

APPENDIX 1

(Referred to in paragraph 40)

**Indirect electrostatic reprographic machines supplied in the United Kingdom by suppliers other than Rank Xerox in October 1975**

<i>Supplier</i>	<i>Model</i>	<i>Date of introduction in the UK</i>	<i>Type</i>	<i>Speed: copies per minute A4</i>	<i>First copy out time: seconds</i>	<i>Terms of supply</i>
AGFA-GEVAERT	X10	1972	Desk-top (with stand)	10	10	Sale/rental
	X20	1975	Console	20	6	Sale/rental
GESTETNER	FB 12	1971	Desk-top	12	9	Sale/rental/lease
IBM	Copier I	1970	Console	10	15	Sale/rental
	Copier II	1972	Console	25	6	Sale/rental
IMPERIAL	900 Bond	1975	Desk-top	15	8	Sale/rental/lease
KALLE	Infotec 1000	1973	Console	15	8	Sale/rental
LION	Toshibafax BD702	1974	Desk-top	10	10	Sale
MC REPROGRAPHICS	U-Bix Mk1	1973	Console	12	14	Sale/rental
	U-Bix Mk2	1974	Console	10	15	Sale/rental
	U-Bix Mk4	1974	Console	20	7	Sale/rental
3M	235 VHS	1973	Console	18	3.5	Sale/rental
	238 VHSR	1974	Console	18	3.5	Sale/rental
NASHUA	Delta I	1973	Console	15	9	Sale/rental
OLYMPIA	Omega 1000	1973	Desk-top	10	8	Sale/rental/lease
OYEZ REPROGRAPHICS	2000	1975	Desk-top	15	8	Sale
RONEO VICKERS	Saxon PPCI	1974	Desk-top	30	12	Sale/rental
THORN	NP 70	1973	Console	15	7	Sale/lease/lease purchase
	NP 1100	1973	Console	10	7	Sale/lease/lease purchase

APPENDIX 2

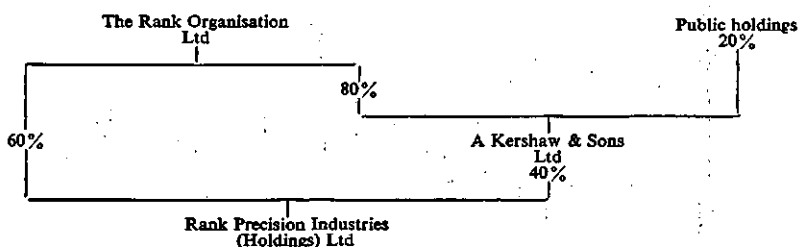
(Referred to in paragraph 55)

Issued Share Capital of Rank Xerox Ltd at 1 October 1975

	'A' Shares	'B' Shares	'C' Shares	'D' Shares	'E' Shares	TOTAL
	£	£	£	£	£	£
Xerox Corporation (Note 1)			6,356,147			6,356,147
Lyell Holdings Limited (Note 2)	7,401,254		1,125,241			8,526,495
The Rank Organisation Limited (Note 3)		3,700,627		1,870,347		5,570,974
Rank Precision Industries (Holdings) Limited (Note 4)		3,700,627		1,870,347		5,570,974
Trustees of the Rank Xerox Share Purchase Scheme (Note 5)					42,725	42,725
National Westminster Jersey Trust Co Limited (Note 5)					13,500	13,500
<b>TOTAL</b>	<b>7,401,254</b>	<b>7,401,254</b>	<b>7,481,388</b>	<b>3,740,694</b>	<b>56,225</b>	<b>26,080,815</b>

Notes:

1. Xerox Corporation, which is incorporated in the USA, is Rank Xerox Ltd's ultimate holding company.
2. Lyell Holdings Ltd, which again is incorporated in the USA, is a wholly-owned subsidiary of Xerox Corporation. It has registered under Part X of the Companies Act 1948 as a company incorporated outside Great Britain, which has established a place of business in Great Britain.
3. The Rank Organisation Ltd is a public company, incorporated in England. 53 per cent of the ordinary shares of The Rank Organisation are owned by Rank Group Holdings Ltd which is ultimately owned by The Rank Foundation Ltd, the Trustees of the J Arthur Rank Group Charity and the Trustees of the 1961 Rank Group Charity. The Rank Foundation Ltd, a company incorporated in England and limited by guarantee, is the ultimate holding company of The Rank Organisation Ltd.
4. Rank Precision Industries (Holdings) Ltd is a subsidiary of The Rank Organisation Ltd. Its Ordinary Shares are held as follows:



Thus, directly and indirectly The Rank Organisation Ltd owns 92 per cent of the Ordinary Share Capital of Rank Precision Industries (Holdings) Ltd (60 per cent directly, 32 per cent (ie 80% of 40%) through A Kershaw & Sons Ltd).

5. The Trustees of the Rank Xerox Purchase Scheme and the National Westminster Jersey Trust Co Ltd hold 'E' Shares on trust for certain employees under the Rank Xerox Share Purchase Scheme and under a Discretionary Settlement, applicable in practice to certain overseas employees, respectively. For the purpose of that Scheme, Rank Xerox created, in October 1971, the new class of 'E' Ordinary Shares of £1 each. It did so by converting into 'E' Shares, 40,000 unissued 'C' Shares and 20,000 unissued 'D' Shares.

APPENDIX 3

(Referred to in paragraph 63)

**Rank Xerox Ltd—Subsidiaries and Associates**

**Summary of revenue and profits before interest and tax**

<i>Year ended</i>	<i>Revenue</i>	<i>Profit (Loss) before interest and tax</i>
	£'000s	£'000s
30 June, 1958	285	(149)
30 June, 1959	419	(24)
30 June, 1960	673	(6)
30 June, 1961	1,130	38
30 June, 1962	2,599	29
30 June, 1963	6,464	1,097
30 June, 1964	14,971	3,366
30 June, 1965	26,933	8,218
30 June, 1966	44,353	16,297
30 June, 1967	61,812	21,185
30 June, 1968	84,361	32,693
30 June, 1969	115,275	50,387
31 October, 1970 (16 months)	206,372	92,532
31 October, 1971	207,132	88,405
31 October, 1972	268,131	110,292
31 October, 1973	370,341	151,203
31 October, 1974	482,357	177,625
31 October, 1975	613,598	183,878

*Notes:*

1. The figures for the periods 30th June, 1969 onwards are on the equity basis of accounting and therefore include a share of the earnings of Fuji Xerox Co Ltd, an associate company.
2. The figures in the table, with the exception of the year ended 30th June, 1969, are taken directly from Rank Xerox Ltd's consolidated accounts, which have been re-stated on the equity basis of accounting to include a share of the earnings of Fuji Xerox.

APPENDIX 4

(Referred to in paragraph 65)

**Rank Xerox revenue from direct exports of reference products**

<i>Year ended</i>	<i>Total exports</i> £'000s
June, 1963	4,911
June, 1964	12,061
June, 1965	15,722
June, 1966	21,657
June, 1967	21,988
June, 1968	22,570
June, 1969	28,746
October, 1970 (16 months)	53,790
October, 1971	51,590
October, 1972	52,379
October, 1973	69,136
October, 1974	74,177

APPENDIX 5  
(Referred to in paragraphs 39 and 66)

**Rank Xerox indirect electrostatic reprographic machines and their principal characteristics**

<i>Model</i>	<i>Date of introduction in UK</i>	<i>Type</i>	<i>Speed* Copies per minute</i>	<i>Maximum size of image (inches)</i>	<i>First copy out time</i>
<i>The 914 family</i>					
914/420/422	1961	Console	7	9" × 14"	25 secs
720	1967	Console	15	9" × 14"	17 secs
1000	1973	Console	15	9" × 14"	17 secs
<i>The 813 family</i>					
813	1964	Desk-top	5½	8" × 13"	25 secs
660	1968	Desk-top	9	8" × 13"	16 secs
<i>The 3600 family</i>					
3600	1967	Console	60	8½" × 13"	7 secs
7000†	1971	Console	60	14" × 18"	8 secs
<i>The 4000 family</i>					
4000‡	1972	Console	45	8½" × 14"	6 secs
4500‡	1975	Console	45	8½" × 14"	7 secs
<i>The 3100 family</i>					
3100	1974	Console	20	8½" × 14"	8 secs
<i>The 9200 family</i>					
9200§	1975	Console	120	8½" × 14"	8 secs

\* The speeds quoted are nominal and in practice vary slightly depending on the adjustment of the machine. The speeds of the 720 and 1000 vary according to the size of the original and therefore the 'scan' of the light; the speeds quoted refer to A4 size originals.

† The 7000 has a reduction capability enabling it to make a copy smaller in size than the original.

‡ The 4000 and 4500 have an automatic 'two-sided' copying capability. The 4500 has a twenty bin automatic sorter in addition to an automatic platen lift and document ejector.

§ The 9200 has 'two-sided copying' capability, an automatic document feeder for originals, a 50-bin sorter providing limitless sorting, and reduction capacity.

Note: This table excludes Special Systems Products.

## APPENDIX 6

(Referred to in paragraph 66)

### The characteristics of the Rank Xerox machine families

#### The 914 family

##### 914/420/422

1. Rank Xerox's first general purpose machine, the 914, was introduced in 1961 and is a console model capable of making 420 copies per hour. Originals are placed face down on the platen and do not have to be fed in; the machine can, therefore, copy from bound volumes. Production of the 914 was discontinued in 1970 but there are still a number of improved versions of the machines in the field. A 914 machine with an alternative pricing system was introduced in 1966 as the 420 using a 'modal' pricing plan with three 'modes'. Toner, filter, developer and photoreceptor drum were charged for separately. The 420 with its three-mode pricing plan was superseded by the 422 in 1969, still physically a 914, with two-mode pricing.

##### 720

2. The 720, introduced in 1967, an improved version of the 914, is of similar appearance and size with a speed of 920 copies per hour compared with the 420 copies per hour of the 914. Although there are still many 720s in the field, the 720 is no longer marketed, having been superseded by the 1000.

##### 1000

3. The 1000, an improved version of the 720, was introduced in 1973. The improvements were, first, a decrease in the warm-up time and, secondly, improved overall copy quality. The company said that many users of the 720 elected to have their machines remodelled to the 1000 specification.

#### The 813 family

##### 813

4. The 813, the second copier marketed by Rank Xerox, was introduced in 1964. With a speed of 330 copies per hour it was slower than the 914 but much smaller and could be placed on the top of a desk or filing cabinet. As documents had to be fed into the machine it could not copy from bound volumes. The machine's smaller size and the price plan under which it was marketed were intended to appeal particularly to users with lower volume copying requirements. In 1966 the 813 was made available as the 330 under a modal price system. The 813 and 330 are no longer marketed today, having been superseded by the 660 with three price plan options.

##### 660

5. The 660, a substantially improved version of the 813, was launched in 1968. Like the 813 it is a desk top machine in which the original is fed into the machine. It was marketed under three different price plans as the 660, the 660-1 and the 660-1A but is now marketed under a single price plan. It is intended for those users with limited office space and no bound volume copying requirements, where usage does not warrant the installation of more powerful machines. The company said that many 660s were installed as 'point of need' machines by customers who also had larger machines, such as the 3600, for centralised high volume use.

#### The 3600/7000 family

##### 3600

6. In 1967 Rank Xerox introduced a major new product, the 3600<sup>1</sup>, with a speed of 3,600 copies per hour, nearly four times faster than any Rank Xerox machine previously available. It may be installed in a central reprographic department, with smaller machines situated at 'points of need' in the customer's offices, but the company said that many customers who had high volume longer run requirements use a 3600 for short run work and single copies as well.

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<sup>1</sup> Several months before the introduction of the 3600, Rank Xerox began marketing the 2400 which was very similar to the 3600 except that it had a speed of only 2,400 copies per hour. After the introduction of the 3600, manufacture of the 2400 ceased and there are very few 2400s in the field today.

- Rank Xerox manufactures, and supplies for use with the 3600, (a) an automatic document feeder, (b) a sorter (which automatically collates copies from different originals into sets), (c) an auxiliary paper tray, and (d) a slitter/perforator (for correspondence reply tear-offs, cutting up a single copy, taken from several small originals, into several pieces to save paper). Further information about machine accessories is given in paragraphs 67 and 68.

### **7000**

- The 7000 was introduced in 1971. It resembles the 3600 but is technically an improvement on it. Additionally, it has a large (14" × 18") platen and a reduction capability, ie the ability to produce copies smaller in size than the original, enabling the user to copy large originals such as engineering drawings, charts and computer output and to reduce them to conventional A4 paper size. Sorters, auxiliary paper trays and slitter/perforators are available for use with the 7000.

## **Second generation machines**

- The 4000, 4500 and 3100 machines, together with the 9200 machines are referred to by the company as 'second generation machines'. These machines, with advanced features not found in earlier families, together with their future improved versions, are intended eventually to replace the machines in the three original families.

### **4000**

- The 4000 was introduced in 1972. It has a speed of between 2,500–2,700 copies per hour (about three times faster than the 1000, itself a larger machine than the 4000). It is able to copy automatically on to both sides of a piece of paper. As an alternative to automatic double-sided copying, the operator of a 4000 model can select copy paper of one of two different sizes or copy paper of one of two different colours; in each case the selection is effected by pushing one of two buttons. Other features of the 4000 included (a) a flat platen, set at the edge of the machine to facilitate copying from a bound volume without damaging the volume or distorting the image on the copy (b) good half-tone copying capability, (c) 'modular' construction for compactness, ease of service and repair, and (d) quietness in operation.

### **4500**

- The 4500 is a development of the technology used in the 4000 embodying all the features of the 4000. Additionally it incorporates a 20-bin sorter, and a device which automatically removes the original from the platen when a run is completed.

### **3100**

- The 3100 was introduced by Rank Xerox in early 1974. It is a compact machine intended to be used at an immediate point of need. Like the 4000 it has a flat platen on the edge of the machine, facilitating the copying of bound volumes, and it has an ability to copy solid areas and half-tones.

### **9200**

- Rank Xerox launched the 9200 in Europe in September 1975. The 9200 is the Xerox group's fastest and most sophisticated reprographic machine, with a speed of 7,200 copies per hour. It is manufactured at Rank Xerox's Mitcheldean factory. The 9200 is described as a complete reproduction centre in a single integrated unit, fulfilling a need for efficient high volume duplicating operations without a master, being fully automatic and capable of operation by anyone with relatively brief training. The machine has a reduction facility reducing documents of up to 11" × 17" to 8½" × 11". The machine will process, reproduce and collate up to 50 originals into as many as 999 sets in a continuous, automatic operation. The quality of reproduction is stated to be comparable with traditional duplicating processes.

## **Special systems products**

- In addition to the machines described above, Rank Xerox markets a number of xero-graphic machines for specialised copy work. These machines produce approximately 2 per cent of the total annual copy volume produced by Rank Xerox machines. A brief description of the machines is given below:

### **1385**

The 1385 was the first reprographic machine marketed in the USA and in the

United Kingdom. It is a slow, manually operated, flat plate machine, which was, and still is, used primarily for making masters for use in offset machines and copies (size for size or reduced in size) of general documents, drawings etc.

### **Copyflo**

The Copyflo machines were the first automatic xerographic machines and were introduced shortly after the manually operated 1385. There are various models of Copyflo machines which are used to copy from roll microfilm, microfiche, microfilm aperture cards and opaque type originals at various magnification ratios.

### **840**

The 840 was introduced in 1971 to copy large originals of up to 24" × 36" in size, ie slightly larger than A1 size reducing them to A3 size. The speed of the machine is from 1,200 to 2,400 copies per hour depending upon the size of the copy paper.

### **1824**

The 1824 was introduced in 1966. It is manufactured by Xerox in the USA. It copies from microfilm on to sheets of plain paper up to 18" × 24" in size. It is primarily used for providing plain paper copies of drawings and information recorded on microfilm; it can also produce transparencies and offset masters. There are three models of the 1824. The 1824 produces copies at a paper 'throughput' speed of 12.7 or 20 feet per hour depending upon the model.

### **1860**

The 1860, made by Fuji Xerox, was introduced in 1966, primarily for use in drawing offices. It is designed for making prints of engineering drawings, graphs, layouts, maps, flow charts etc from originals up to 36" wide and of any length. The prints may be as wide as 18" and as long as required. The 1860 can also copy from translucent material or offset masters, and it can make masters or translucent originals as well as copies on paper.

### **Computer Forms Printer**

The Computer Forms Printer was introduced in September 1968. It provides prints from computer output at a rate of 40 per minute. It copies 13" × 8½" or smaller on a size-for-size basis and will reduce computer print-out to standard A4 size documents. Features include a 10-bin collator that can accommodate 150 pages in each bin, and extra sorter modules which enable 30 sets of a 150 page report to be sorted at the same time. There is also a receiving tray with a capacity of 500 copies for prints not requiring sorting.

APPENDIX 7

(Referred to in paragraph 95)

**Graduated Pricing System**  
**Standard Commercial Terms**

*Machine models and metered copy charges*

	Plan	660 422	1000	3100	4000	4500	3600	7000
		p	p	p	p	p	p	p
<i>Mode 1 (1-10 copies)</i>								
<b>(a) Total monthly billing accepted*</b>								
Less than £50	A	2.38	2.38					
£60	B	2.20	2.20	2.20				
£85-136	C		2.04	2.04	2.04		2.04	
£190-198	D				1.89	1.89	1.89	1.89
£305-315	E					1.75	1.75	1.75
£470	F						1.62	1.62
£720	G						1.50	1.50
<b>(b) Non-retroactive reduced Mode 1 Prices:</b>								
Breakpoint ('000 per month)		2.5	5.0	7.5	10.0	15.0	25.0	25.0
Price (pence)		1.08	1.08	1.08	1.08	1.08	0.96	0.96
<i>Mode 2 (11th and subsequent copies)</i>								
Lowest available monthly billing		£28	£46	£60	£105	£190	£136	£198

\* The 'total monthly billing accepted' is also referred to as the 'commitment level'.

*Notes:*

- For the following plans and models there is no provision for reduced Mode 1 prices. All prices in Mode 1 are, therefore, at the prices shown below in these cases:  

Model 1000	Plan A	2.38p per copy
Model 3100	Plan B	2.20p per copy
Model 4500	Plan D	1.89p per copy
Model 3600	Plan C	2.04p per copy
- For the 3600 and 7000 models in plans E, F and G copies in Mode 1 in excess of 50,000 are priced at 0.48p per copy.
- All machines are available on short (90 day) contracts or on long contracts (one year certain terminable by six months notice).
- The 3100 model is also available on Plans B and C under a non-modal system as follows:  

Plan B	All copies	2.20p
Plan C	1-7,500 copies	2.04p
	7,501 copies onwards	1.08p
- The 3600 continues to be available as the 3600 RCP, a successor to the 3600 DPP; and as System 3600 comprising the 3600 model copier/duplicator, the automatic document feeder and a 20-bin sorter.
- A similar structure exists for certain machines on educational terms and in respect of discontinued products. The Graduated Pricing System is also applied to the Group Pricing Plan at different copy charges.

APPENDIX 8

(Referred to in paragraph 108)

Differences in rental charges

Monthly billings\*

Table (1): Constant modal usage†

	660 (£)				4000 (£)				3600 (£)			
	ST	GPP Tariffs		HMSO	ST	GPP Tariffs		HMSO	ST	GPP Tariffs		HMSO
		(N)	(Z)			(N)	(Z)			(N)	(Z)	
0.5	28	28	28	15	111	105	105	90	147	136	136	111
1.0	30	28	28	15	154	137	126	96	216	192	185	143
1.5	40	36	33	17	194	181	165	124	285	251	228	172
2.0	51	45	41	22	249	221	202	161	404	353	318	232
4.0	76	68	66	45	336	308	289	246	533	473	456	325
4.5												
7.0												
10.0												
12.5												
14.0												
17.5												
23.0												
28.0												
44.0												

Monthly copy volume† (000)

Table (2): Variable modal usage:

**3600 Tariff N***Modal split (mode 1 : mode 2)*

		100:0 (£)	90:10 (£)	80:20 (£)	70:30 (£)	60:40 (£)
<i>Monthly copy volume† (000)</i>	7.0	163	153	142	136	136
	12.5	243	226	209	192	183
	17.5	305	300	275	251	227
	28.0	443	423	389	353	318
	44.0	569	537	505	473	468

\* Monthly billings have been calculated with reference to annual contracts where the price data used are the Standard Commercial Terms (ST) applying as from 1 January 1976 and GPP prices applying as from 1 April 1976.

† For each machine, the levels of monthly copy volume selected correspond to the 10th, 30th, 50th, 70th and 90th percentiles of the cumulative machine usage distributions.

‡ For each machine the 'modal split' (Mode 1: Mode 2) is taken as constant for each copy volume. For Standard Commercial Terms and GPP a modal split of 85 : 15 for the 660, 80 : 20 for the 4000 and 70 : 30 for the 3600 was assumed, corresponding to the company's expectation of average modal usage. The structure of HMSO's charges ruling at 1 April 1976, and used in the table, differed but the charges shown for HMSO were calculated on a comparable basis from information supplied by the company. HMSO charges were due to be increased on 1 May 1976 following negotiations between HMSO and the company.

### Rental charges per copy\*

Table (3): Constant modal usage

Monthly copy volume (000)	660 (p. per copy)				4000 (p. per copy)				3600 (p. per copy)			
	ST	GPP Tariffs		HMSO	ST	GPP Tariffs		HMSO	ST	GPP Tariffs		HMSO
		(N)	(Z)			(N)	(Z)			(N)	(Z)	
0.5	5.60	5.60	5.60	3.00	2.47	2.33	2.33	2.00	2.10	1.94	1.94	1.58
1.0	2.99	2.80	2.80	1.50	2.20	1.96	1.80	1.37	1.73	1.53	1.48	1.14
1.5	2.69	2.38	2.19	1.12	1.94	1.81	1.65	1.24	1.63	1.44	1.30	0.98
2.0	2.54	2.23	2.04	1.12	1.78	1.58	1.44	1.15	1.44	1.26	1.14	0.83
4.0	1.91	1.70	1.65	1.12	1.46	1.34	1.26	1.07	1.21	1.08	1.04	0.74
4.5												
7.0												
10.0												
12.5												
14.0												
17.5												
23.0												
28.0												
44.0												

Table (4): Rental charges per copy\*— (variable modal usage)

#### 3600, GPP Tariff N

Modal Split (mode 1: mode 2)

Monthly copy volume (000)	100:0 (p. per copy)		90:10 (p. per copy)		80:20 (p. per copy)		70:30 (p. per copy)		60:40 (p. per copy)	
7.0	7.0	2.33	2.20	2.03	1.94	1.94				
12.5	12.5	1.95	1.81	1.67	1.53	1.47				
17.5	17.5	1.74	1.71	1.57	1.44	1.30				
28.0	28.0	1.58	1.51	1.39	1.26	1.14				
44.0	44.0	1.29	1.22	1.15	1.08	1.06				

\* All modal assumptions and copy volumes are the same as in tables (1) and (2).

APPENDIX 9

(Referred to in paragraph 133)

**Patent Office classification of Xerox group**

**Live IERE patents in force in the United Kingdom on 2 January 1975**

<i>Subdivisions</i>	<i>No of patents</i>
(1) Apparatus and processes for applying developer to latent images	159
(2) Apparatus for removing electrostatic charges from or cleaning sensitised plates for re-use	40
(3) Arrangements for exposing photoconductive layers	85
(4) Cutting arrangements for originals, copy sheets or webs	5
(5) Developers or carriers	39
(6) Feeding arrangements for originals, copy sheets or webs	76
(7) Fixing and after-treatment of developed images	42
(8) Processes or apparatus for charging or producing conductivity patterns on plates, films or other exposure material	29
(9) Processes or apparatus for multi-colour reproduction	12
(10) Processes or apparatus for producing printing plates	1
(11) Projection of developed images	—
(12) Transfer of developed image	30
(13) Control of copying apparatus	18
(14a) Photosensitive members, interest other than in composition of photosensitive compound	38
(14b) Photosensitive members, interest in composition	78
(15) Miscellaneous	25
<i>TOTAL</i>	<u>677</u>

*Note:* The classification above includes all Xerox group patents in force in the United Kingdom on 31 December 1974 (with the exception of some 80 which it had already been decided to abandon) together with 54 IERE patent applications which had been published by 31 December 1974 and which have subsequently been sealed.

APPENDIX 10  
(Referred to in paragraph 292)

**Rank Xerox**

**Revenue, costs and profit—reference supplies in the United Kingdom (historic cost basis)**

	1965	1966	1967	1968	1969	1970 (16 months)	1971	1972	1973	1974	1975
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<i>Revenue</i>	<u>7,004</u>	<u>10,714</u>	<u>14,574</u>	<u>18,400</u>	<u>24,562</u>	<u>43,024</u>	<u>40,238</u>	<u>48,481</u>	<u>61,098</u>	<u>73,347</u>	<u>92,736</u>
Depreciation of rental equipment	787	1,244	1,750	2,314	3,062	5,379	5,101	6,157	8,013	9,493	12,248
Other costs directly attributable to rental equipment	1,555	1,786	2,350	3,143	4,453	7,346	7,070	7,454	10,042	12,039	18,081
Selling costs	805	1,123	1,570	1,514	1,541	3,014	3,697	4,642	6,740	7,419	8,420
Overhead costs of the UK marketing organisation	793	1,028	1,481	1,927	2,360	4,123	4,025	5,250	7,903	9,247	12,270
Other Rank Xerox overheads	607	795	1,040	1,019	1,161	2,040	2,205	2,918	3,421	5,270	9,801
Contribution to Xerox costs	713	1,008	1,126	1,218	1,708	3,041	2,707	3,314	3,888	4,369	5,778
<i>Total costs</i>	<u>5,260</u>	<u>6,984</u>	<u>9,317</u>	<u>11,135</u>	<u>14,285</u>	<u>24,943</u>	<u>24,805</u>	<u>29,735</u>	<u>40,007</u>	<u>47,837</u>	<u>66,598</u>
<i>Profit before interest payable and tax</i>	<u>1,744</u>	<u>3,730</u>	<u>5,257</u>	<u>7,265</u>	<u>10,277</u>	<u>18,081</u>	<u>15,433</u>	<u>18,746</u>	<u>21,091</u>	<u>25,510</u>	<u>26,138</u>

*Note:* Rank Xerox's financial year ends on 31st October, having been changed in 1970 from 30th June. References above to calendar years relate to the company's financial years ended within these calendar years or, in the case of 1970, to the 16 month period to 31st October 1970.

## Rank Xerox

### Costs and profit as a percentage of revenue—reference supplies in the United Kingdom (historic cost basis)

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
	%	%	%	%	%	%	%	%	%	%	%
<i>Revenue</i>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Depreciation of rental equipment	11	11	12	12	13	13	13	13	13	13	13
Other costs directly attributable to rental equipment	23	17	16	18	18	17	17	15	16	16	20
Selling costs	12	10	11	8	6	7	9	10	11	10	9
Overhead costs of the UK marketing organisation	11	10	10	11	9	10	10	11	13	13	13
Other Rank Xerox overheads	8	7	7	5	5	5	7	6	6	7	11
Contribution to Xerox costs	<u>10</u>	<u>10</u>	<u>8</u>	<u>7</u>	<u>7</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
<i>Total costs</i>	<u>75</u>	<u>65</u>	<u>64</u>	<u>61</u>	<u>58</u>	<u>58</u>	<u>62</u>	<u>61</u>	<u>65</u>	<u>65</u>	<u>72</u>
<i>Profit before interest payable and tax</i>	<u>25</u>	<u>35</u>	<u>36</u>	<u>39</u>	<u>42</u>	<u>42</u>	<u>38</u>	<u>39</u>	<u>35</u>	<u>35</u>	<u>28</u>

## APPENDIX 11

(Referred to in the footnote to paragraph 292)

### Definition of terms used in Chapter 8

(Revenue, costs and profits)

#### *United Kingdom*

1. The United Kingdom together with the Channel Islands and the Isle of Man, which cannot readily be excluded and the inclusion of which does not have a material effect.

#### *Revenue*

2. The world-wide revenue of Rank Xerox and its subsidiary companies comprises amounts receivable (i) under agreements for rental both of reference and of reference type equipment and of non-reference type equipment (ii) from sales of both reference and non-reference type equipment, supplies and services, and (iii) from royalties.

In addition to certain of the above categories the export revenue of the parent company, Rank Xerox Limited, includes sales to overseas subsidiaries and branches.

#### *Return on capital employed*

3. Profit, including interest receivable, before interest and taxation payable, expressed as a percentage of the average of opening and closing capital employed, comprising share capital and reserves, dividends payable, minority interests, loan capital and borrowed money, and deferred and non-current taxation.

#### *Depreciation of rental equipment*

4. The writing off of the manufacturing costs of machines that are leased out; depreciation commences on the first installation of a machine with a customer and continues until the end of the four or five year life ascribed to the machine. Manufacturing costs comprise direct and indirect labour and materials used at the plant, and plant overhead costs.

#### *Other costs directly attributable to rental equipment*

5. This category includes the costs of supplies and spares for use with the company's equipment, service of the equipment, the costs of refurbishing (overhauling) leased goods returned by customers, and warehousing and distribution costs.

#### *Selling costs*

6. This category includes direct selling costs, advertising, marketing planning and support, the costs of launching new products, demonstration machines and Rank Xerox own-use machines.

#### *Other Rank Xerox overheads*

7. This comprises headquarters and other non-plant costs, interest receivable and development and start-up expenditure. Development relates to work carried out by Rank Xerox on new or modified machines. Start-up covers excess costs in the initial stages of production before 'line balance'. In calculating the costs of reference supplies in the United Kingdom both development and start-up expenditure have been written off in the years in which they were incurred.

#### *Contribution to Xerox costs*

8. This includes contributions to Corporate activities as well as to research, development and engineering and related programme costs. The latter covers pre-production costs, the cost of management of development programmes and the cost of developing procedures to maintain or 'service' products in the field.

#### *Return on capital: United Kingdom manufacturing industry (historic cost basis)*

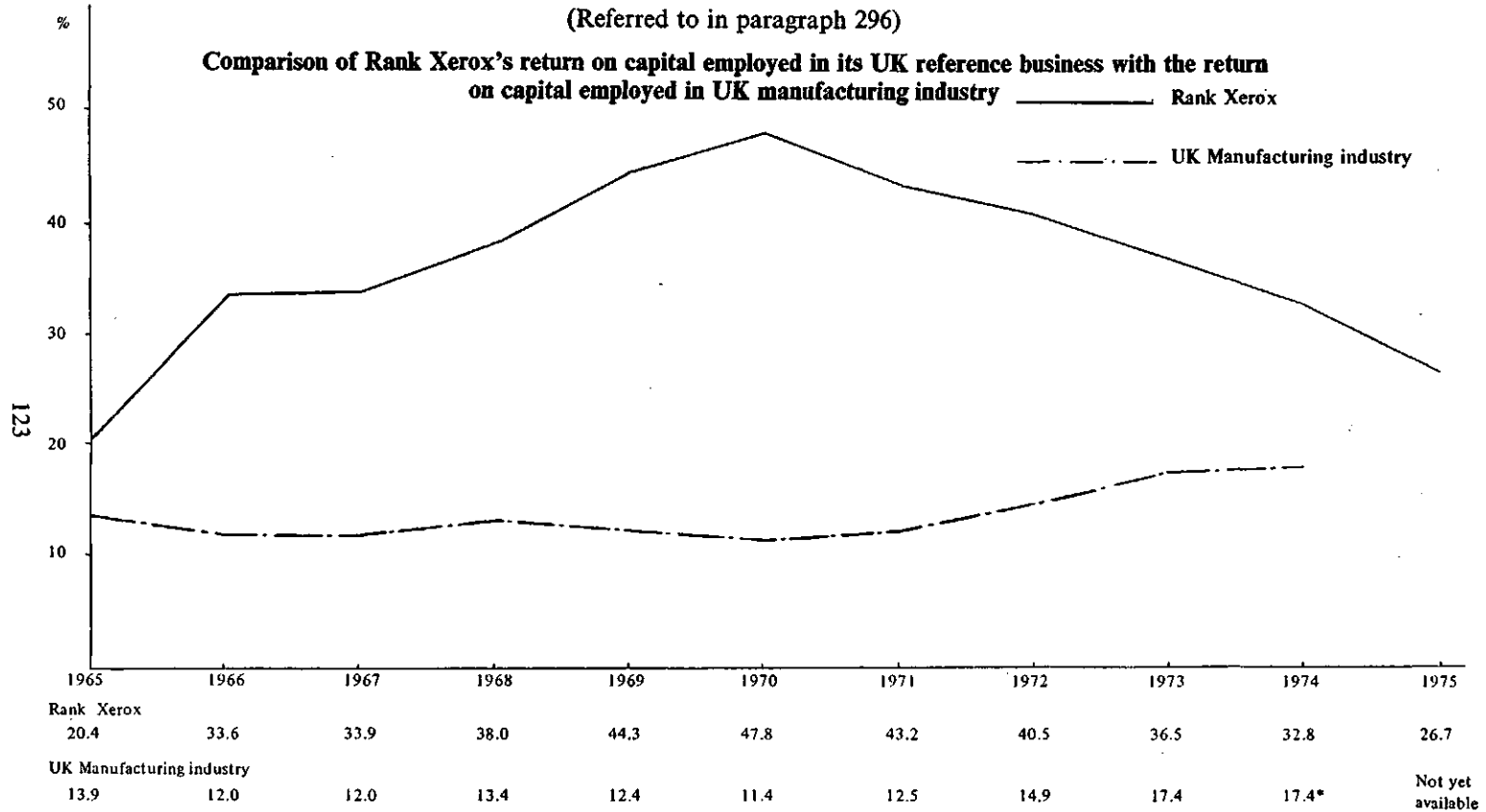
9. These rates are derived from information contained in *Business Monitor* and are based on the accounts of quoted companies engaged mainly in the United Kingdom in manufacturing activities. For 1970 and subsequent years the statistics relate to companies with net assets of £2.0m or more, or gross income of £0.2m or more, in 1968; prior to 1970 the criteria were net assets of £0.5m or more, or gross income of £50,000 or more. The Commission's Report on Building Bricks gave for United Kingdom Manufacturing industry 'provisional' rates of return on capital employed for 1974 on an historic basis. Since the completion of the Building Bricks Inquiry information has become available in respect of more companies, and the rate for 1974 given in this report relates to about four-fifths of the total number of companies qualifying for inclusion.

#### *Return on capital: United Kingdom manufacturing industry (CPP basis)*

10. The figure of 5.8 per cent quoted in paragraph 298 was calculated by applying the recommendations of the Accounting Standards Steering Committee to the historic data referred to in the previous note.

**APPENDIX 12**  
(Referred to in paragraph 296)

**Comparison of Rank Xerox's return on capital employed in its UK reference business with the return on capital employed in UK manufacturing industry**



\*see paragraph 9 of Appendix 11

## APPENDIX 13

(Referred to in paragraph 297)

### Efficiency of Rank Xerox's operations

Since there are no other United Kingdom companies with closely comparable activities, there is no easy way of measuring objectively Rank Xerox's efficiency (by which we mean the cost-effectiveness of the company's manufacturing and field operations). Rank Xerox has, however, drawn to our attention some examples of the improvements in its efficiency in the United Kingdom which have been introduced during the last six years, in order to illustrate the company's efforts in this area. These examples are divided between the two major areas of field operations and manufacturing.

A summary of the examples of improvements in efficiency of field operations (ie selling, distribution and servicing) is set out in Table 1 of this Appendix. Rank Xerox has estimated that, had it not been for the cost savings resulting from these improvements, the return on capital employed in its United Kingdom reference business in 1973 would have been about 26 per cent instead of about 37 per cent actually achieved. This calculation makes allowance for the adverse effect on profitability of the increase which occurred in the company's selling costs.

Turning next to manufacturing operations, Rank Xerox has calculated the reduction, between 1970 and 1973, in the works cost per machine model in real terms (ie eliminating those cost increases attributable to inflation).

<i>Model</i>	<i>Reduction/(Increase) in works cost in real terms</i>	<i>Period</i>
	<i>%</i>	
660	6	3 years 1970-1973
720	(1)	2 years 1970-1972
3600	17	3 years 1970-1973
4000	33	2 years 1971-1973

The improvements shown here have largely been achieved in the costs of purchase of materials from outside suppliers, which costs amounted on average to 72 per cent of the total works costs in 1973, the balance being 4 per cent direct labour and 24 per cent overheads. The company told us that the principal factors contributing to the reduction in many of the real costs of bought-in components were, first, changes in design of components and, secondly, changes in the prices charged by suppliers, partly as a result of assistance given by Rank Xerox to its suppliers to achieve greater efficiencies. The examples which Rank Xerox gave to illustrate the improvements in efficiency which have contributed to these reductions are summarised in Table 2 of this Appendix. Rank Xerox told us that it was not possible to calculate accurately the effect of these improvements on the company's return on capital employed.

## Examples of improvements in efficiency of UK field operations

Table 1

1. Cost of rentals (spare parts and consumable supplies)

- Improvement*
- (a) Introduction of 'FIMS' (Functionally Identified Maintenance System), enabling service engineers to identify more quickly and precisely the part causing a machine failure.
  - (b) Specialisation of service engineers by product group, resulting in improved diagnosis of faults
  - (c) Introduction of a system for monitoring and analysing service calls to record the incidence of particular machine faults and provide data used to improve design and reliability. This system has led to such improvements as:
    - (i) Re-design of the 3600 programmer unit.
    - (ii) Doctor blade drum-cleaning mechanism in the 660.
    - (iii) Quartz lamp fusing in the 720.
    - (iv) Increase in useful life of photoreceptor drums.
    - (v) Design changes in the 4000, many involving printed circuits.
  - (d) Introduction of detailed stock control of spare parts and supplies.

*Claimed effect\**

Without improvements in efficiency, cost of rentals in 1973 would have been £3.7m higher or double actual cost.

2. Technical servicing.

- In addition to (a), (b) and (c) above:
- (a) Introduction of programmed learning and the 'SPIRE' fault simulation apparatus for training service engineers.
  - (b) Introduction of work control systems to monitor deployment of service engineers thereby reducing response times.

Without productivity improvements direct service costs would have been £1.1m higher in 1973.

3. Distribution.

- (a) Rationalisation of parts stores in the London area and introduction of unmanned 'lockers' containing commonest replacement parts.
- (b) Introduction of new handling and distribution equipment.
- (c) Improved planning, including use of computer models to forecast demand and optimise routings.
- (d) Improved control of machine stocks.

Net savings of about £150,000 expected in 1975 and 1976.

Cost per thousand 'weighted units of delivery' reduced from £600 in 1970 to £292 in 1973 after eliminating the effect of inflation.

4. Sales force.

- (a) Opening of a new training school for salesmen.
- (b) Changes in the organisation and structure of the sales force designed to improve service to customers.

Improvements in performance—weighted placements per salesman increased by 9% between 1970 and 1973. *However*, costs per salesman increased at a higher rate between 1970 and 1973 than the general rate of inflation, causing selling costs in 1973 to be £1.2m higher, and the return on capital employed to be 2% lower than it otherwise would have been.

\* The Commission has not verified these claimed effects.

### Examples of improvements in efficiency of UK manufacturing operations

*Table 2*  
1. Design changes and improvements in manufacturing methods.

- |   | <i>Improvement</i> |
|---|--------------------|
| (a) Re-design of the 3600 programmer unit.  |                    |
| (b) Design changes to the 4000, resulting in reduced cost of components.              |                    |
| (c) Introduction of numerically controlled machine tools.                             |                    |
| (d) Introduction of automated printed circuit board assembly lines including testing. |                    |
| (e) Introduction of planetary coater for photoreceptor drums.                         |                    |

2. Productivity of labour.

Introduction at Mitcheldean of the Group Performance Scheme involving the replacement of a piece-work system by a system which links the remuneration of a manufacturing group to its standard measured productivity.

3. Stock control.

Introduction of computer based system: 'SOLAR' (Supply Ordering, Loading and Release).

#### *Claimed effect\**

- |  |
|--|
| (a) Total saving from 1970 to 1973 estimated to be £1.9m.  |
| (b) Cost reduced by 33% in the two years 1971-73 (after eliminating the effect of inflation).  |
| (c) Anticipated saving of £500,000 in the year to 31st October 1975.   |
| (d) Saving of between 30% and 50% on the unit costs of own manufactured PCB's for the 3100 machine, compared with outside suppliers' prices. |
| (e) Capacity improved by 5.8 times with capital costs reduced by £1m—operational cost savings not quantified.                                |

Improved productivity and more stable employee relations—effect not quantified.

Stock savings between 1974 and 1978 anticipated to be worth £2.1m.

\* The Commission has not verified these claimed effects.

APPENDIX 14

(Referred to in paragraph 302)

Sources and applications of funds of Rank Xerox Limited and its subsidiary companies

	1965	1966	1967	1968	1969	1970 (16 months)	1971	1972	1973	1974 (note 3)	1975 (note 3)	Eleven-year total	%
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Sources of funds</b>													
<i>Internal</i>													
Profit after tax	4,127	8,126	10,451	16,945	24,326	45,746	43,645	54,436	68,947	83,858	73,500	434,107	46
Less: Dividends paid (note 2)	(383)	(722)	(400)	(2,000)	(10,000)	(21,000)	(22,715)	(15,711)	(73,711)	(14,000)	(19,615)	(180,257)	(19)
	3,744	7,404	10,051	14,945	14,326	24,746	20,930	38,725	(4,764)	69,858	53,885	253,850	27
Depreciation and amortisation	4,152	6,956	10,506	14,185	18,215	30,293	29,742	38,749	50,197	62,507	75,625	341,127	36
Deferred taxation	768	3,345	2,834	6,234	8,339	13,867	6,427	6,182	8,572	13,388	21,204	91,160	10
	8,664	17,705	23,391	35,364	40,880	68,906	57,099	83,656	54,005	145,753	150,714	686,137	73
<i>External</i>													
Share capital issues	7,610	2,000	—	—	—	—	—	—	—	993	106	10,709	1
Borrowings—													
Long term	1,036	6,680	2,420	483	325	1,238	10,604	15,103	7,624	(15,521)	63,836	93,828	10
Short term	5,133	4,684	6,506	854	(2,880)	7,351	23,977	(12,129)	72,571	90,898	(41,757)	155,208	16
	13,779	13,364	8,926	1,337	(2,555)	8,589	34,581	2,974	80,195	76,370	22,185	259,745	27
	22,443	31,069	32,317	36,701	38,325	77,495	91,680	86,630	134,200	222,123	172,899	945,882	100
<b>Applications of funds</b>													
Net additions to fixed assets (other than rental equipment)	3,511	6,363	5,794	4,238	4,553	11,012	13,768	16,313	26,427	41,435	37,208	170,622	18
Net additions to rental equipment	13,509	15,127	19,591	21,749	29,535	49,564	51,822	62,685	82,612	130,964	88,254	565,412	60
	17,020	21,490	25,385	25,987	34,088	60,576	65,590	78,998	109,039	172,399	125,462	736,034	78
Investment in associated company	199	—	—	18	18	1,132	3,812	1,007	—	3,537	401	10,124	1
Deferred development expenditure	406	554	(213)	(262)	(230)	612	1,416	2,958	3,209	8,723	(889)	16,284	2
Increase in net current assets	4,818	9,025	7,145	10,958	4,449	15,175	20,862	3,667	21,952	37,464	47,925	183,440	19
	22,443	31,069	32,317	36,701	38,325	77,495	91,680	86,630	134,200	222,123	172,899	945,882	100

Notes:

- These figures are based on the consolidated accounts of Rank Xerox Limited and all its subsidiary companies and therefore relate to the group's overseas and other non-reference business as well as to its reference business in the UK. They have not been adjusted in the same way as the figures in paragraphs 292, 294, 295 and Appendix 10 concerning the profitability of reference supplies; in particular no notional charge has been included in respect of Xerox costs (see paragraph 293).
- The dividend paid in 1973 was exceptionally large as a result of agreement by the shareholders to accelerate the payment of dividends. Dividends paid over the four years 1972 to 1975 were so adjusted that in total they amounted to 50% of distributable profits, in accordance with 1969 Shareholders' Agreement.
- With effect from 1 November 1973 Rank Xerox (Nederland) B V sold the assets of its manufacturing division at Venray, Holland to Rank Xerox Manufacturing (Nederland) B V a subsidiary of Rank Xerox Holding B V. The latter is a Dutch company directly owned by Xerox Corporation and the Rank Organisation Group. This transaction followed a decision to restructure the European manufacturing operations. In order that the sources and applications of funds for 1974 and 1975 should be on a comparable basis with prior years it has been necessary to add together the accounts of Rank Xerox Limited and its subsidiaries with those of Rank Xerox Holding B V.

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