

**XRO Limited**

**Directors' Report  
and  
Financial Statements  
for the year ended  
31 December 1999**



324504

**THE DOCUMENT COMPANY  
XEROX**



# **XRO Limited**

## **Directors' Report and Financial Statements for the year ended 31 December 1999**

### **Directors as at 31 December 1999**

M.J. Barrett  
C.P. Gilliam  
N.S. Mackintosh  
D.N. Maw

#### **Secretary**

M.J. Barrett

#### **Registered Office**

6 Connaught Place  
London  
W2 2EZ

#### **Registered Auditors**

KPMG Audit Plc, London

#### **Registered Number**

324504

# **XRO LIMITED DIRECTORS' REPORT**

## **1. FINANCIAL STATEMENTS**

The Directors present the Accounts of XRO Limited ('the Company') for the year ended 31 December 1999.

The profit for the financial year was nil. The Directors do not recommend the payment of a dividend. Retained profits for the year were nil.

## **2. PRINCIPAL ACTIVITIES**

XRO Limited acts as an intermediate holding company for certain of Xerox Corporation's investments in Europe and parts of Africa and Asia.

## **3. DIRECTORS**

- (i) The Directors shown on page 1 were in office on 31 December 1999. Resignations during the year were: R.Y. Okasako on 14 May 1999, C. Shephard on 21 May 1999, M.R. Smart on 30 June 1999. Appointments during the year were: M.J. Barrett on 21 May 1999, N.S. Mackintosh on 30 June 1999.
- (ii) Directors' emoluments were nil for the year under review.

## **4. EMPLOYEES**

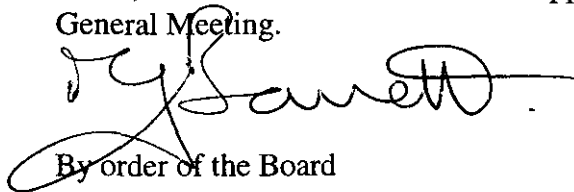
The Company had no employees during the year under review.

## **5. CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the year, there were no charitable or political contributions made by the Company.

## **6. AUDITORS**

The auditors, KPMG Audit Plc, have expressed their willingness to continue in office, and a resolution for their re-appointment will be proposed at the Annual General Meeting.



By order of the Board  
M.J. Barrett, Secretary

**XRO LIMITED**  
**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

	<i>Note</i>	<b>1999</b> <b>£m</b>	1998 £m
Dividend income from group companies		-	24
<b>Profit on ordinary activities before tax</b>		-	24
Tax on profit on ordinary activities		-	-
<b>Profit for the financial year</b>		-	24
Dividends paid and proposed	2	-	(24)
<b>Retained profit for the financial year</b>		-	-

The notes on pages 6 to 10 form part of these financial statements.

There were no other recognised gains or losses in the year.

**XRO LIMITED  
BALANCE SHEET  
AT 31 DECEMBER 1999**

	<i>Note</i>	1999 £m	1998 £m
<b>Fixed assets</b>			
Investments	3A	1,571	1,571
<b>Total fixed assets</b>		<b>1,571</b>	<b>1,571</b>
<b>Current assets</b>			
Debtors			
Due after more than one year	4	884	884
<b>Total current assets</b>		<b>884</b>	<b>884</b>
<b>Creditors due within one year</b>		<b>(2)</b>	<b>(2)</b>
<b>Net current assets</b>		<b>882</b>	<b>882</b>
<b>Total assets less current liabilities</b>		<b>2,453</b>	<b>2,453</b>
<b>Creditors due after more than one year</b>	5	<b>(7)</b>	<b>(7)</b>
<b>Net assets</b>		<b>2,446</b>	<b>2,446</b>
<b>Capital and reserves</b>			
Called up share capital	6	172	172
Share premium	7	1,133	1,133
Capital redemption reserve		1	1
Profit and loss account	8	1,140	1,140
<b>Shareholders' funds</b>		<b>2,446</b>	<b>2,446</b>

Approved by the Board of Directors on 26 May 2000 and signed on its behalf by



**D.N. Maw**  
Director

<b>ANALYSIS OF SHAREHOLDERS' FUNDS</b>	<b>1999</b>	<b>1998</b>
	<b>£m</b>	<b>£m</b>
Equity interests	2,239	2,239
Non-equity interests	207	207
	<b>2,446</b>	<b>2,446</b>

#### **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

Profit for the financial year	-	24
Equity dividends paid and proposed	-	(24)
Retained profit for the financial year	-	-
Shares issued at a premium	-	639
<b>Net addition to shareholders' funds</b>	<b>-</b>	<b>639</b>
Opening shareholders' funds	2,446	1,807
<b>Closing shareholders' funds</b>	<b>2,446</b>	<b>2,446</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

The Company's major accounting policies are summarised below.

#### (A) Accounting convention

The financial statements are prepared on a historical cost basis and in accordance with applicable United Kingdom Accounting Standards. As explained in note 6B, there is a departure from FRS4 concerning the treatment of the accrued redemption premium, which arose in 1996 and was taken directly to reserves.

Accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### (B) Investments

Investments in subsidiaries are held at cost, less any provision required where there has been an impairment in the value of the investment (note 3).

#### (C) Disclosures

The Company is a wholly owned subsidiary of Xerox Investments Europe BV, the ultimate parent within the European Union, which prepares publicly available consolidated financial statements. Consequently, under Section 228 of the Companies Act 1985, the Company is exempt from the requirement to prepare group accounts. Accordingly these accounts present information about the Company as an individual undertaking and not about its group.

##### *Cash Flow Statement*

Under Financial Reporting Standard 1 - Cash Flow Statements, the Company is exempt from the requirement to prepare a Cash Flow Statement.

##### *Related Parties*

Under Financial Reporting Standard 8 - Related Party Disclosures, the Company is exempt from the requirement to disclose transactions with other entities within the group headed by Xerox Corporation; other related party disclosures are reported in note 9.

### 2. DIVIDENDS PAID & PROPOSED

Equity dividends of nil (1998-£16.3m) and non-equity dividends of nil (1998-£7.7m) were paid during the year.

### 3. INVESTMENTS

#### (A) The Company's investment in subsidiaries is analysed as follows

	1999 £m	1998 £m
At 1 January	1,571	931
Additions	-	640
<b>At 31 December</b>	<b>1,571</b>	<b>1,571</b>

#### (B) Subsidiaries at 31 December 1999.

	Percentage Voting Interest	Class of Capital owned	Percentage holding
XRI Limited	100%	Ordinary	100%
XRI Limited		5% Pref.	100%
RRXH Limited	100%	Ordinary	100%
Nemo (AKS) Limited	100%	Ordinary	100%

All shareholdings are direct except RRXH Limited, 50% of which is held via XRI Limited. All subsidiaries are incorporated in England.

RRXH Limited, through its subsidiary RRXIL Limited (England), owns 100% of the ordinary share capital of Xerox Limited (England), Xerox Holding (Nederland) B.V., Xerox XIB Limited (formerly Xerox Investments (Bermuda) Limited) and Xerox XHB Limited (formerly Xerox Holdings (Bermuda) Limited).

A complete list of subsidiaries will be filed with the Company's next annual return.

4. DEBTORS – DUE AFTER MORE THAN ONE YEAR	1999 £m	1998 £m
Amounts due from Group company	884	884

5. CREDITORS - DUE AFTER MORE THAN ONE YEAR		
Amounts owed to Group company	7	7



## 6. AUTHORISED & CALLED UP SHARE CAPITAL

### (A) The Company's share capital

<b>Authorised Share Capital</b>	<b>1999 £000's</b>	<b>1998 £000's</b>
<b>UK Sterling</b>		
2,400,000,000 Ordinary shares of 10p each	240,000	240,000
300,000,000 Convertible Redeemable Preference shares of 20p each	60,000	60,000
2,400,000,000 US\$ Preferred Ordinary shares of 1 cent each (see below)	14,213	14,213
500,000,000 US\$ Convertible Cumulative Preference shares of 1 cent each (see below)	2,945	2,945
	<b>317,158</b>	<b>317,158</b>
<b>US Dollars:</b>		
	<b>\$000's</b>	<b>\$000's</b>
2,400,000,000 Preferred Ordinary shares of 1 cent each	24,000	24,000
500,000,000 Convertible Cumulative Preference shares of 1 cent each	5,000	5,000
	<b>29,000</b>	<b>29,000</b>
<b>Issued and fully paid</b>		
	<b>£000's</b>	<b>£000's</b>
<b>Sterling</b>		
1,172,378,553 Ordinary shares of 10p each	117,238	117,238
227,552,614 Convertible Redeemable Preference shares of 20p each	45,512	45,512
US\$ Preferred Ordinary shares (see below)	7,346	7,346
US\$ Convertible Cumulative Preference Shares	1,456	1,456
	<b>171,552</b>	<b>171,552</b>
<b>US Dollars:</b>		
	<b>\$000's</b>	<b>\$000's</b>
1,172,378,553 Preferred Ordinary shares of 1 cent each	11,724	11,724
227,552,614 Convertible Cumulative Preference shares of 1 cent each	2,276	2,276
	<b>14,000</b>	<b>14,000</b>

**(B) Rights of shares under the meaning of Accounting Standard FRS4 - Capital Instruments**

**(i) 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.

**(ii) US\$ Preference shares**

The convertible Preference share dividend is paid in two equal instalments on 31<sup>st</sup> January and 31<sup>st</sup> July. However as there is no profit in 1999 a dividend is not payable.

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.

**Departure from FRS4**

As part of a capital restructuring in 1996 the redemption value of the Sterling Redeemable Ordinary Preference shares of 20p each in July 2007 was reduced from £1 to 1p at an Extraordinary General Meeting. Following this change, the accrued redemption premium at 1st January 1996 of £11 million was credited as an appropriation to the profit and loss account. This is a departure from FRS4, which requires 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 of £17 million to profit and loss each year until 2007, as the shareholding 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.

**7. SHARE PREMIUM**

Of the share premium of £1,133,222k reported at 1999 year-end, £604,361k arose in 1998, when XRO Limited issued £35,389k of ordinary and U.S. \$ preferred ordinary shares at a premium of £604,361k to Xerox Overseas Holdings Limited; at the same time XRO Limited increased its investment in RRXH Limited and XRI Limited.

<b>8. PROFIT AND LOSS ACCOUNT</b>	<b>1999</b>	1998
	<b>£m</b>	£m
Balance at 1 January	1,140	1,140
Retained profit for the year	-	-
<b>Balance at 31 December</b>	<b>1,140</b>	<b>1,140</b>

## **9. RELATED PARTY DISCLOSURE**

An overseas subsidiary of the Group, NV Xerox Management Services SA, has provided a loan to a Director of the Company. At the end of the year there was an outstanding loan to D.N. Maw of £30k. No interest was charged on this loan. No amounts have been provided for or written off against the loan.

During the year, M.R. Smart, a past Director, repaid a loan of £82k to NV Xerox Management Services SA.

## **10. CONTINGENT LIABILITIES**

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 in 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 31 December, 1999 as, in the opinion of the Directors, it is unlikely that they will occur.

The Company had no other contingent liabilities at 31 December 1999 (1998 - £15m).

## **11. ULTIMATE PARENT COMPANY**

The largest group in which the results of XRO Limited are consolidated is that of Xerox Corporation, which is incorporated in the United States of America. Copies of the Xerox Corporation Annual Report and Accounts may be obtained from The Investor Relations Department, Xerox Corporation, 800 Long Ridge Road, PO Box 1600, Stamford, Connecticut 06904, U.S.A.; World Wide Web <http://www.xerox.com>.

The smallest group in which the results of XRO Limited are consolidated is that of Xerox Investments Europe BV, which is registered in The Netherlands. Copies of the Xerox Investments Europe BV Annual Report and Accounts are available from Xerox Investments Europe BV, Gondel 1, 1186 MJ Amstelveen, The Netherlands.

## **Directors' Responsibilities**

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility 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.

## Report of the Auditors

*To the members of XRO Limited*

We have audited the financial statements on pages 3 to 10.

### *Respective responsibilities of Directors and Auditors*

The Directors are responsible for preparing the Directors' report and, as described on page 11, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements are free from material misstatement, whether caused by fraud, or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG Audit plc**  
**Chartered Accountants**  
**Registered Auditors**  
**London**

27 May 2000