All shareholdings are directly held, except for RRXH Limited, 50% of which is held indirectly via XRI 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 1997	155,332	3,068,411	481,764	3,705,507
Restate revalued shares at cost	(155,332)	3,278	-	(152,054)
Additions/payments	-	610,000	993,440	1,603,440
Write down of investments	-	(250,951)	-	(250,951)
Disposals/repayments	-	(2,499,000)	(1,475,204)	(3,974,204)
<b>Balances at 30th June 1997</b>	<b>-</b>	<b>931,738</b>	<b>-</b>	<b>931,738</b>
<b><u>Provision for diminution in value:</u></b>				
Balances at 1st January 1997 and 30th June 1997	-	-	-	-
<b><u>Net book value:</u></b>				
30th June 1997	-	931,738	-	931,738
31st December 1996	155,332	3,068,411	481,764	3,705,507

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**9. Investments (Continued)**

Group accounts have not been prepared as the Company is a wholly owned subsidiary of Xerox Overseas Holdings PLC, a 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.

**10. Debtors**

	<b><u>1997</u></b>	<b><u>1996</u></b>
	<b><u>30 June</u></b>	<b><u>31 December</u></b>
	<b>£'000</b>	<b>£'000</b>
<b><u>Amounts falling due within one year:</u></b>		
Amount receivable from parent undertaking	884,164	-
Prepayments and accrued income	-	60
Tax recoverable	-	33,792
Other debtors	-	100
Interest	-	4,395
	884,164	38,347
	884,164	38,347

**11. Cash and deposits**

	<b><u>1997</u></b>	<b><u>1996</u></b>
	<b><u>30 June</u></b>	<b><u>31 December</u></b>
	<b>£'000</b>	<b>£'000</b>
Short term deposits	-	2,199
Cash at bank	-	463
	-	2,662
	-	2,662

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**12. Loan capital and borrowings**

	<b><u>1997</u></b> <b><u>30 June</u></b> <b>£'000</b>	<b><u>1996</u></b> <b><u>31 December</u></b> <b>£'000</b>
<b><u>Amounts falling due within one year:</u></b>		
Bank overdrafts	-	7
<b><u>Amounts falling due after more one year:</u></b>		
- Between one and two years Other long term borrowings	-	-
- Between two and five years Eurobond	-	99,136
	-	99,136

**13. Other creditors**

	<b><u>1997</u></b> <b><u>30 June</u></b> <b>£'000</b>	<b><u>1996</u></b> <b><u>31 December</u></b> <b>£'000</b>
<b><u>Amounts falling due within one year:</u></b>		
Unpaid dividends	-	671
Accrued dividend payable	7,511	6,225
Interest	-	6,194
VAT	-	2,671
	7,511	15,761

**14. Provisions for liabilities and charges**

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

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**15. Authorised and called up share capital**

	<u>1997</u> <u>30 June</u> <u>£'000</u>	<u>1996</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	5,890
500,000,000 US\$ Convertible Cumulative Preference shares of 1 cent each (see below)	2,945	2,945
	177,585	177,585
	<b>\$'000</b>	<b>\$'000</b>
<u>US Dollars:</u>		
1,000,000,000 Preferred Ordinary shares of 1 cent each	10,000	10,000
500,000,000 Convertible Cumulative Preference shares of 1 cent each	5,000	5,000
	15,000	15,000
	<b>£'000</b>	<b>£'000</b>
<u>Called up share capital:</u>		
<u>Sterling:</u>		
Allotted, called up, issued and fully paid:		
838,340,334 Ordinary shares of 10p each	83,834	83,660
227,552,614 Convertible Redeemable Preference shares of 20p each	45,512	45,512
US\$ Preferred Ordinary shares (see below)	5,361	6,804
US\$ Convertible Cumulative Preference Shares	1,456	
	136,163	135,976
	<b>\$'000</b>	<b>\$'000</b>
<u>US Dollars:</u>		
838,340,334 Preferred Ordinary shares of 1 cent each	8,383	8,362
227,552,614 Convertible Cumulative Preference shares of 1 cent each	2,276	2,276
	10,659	10,638



**XRO LIMITED**  
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**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(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>	<u>Preference</u>		
	£'000	£'000	£'000	£'000
Balance at 31st December 1996	83,660	52,316	135,976	524,742
Issue of 1.7426m Ordinary shares of 10p each under option scheme at par	174	-	174	
Issue of 1.7426m US\$ Preferred Ordinary shares of 1 cent each under option scheme at average premium of £2.36	-	13	13	4,119
Balance at 30th June 1997	83,834	52,329	136,163	528,861

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**15. Authorised and called up share capital (Continued)**

**Departure from FRS4**

During 1996 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. Retained profit**

	£'000
Balance at 31st December 1996	777,728
Retained profit for the period	(175,580)
Write back of Revaluation Reserves	152,054
Transfer Merger Reserve balance	386,136
	<hr/>
Balance at 30th June 1997	1,140,338
	<hr/> <hr/>

**17. Reconciliation of movements in shareholders' funds**

	£'000
Balance at 31st December 1996	1,977,923
Issue of Ordinary shares of 10p each	4,306
Movement on profit and loss account	(175,580)
	<hr/>
Balance at 30th June 1997	1,806,649
	<hr/> <hr/>

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

**XRO LIMITED**  
**(FORMERLY THE RANK ORGANISATION LIMITED)**

**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**18. Directors**

The Directors received no emoluments in respect of their services in the period to 30 June 1997. The comparative figures provided covers a period during part of which the company was the holding company for a group of trading companies and the emoluments are in respect of the then Directors activities' in the business of that group.

	<u>1997</u> <u>30 June</u> £'000	<u>1996</u> <u>31 December</u> £'000
Total emoluments of directors	-	2,849
Contribution to pension scheme	-	455
	-	3,304
	-	3,304
Emoluments of Chairman	-	268
Emoluments of highest paid director	-	386
	-	386

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

	<u>1997</u> <u>30 June</u>	<u>1996</u> <u>31 December</u>
Emoluments - £:		
0 - 5,000	-	-
5,001 - 10,000	-	1
20,001 - 25,000	-	4
25,001 - 30,000	-	2
110,001 - 115,000	-	1
155,001 - 160,000	-	1
195,001 - 200,000	-	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
385,001 - 390,000	-	1

Information relating to the Directors' shareholdings and share options is given in the Directors' Report on pages 1 and 2.

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**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**19. Staff number and costs**

	<u>1997</u>	<u>1996</u>
Average number of employees	-	108
	<u>1997</u>	<u>1996</u>
	<u>30 June</u>	<u>31 December</u>
Wages and salaries	-	6,652
Social security	-	661
Other pension costs	-	267
Other employment costs	-	886
	-	8,466

At 3rd October 1996 the trading activities of the Company were transferred to a fellow subsidiary undertaking. The following comment relates to the information for the year ended 31st December 1996.

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

Benefits under defined benefit schemes were fixed by reference to final pay. Valuations of the funds were 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 were contained in the accounts of The Rank Group Plc.

Benefits under defined contribution schemes depended 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 was charged against profits on ordinary activities each year. The difference between the amounts paid and the amounts charged to the profit and loss account was shown as a prepayment.

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**NOTES TO THE ACCOUNTS AT 30TH JUNE 1997**

(Continued)

**20. Contingent liabilities**

There are contingent liabilities amounting to £15m (1996: £16m) in respect of indemnities.

**21. Ultimate parent undertaking**

The company's ultimate parent undertaking is Xerox Corporation which is incorporated in the United States of America.

The largest group in which the results of XRO Limited are consolidated is that of Xerox Corporation. Copies of these financial statements are available to the public and may be obtained from:

The Investor Relations Department  
Xerox Corporation  
PO Box 1600  
Stamford  
Connecticut 06904  
USA

The smallest group in which the results of XRO Limited are consolidated is that of Xerox Overseas Holdings PLC. The consolidated accounts of Xerox Overseas Holdings PLC are available to the public and may be obtained from:

Xerox Overseas Holdings PLC  
Parkway  
Marlow  
Bucks  
SL7 1YL