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GESTETNER INVESTMENTS LIMITED

Report of the directors for the 52 weeks ended 2nd November 1985

Activities

The principal activities of the Company are

- i) the ownership of factory and other properties which are leased to Gestetner Manufacturing Limited and others, and
- ii) the holding of shares in subsidiary and associated companies whose principal activities are the production, sale and service of reprographic equipment, accessories and supplies.

Business review

The Company invested a total amount of £ 3,813,000 during the period in subscribing additional share capital for two overseas subsidiaries. The shareholding in one associated company was sold during the period to the Company's holding company at book value.

Results and dividends

The profit and loss account for the 52 weeks ended 2nd November 1985, prepared on the historical cost basis of accounting modified to include the revaluation of certain assets, shows a profit after taxation and extraordinary items of £ 801,000 (1984 - loss of £ 2,661,000).

The directors recommended that no dividend should be paid.

Tangible fixed assets

The Company's freehold land and buildings were last revalued on an existing use basis at 30th June 1983 by professional surveyors, valuers or appraisers and this revaluation was incorporated in the Company's accounts with the exception of the Tottenham manufacturing site which was appraised by the directors at its then current value to the business and this valuation was incorporated in the Company's accounts.

A large part of the Company's freehold site at Tottenham is expected to become vacant by May 1986. The directors are examining alternatives for its disposal and are unable to estimate the present market value of this site. However, the directors consider that the market value of the Company's freehold land and buildings in total is not less than the present net book value.



GESTETNER INVESTMENTS LIMITED

Report of the directors (continued)

Fixed asset investments

The Company's shareholdings in subsidiary and associated companies have been revalued at 2nd November 1985 and the revaluation incorporated into these accounts (note 7).

Directors

The directors of the Company who served throughout the period were

Mr. D. Gestetner
Mr. J. Gestetner
Mr. D.J. Harbut
Mr. R.L.E. Lewis

Directors' shareholdings

No director had any interest in shares of the Company. The declared interests of the directors in shares of Gestetner Holdings PLC required to be disclosed were

	<u>Beginning of period</u>	<u>End of Period</u>	
	Ordinary shares*	Ord. Shares	Share Options+
Mr. R.L.E. Lewis	1,351	1,351	30,000

* restated to give effect to enfranchisement of 'A' ordinary (non-voting) shareholders and 1 for 4 bonus issue to ordinary shareholders as compensation for dilution of voting rights approved on 27th March 1985.

+ granted under Gestetner Executive Share Option Scheme during the period, exercisable between May 1988 and May 1995 at 109.8p per share.

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the re-appointment of Deloitte Haskins & Sells as the Company's auditors will be put to the Annual General Meeting.

On behalf of the board



R.L.E. Lewis, FCA
Secretary

Tottenham, London N17 9LT
30th January 1986

GESTETNER INVESTMENTS LIMITED

Report of the auditors to the members of Gestetner Investments Limited

We have audited the accounts on pages 4 to 17 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 2nd November 1985 and of the profit and source and application of funds for the 52 weeks then ended and comply with the Companies Act 1985.

Deloitte Haskins & Sells

London
30 January 1986

DELOITTE HASKINS & SELLS.
Chartered Accountants

GESTETNER INVESTMENTS LIMITED

Accounting policies

The accounts are prepared on the historical cost basis of accounting modified to include the revaluation of certain assets.

Consolidation

Group accounts incorporating the results of subsidiary and associated companies are not prepared as the Company is a wholly owned subsidiary of another body corporate incorporated in Great Britain.

Rates of exchange

- i) Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.
- ii) All exchange differences arising during the period are dealt with in arriving at operating profit.

Deferred taxation

Taxation deferred or accelerated by the effects of timing differences is accounted for on the liability method to the extent that it is probable that a net liability will occur. When a net debit balance arises, the directors consider it inappropriate to recognise such a balance as an asset.

The full potential liability for deferred taxation is set out in note 12.

Tangible fixed assets

Following any revaluation of freehold properties the excess of the revaluation amount over cost (or previous valuation) is transferred to revaluation reserve. The aggregate depreciation to the date of revaluation is transferred to profit and loss account reserve. Any deficit on cost less aggregate depreciation at the date of revaluation is charged against the result of the period.

Following any such revaluation the lives of buildings are reassessed and depreciation provided on the revalued amount over their estimated remaining lives or 40 years, whichever is less.

No depreciation is provided on freehold land.

Short leaseholds are amortised over the remaining lives of the leases concerned.

GESTETNER INVESTMENTS LIMITED

Accounting policies

Fixed asset investments

Fixed asset investments represent, in the main, investments in subsidiary and associated companies.

Shareholdings in subsidiary and associated companies are revalued at each balance sheet date by reference to the Company's share in each company's net tangible assets, translated into sterling, where appropriate, at rates of exchange ruling at the balance sheet date and after deducting the estimated taxation which would be payable on the realisation of these investments.

Cash at bank, loans and overdrafts

Cash at bank, loans and overdrafts are stated at the amounts shown in bank statements at the end of the period.

Provisions

Provision is made for future costs expected to arise from rationalisation and reorganisation schemes approved prior to the balance sheet date.

Government grants

Government grants in respect of capital expenditure on buildings are credited to profit and loss account over the estimated average lives of the relevant assets. The grants included in the balance sheet represent the total grants receivable to date less amounts so far credited to profit and loss account.

Leasing

The Company has adopted the requirements of the Accounting Standard on leasing. Where the Company enters into transactions as lessee, rentals payable under operating leases are charged against operating profit by equal instalments over the period of each lease. Additional information is given in note 14.

GESTETNER INVESTMENTS LIMITED

Profit and loss account for the 52 weeks ended 2nd November 1985

	Note	1985 £000	1984 £000
Operating profit	1	2,383	3,589
Interest receivable	2	<u>736</u>	<u>1,156</u>
Profit before interest payable		3,119	4,745
Interest payable	3	<u>(1,801)</u>	<u>(2,313)</u>
Profit on ordinary activities before taxation		1,318	2,432
Taxation	4	<u>(23)</u>	<u>(1,308)</u>
Profit on ordinary activities after taxation		1,295	1,124
Extraordinary items	5	<u>(494)</u>	<u>(3,785)</u>
Profit (loss) for the financial period		801	(2,661)
Dividends		<u>-</u>	<u>(7,500)</u>
Profit (loss) for period retained in (absorbed by) reserves	16	<u>801</u>	<u>(10,161)</u>

GESTETNER INVESTMENTS LIMITED

Balance sheet as at 2nd November 1985

	Note	1985 £000	1985 £000	1984 £000	1984 £000
Fixed assets					
Tangible assets	6	4,128		4,093	
Investments	7	<u>93,941</u>		<u>98,783</u>	
			98,069		102,876
Current assets					
Debtors	8	20,427		17,235	
Investments	9	133		45	
Cash at bank and in hand		<u>100</u>		<u>224</u>	
		<u>20,660</u>		<u>17,504</u>	
Creditors - amounts falling due within one year					
Loans and overdrafts	10	2,356		1,847	
Other creditors	11	<u>47,900</u>		<u>37,599</u>	
		<u>50,256</u>		<u>39,446</u>	
Net current liabilities			29,596		21,942
Total assets less current liabilities			68,473		80,934
Creditors - amounts falling due after more than one year					
Loans and overdrafts	10	-		4,308	
Other creditors	11	<u>7,460</u>		<u>6,963</u>	
		<u>7,460</u>		<u>11,271</u>	
Deferred taxation	12	-		359	
Provisions for liabilities and charges	13	2,061		3,279	
Deferred income - government grants		<u>5</u>		<u>5</u>	
			9,526		14,914
			<u>58,947</u>		<u>66,020</u>
Capital and reserves					
Called up share capital	15	-		-	
Revaluation reserve	16	53,175		61,049	
Profit and loss account	16	<u>5,772</u>		<u>4,971</u>	
		<u>58,947</u>		<u>66,020</u>	

The accounts on pages 4 to 17 were approved by the board on 30th January 1986 and are signed on its behalf by

J. Gestetner)

) Directors

R.L.E. Lewis)

[Signature]

[Signature]

GESTETNER INVESTMENTS LIMITED

Statement of source and application of funds for the 52 weeks ended 2nd November 1985

	1985 £000	1984 £000
Source of funds		
Funds generated from operations		
Profit before taxation	1,318	2,432
Depreciation of tangible fixed assets	91	86
Surplus on disposal of properties	-	(98)
Loss on disposal of current asset investment	<u>1</u>	<u>-</u>
	1,410	2,420
Funds from other sources		
Group relief	1,700	625
Proceeds on sale of properties	-	626
Proceeds on sale of current asset investment	44	-
Repayment of taxation	<u>-</u>	<u>150</u>
	3,154	3,821
Application of funds		
Purchase of tangible fixed assets	126	-
Investment in subsidiaries, excluding revaluation of shareholdings	3,813	3,910
Extraordinary items	767	766
Dividends paid	-	7,500
Corporate taxes paid	1,435	394
Group relief paid	<u>3,100</u>	<u>-</u>
	9,241	12,570
Net application of funds	<u>(6,087)</u>	<u>(8,749)</u>
Movement in working capital		
Increase in debtors	3,426	2,211
(Increase) in creditors and provisions	(13,321)	(14,055)
Increase in current asset investments	<u>133</u>	<u>45</u>
	(9,762)	(11,799)
Movement in net liquid funds		
(Decrease) increase in cash	(124)	224
Decrease in bank borrowings	<u>3,799</u>	<u>2,826</u>
	<u>(6,087)</u>	<u>(8,749)</u>

GESTEINER INVESTMENTS LIMITED

Notes to the accounts

	1985 £000	1984 £000
1. Operating profit is arrived at after crediting		
Operating income		
Dividends receivable		
from subsidiary companies	4,712	4,535
from associated companies	-	69
Rents receivable	648	671
Surplus on disposal of properties	-	98
Exchange differences	<u>1,696</u>	<u>-</u>
	<u>7,056</u>	<u>5,373</u>
and after charging		
Operating costs		
Depreciation of tangible fixed assets	91	86
Auditors' remuneration	4	5
Rent payable - land and buildings	37	144
Contribution to losses of subsidiaries	4,130	66
Exchange differences	-	1,158
Loss on disposal of current asset investment	1	-
Other operating costs	<u>409</u>	<u>325</u>
	<u>4,673</u>	<u>1,784</u>
	<u>2,383</u>	<u>3,589</u>
2. Interest receivable		
Interest receivable on amounts due		
from subsidiaries	667	1,006
Other interest receivable	<u>69</u>	<u>150</u>
	<u>736</u>	<u>1,156</u>
In 1984, other interest receivable included a tax repayment of £ 84,000 which was tax free.		
3. Interest payable		
On bank loans and overdrafts		
repayable within 5 years, by instalments	493	736
Interest payable on amounts due to subsidiaries	<u>1,308</u>	<u>1,577</u>
	<u>1,801</u>	<u>2,313</u>

INVESTMENTS LIMITED

to the accounts (continued)

	1985 £000	1984 £000
4. Taxation		
United Kingdom		
Corporation tax at 42.08% (1984 - 47.08%)		
Group relief payable	36	864
Current	3,009	2,768
Deferred	(359)	(232)
	<u>2,686</u>	<u>3,400</u>
Double taxation relief	(2,685)	(2,532)
	<u>1</u>	<u>868</u>
Overseas taxation	463	393
Taxation on the profit of the period	<u>464</u>	<u>1,261</u>
Adjustments to prior periods' provisions		
Current	(89)	-
Group relief payable	<u>(352)</u>	<u>47</u>
	<u>23</u>	<u>1,308</u>
The taxation charge on the profit of the period has been (reduced) increased by		
disallowable revenue expenditure	1,178	531
dividends from subsidiaries to extent tax free	(959)	(833)
deferred taxation for which no provision is considered necessary	(309)	-
payment of group relief at rate in excess of corporation tax otherwise payable	-	393
other differences	<u>-</u>	<u>22</u>
	<u>(90)</u>	<u>113</u>
5. Extraordinary items		
Losses arising from vacation of German headquarters and warehouse building	494	4,045
Deferred taxation over provided as a result of changed accounting requirements	<u>-</u>	<u>(260)</u>
	<u>494</u>	<u>3,785</u>

SEWER INVESTMENTS LIMITED
Notes to the accounts (continued)

6. Tangible fixed assets

	Freehold land & buildings £000	Leasehold premises £000	Total £000
Cost or valuation (a)			
At beginning of period	4,246	11	4,257
Additions	<u>126</u>	<u>-</u>	<u>126</u>
At end of period	<u>4,372</u>	<u>11</u>	<u>4,383</u>
Depreciation (a)			
At beginning of period	153	11	164
Charge for period	<u>91</u>	<u>-</u>	<u>91</u>
At end of period	<u>244</u>	<u>11</u>	<u>255</u>
Net book value			
At end of period	<u>4,128</u>	<u>-</u>	<u>4,128</u>
At beginning of period	<u>4,093</u>	<u>-</u>	<u>4,093</u>
Cost or valuation at end of period is represented by			
Valuation 1983	4,240	-	4,240
Cost	<u>132</u>	<u>11</u>	<u>143</u>
	<u>4,372</u>	<u>11</u>	<u>4,383</u>

If freehold land and buildings had not been revalued they would have been included at the following amounts

	Freehold land and buildings	
	1985 £000	1984 £000
Cost	3,009	2,883
Aggregate depreciation	<u>(2,273)</u>	<u>(2,205)</u>
	<u>736</u>	<u>678</u>

GESTETNER INVESTMENTS LIMITED

Notes to the accounts (continued)

6. Tangible fixed assets (continued)

- (a) Following any revaluation of freehold and leasehold properties the excess of the revaluation amount over cost (or previous valuation) is transferred to revaluation reserve. The aggregate depreciation to the date of revaluation is transferred to profit and loss account reserve. Any deficit on cost less aggregate depreciation at date of revaluation is charged against the result of the period.

Following any such revaluation the lives of buildings are reassessed and depreciation provided on the revalued amount over their estimated remaining lives or 40 year, whichever is less.

No depreciation is provided on freehold land.

Short leaseholds are amortized over the remaining lives of the leases concerned.

- (b) The Company's freehold land and buildings were revalued on an existing use basis at 30th June 1983 by professional surveyors, valuers or appraisers and this revaluation incorporated in the Company's accounts with the exception of the Tottenham manufacturing site which was appraised by the directors at its then current value to the business and this revaluation incorporated into the Company's accounts.

(c) Capital commitments	1985 £000	1984 £000
Estimated commitments for capital expenditure are		
Approved but not contracted	<u>240</u>	<u>-</u>

GESTETNER INVESTMENTS LIMITED

Notes to the accounts (continued)

7. Fixed asset investments

	Subsidiaries £000	Associated companies £000	Other £000	Total £000
Cost or valuation				
At beginning of period	97,876	906	1	98,783
Additions	3,813	-	-	3,813
Transfer to holding company	-	(781)	-	(781)
(Deficit) surplus on revaluation	<u>(8,077)</u>	<u>203</u>	<u>-</u>	<u>(7,874)</u>
At end of period	<u>93,612</u>	<u>328</u>	<u>1</u>	<u>93,941</u>

The value of the shareholdings in subsidiaries and associated companies, direct and indirect, represents the net assets of those companies at the balance sheet date, translated into sterling, where appropriate, at rates of exchange ruling at that date and after deducting the estimated taxation which would be payable on the realisation of the investments.

The directors have adopted this basis for valuing such investments as they consider it more fairly represents the value of these investments to Gestetner Investments Limited.

Associated companies at valuation include £ 23,000 (1984 - £ 20,000) in respect of an associated company listed outside Great Britain. Market value at 2nd November 1985 amounted to £ 28,000 (1984 - £ 34,000).

If no revaluation had been made, shareholdings would have been included at the following amounts

	Subsidiaries		Associated companies	
	1985 £000	1984 £000	1985 £000	1984 £000
Cost	47,670	44,308	647	712
Aggregate amounts written off	<u>(19,286)</u>	<u>(21,295)</u>	<u>(329)</u>	<u>(576)</u>
	<u>28,384</u>	<u>23,013</u>	<u>318</u>	<u>136</u>

Details of the principal subsidiaries and associated companies are set out in note 18.

NETHER INVESTMENTS LIMITED

Notes to the accounts (continued)

	1983 £000	1984 £000
8. Debtors		
Amounts falling due within one year	-	79
Amounts owed by holding company	4,006	3,105
Amounts owed by fellow subsidiary	15,156	12,478
Amounts owed by subsidiaries	1,040	1,000
Amounts owed by associated companies	114	17
Other debtors	111	454
Prepayments and accrued income	<u>20,427</u>	<u>17,133</u>
Amounts falling due after more than one year	-	102
Other debtors	<u>20,427</u>	<u>17,235</u>
9. Current asset investments		
Plant and machinery (1984 - property) subject to negotiation for sale, at estimated net realisable value	<u>133</u>	<u>45</u>
10. Loans and overdrafts		
Amounts falling due within one year	2,356	1,847
Unsecured bank borrowing	<u>2,356</u>	<u>1,847</u>
Amounts falling due after more than one year	-	4,308
Repayable within five years	-	4,308
Unsecured bank borrowings	<u>-</u>	<u>4,308</u>
Loans and overdrafts are stated at the amounts shown in bank statements at the end of the period.		
11. Other creditors		
Amounts falling due within one year	29,047	19,418
Amounts owed to holding company	2	2
Amounts owed to fellow subsidiary	17,451	14,282
Amounts owed to subsidiaries	952	1,689
Corporate taxation	298	2,014
Group relief	23	-
Other taxation	87	194
Other creditors	<u>47,900</u>	<u>37,599</u>
Amounts falling due after more than one year	7,460	6,963
Amounts owed to subsidiaries	<u>7,460</u>	<u>6,963</u>

Notes to the accounts (continued)

12. Deferred taxation

Taxation deferred or accelerated by the effects of timing differences is accounted for on the liability method to the extent that it is probable that a net liability will occur. When a net debit balance arises, the directors consider it inappropriate to recognise such a balance as an asset.

The deferred taxation liability provided in the accounts and the full potential liability for deferred taxation are

	1985		1984	
	Full potential liability £000	Provided £000	Full potential liability £000	Provided £000
Accelerated tax allowances on tangible fixed assets	645	-	564	564
Short term timing differences	(425)	-	(427)	(427)
Surplus on disposal of tangible fixed assets subject to rollover relief	<u>17</u> 237	<u>-</u> -	<u>17</u> 154	<u>-</u> 137
Taxation payable if properties were disposed of at their revalued amounts	<u>222</u> <u>459</u>	<u>-</u> -	<u>222</u> <u>376</u>	<u>222</u> <u>359</u>

13. Provisions for liabilities and charges

Provision is made for future costs expected to arise from rationalisation and reorganisation schemes approved prior to the balance sheet date.

A provision has been made for estimated future losses arising from the vacation of the German headquarters and warehouse building. The movement during the period is as follows

	1985 £000	1984 £000
At beginning of period	3,279	-
Profit and loss account - extraordinary items	494	4,045
Applied during period	(1,712)	(766)
	<u>2,061</u>	<u>3,279</u>
At end of period		

GESTETNER INVESTMENTS LIMITED

Notes to the accounts (continued)

14. Leasing

Revenue commitments for the payment of operating lease rentals on land and buildings in 1985/86 are as follows

	1985 £000	1984 £000
Commitments expiring after five years	<u>732</u>	<u>883</u>

Commitments relate to the former German headquarters and warehouse building which is the subject of an extraordinary provision.

15. Called up share capital

Authorised 100 ordinary shares of £1 each	<u>-</u>	<u>-</u>
Allotted, issued and fully paid 2 ordinary share of £1 each	<u>-</u>	<u>-</u>

The Company's ultimate holding company is Gestetner Holdings PLC incorporated in Great Britain.

16. Reserves	Revaluation reserve £000	Profit and loss account £000
At beginning of period	61,049	4,971
Profit for period retained	-	801
Revaluation of investments in subsidiary and associated companies	(7,874)	-
At end of period	<u>53,175</u>	<u>5,772</u>

17. Contingent liabilities

Cash at bank and in hand includes the balance on a memorandum sub-division of an account between the holding company, Gestetner Holdings PLC, and its bankers. The Company has given, together with its holding company, a fellow subsidiary and certain of its subsidiaries, an unlimited guarantee to the bankers in respect of overdraft facilities made available to Gestetner Holdings PLC. At 2nd November 1985 and 3rd November 1984 these facilities were not utilised.

GESTETNER INVESTMENTS LIMITED

Notes to the Accounts (continued)

18. Principal subsidiary and associated companies at 2nd November 1985

Following are the principal subsidiaries, direct and indirect, and associated companies of Gestetner Investments Limited.

Subsidiary companies	Incorporated in
Gestetner Pty. Limited	Australia
Gestetner Australasia Pty. Limited	Australia
Gestetner Buromaschinen-Verkaufsges mbH	Austria
Gestetner SA	Belgium
Gestetner (Bermuda) Limited	Bermuda (World Wide)
Gestetner Inc.	Canada
Rex-Rotary Holding A/S	Denmark
Rex-Rotary International Corporation A/S	Denmark (World Wide)
Rex-Rotary France SA	France
SA Gestetner	France
Gestetner GmbH	Germany
Gestetner Byfleet Limited	Great Britain (World Wide)
Gestetner International Limited	Great Britain (World Wide)
Gestetner Limited	Great Britain
J.W. Weir Limited (formerly Gestetner Papers Limited)	Great Britain (World Wide)
Gestetner Holding BV	Holland
Gestetner BV	Holland
Gestetner Limited (60%)	Hong Kong (Japan)
Gestetner International Limited	Hong Kong (and China)
Gestetner (Israel) Limited	Israel
Gestetner Duplicatori Spa	Italy
Gestetner Limited	Malawi
Gestetner Malaysia Sendirian Berhad	Malaysia
Gestetner SA de C.V.	Mexico
Gestetner Private Limited	Singapore
Gestetner (Proprietary) Limited	South Africa
Gestetner SA	Spain
Gestetner AB	Sweden
Gestetner (Thailand) Limited	Thailand
Gestetner Holdings (USA) Limited	U.S.A.
Gestetner Corporation	U.S.A.
Gestetner Investments (Delaware) Limited	U.S.A.

Associated companies

Gestetner of Ceylon Limited (49%)	Sri Lanka
Pfister-Leuthold AG (30%)	Switzerland

The effective equity holding is 100% in all cases except where indicated otherwise. The companies' principal areas of operation are the respective countries in which they are incorporated unless otherwise stated.