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Directors' Report and Accounts

SORTEX LIMITED

31 December 1985



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SORTEX LIMITED

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REPORT AND ACCOUNTS 1935

DIRECTORS:	W.S.Bainbridge	C.L.Lee	R.C.Wainwright
	J.A.Haynes	A.Thomas	
	A.G.Jones	D.J.Turner	

SECRETARY: A Thomas

REGISTERED OFFICE: 46 - 52 Fairfield Road,
Bow,
London E3.2QQ.

AUDITORS: Pannell Kerr Forster
78 Hatton Garden
London EC1N 8JA

INDEX

Pages

2 - 3	Director's report
4	Report of the auditors
5	Profit and loss account
6	Balance sheet
7	Statement of source and application of funds
8 - 15	Notes to the accounts

DIRECTORS REPORT

The directors present their report for the period ended 31 December 1985.

FINANCIAL

	£
The profit for the period attributable to shareholders amounted to	55,697
The retained profit brought forward was	<u>2,084,962</u>
	2,140,659
The directors propose a dividend of £0.46 per share on ordinary shares.	<u>115,000</u>
Giving a profit to be carried forward of	<u>£2,025,659</u>

PRINCIPLE ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The company is principally engaged in the manufacture and distribution of electronic colour sorters and vision systems, and in the manufacture and installation of cleaning and sorting machinery mainly for the food and agriculture industries.

During the period the company has benefitted from the prior introduction of new ranges of products incorporating the latest microprocessor technology.

On 31 October 1985 the company which had been trading for some years under the name Sortex, formerly changed its name from Gunson's Sortex Limited to Sortex Limited.

Following the change in the ultimate holding company in December 1984 the company amended its financial year end to coincide with the group. Consequently the comparative shown in the accounts is for a six month period to 31 December 1984.

RESEARCH AND DEVELOPMENT

The company is currently involved in the research and development of further ranges of microprocessor-based colour sorting equipment.

DIRECTORS

In addition to the directors shown on page 1 Mr W.B.Nelson, Mr L.W.Fox and Mr D.N.Morris resigned on 30 July 1985, 6 September 1985 and 2 March 1986 respectively. Mr C.L.Lee, Mr J.A.Haynes and Mr D.J.Turner were appointed as Directors on 16 January 1985. The remaining directors served throughout the year.

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DIRECTORS' INTERESTS

The directors' interests in the shares of the company's ultimate holding company are shown in the table below. The directors did not have any interests in shares or debentures of the company or any other subsidiary of the ultimate holding company during any part of 1985.

	Ordinary Shares of 25p		Ordinary Shares of 25p covered by options	
	1985	1984	1985	1984
W.S.Bainbridge	-	-	40,000	20,000
J.A.Haynes	50,200	-	-	-
A.G.Jones	-	-	-	-
C.L.Lee	2,500	-	39,601	-
A.Thomas	-	-	5,000	-
D.J.Turner	-	-	156,068	-
R.C.Wainwright	-	-	7,500	-

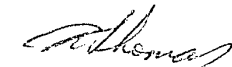
ASSETS

The net book value of the fixed assets of the company at 31 December 1985 was £2,378,687 (1984 - £375,662). The major item of expenditure concerns the construction of new premises in Newham. Details of the movements in the fixed assets are shown in note 12 to the accounts.

AUDITORS

A resolution for the re-appointment of Pannell Kerr Forster, the retiring auditors of the Company, will be proposed at the forthcoming annual general meeting.

By order of the board



Secretary

11 March 1986

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the accounts of Sortex Limited set out on pages 5 to 15, in accordance with approved auditing standards.

In our opinion these accounts give a true and fair view of the state of affairs of the company at 31st December 1985, and of the profit and source and application of funds for the year ended on that date and comply with the Companies Act 1985.

Pannell Kerr Foster

London

11 March 1986

SORTEX LIMITED

5

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1985

	Note	Year to December 1985 £	Six months to December 1984 £
TURNOVER	2/3	6,767,734	2,873,425
Cost of sales		<u>4,213,641</u>	<u>1,826,844</u>
GROSS PROFIT		2,554,093	1,046,581
Administrative expenses		<u>1,846,964</u>	<u>970,398</u>
NET OPERATING INCOME	4	707,129	76,183
(Loss)/Profit arising on exchange movements		(424,906)	234,415
Other income	7	170,460	30,740
Interest payable and similar charges	8	<u>(45,400)</u>	<u>(29,128)</u>
PROFIT BEFORE TAXATION		407,283	312,210
Tax on profit on ordinary activities	9	<u>(20,000)</u>	<u>154,418</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		427,283	157,792
Extraordinary items	10	<u>(371,586)</u>	<u>(281,556)</u>
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		55,697	(123,764)
Dividends	11	<u>115,000</u>	<u>-</u>
RETAINED PROFIT/(LOSS) FOR THE PERIOD		<u>£(59,303)</u>	<u>£(123,764)</u>

STATEMENT OF RETAINED PROFITS

Balance at 31 December 1984 brought forward	2,084,962	2,208,726
Retained profit/(loss) for the period	<u>(59,303)</u>	<u>(123,764)</u>
Balance at 31 December 1985	<u>£2,025,659</u>	<u>£2,084,962</u>

SOREX LIMITED

6

BALANCE SHEET - 31 DECEMBER 1985

	Note	31 December 1985		31 December 1984	
		£	£	£	£
FIXED ASSETS					
Tangible assets	12	2,378,687		375,662	
Investments	13	<u>48,306</u>		<u>48,306</u>	
			2,426,993		423,968
CURRENT ASSETS					
Stocks	14	2,544,964		2,045,856	
Debtors	15	959,261		690,963	
Group Companies	16	1,264,147		1,590,801	
Cash at bank and in hand		<u>35,629</u>		<u>27,494</u>	
		4,804,001		4,355,114	
CURRENT LIABILITIES (amounts falling due within one year)					
Creditors	17	2,031,277		1,895,947	
Group companies	16	2,714,244		78,996	
Bank overdrafts	18	<u>115,814</u>		<u>364,177</u>	
		4,861,335		2,339,120	
NET CURRENT ASSETS			(57,334)		2,015,994
TOTAL ASSETS LESS CURRENT LIABILITIES			2,369,659		2,439,962
PROVISIONS FOR LIABILITIES AND CHARGES					
	19		<u>94,000</u>		<u>105,000</u>
			£2,275,659		£2,334,962
CAPITAL AND RESERVES					
Called up share capital	20		250,000		250,000
Profit and loss account			2,025,659		2,084,962
<i>Approved by the Board</i>					
<i>[Signature]</i>					
<i>11 March 1986</i>					
			£2,275,659		£2,334,962

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) Directors
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SORTEX LIMITED

7

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE SIX MONTHS ENDED 31 DECEMBER 1985

	£	Year to December 1985 £	£	Six months to December 1984 £
SOURCE OF FUNDS				
FROM OPERATIONS				
Profit before taxation		407,283		312,210
Items not involving the movement of funds:				
Depreciation less profit on sale of fixed assets		<u>149,889</u>		<u>65,951</u>
		557,172		378,161
OTHER SOURCES				
Sale of fixed assets	<u>11,654</u>	<u>11,654</u>		<u>426</u>
		568,826		378,587
FUNDS APPLIED				
Purchase of fixed assets	2,164,568		59,271	
Tax paid	<u>120,000</u>		<u>5,661</u>	
		<u>2,284,568</u>		<u>64,931</u>
(DECREASE)/INCREASE IN WORKING CAPITAL		<u>£(1,715,742)</u>		<u>£313,655</u>
Arising from changes in:				
Stocks		499,108		(106,198)
Debtors		268,298		(85,730)
Creditors		(264,330)		304,747
Group companies		(2,475,316)		367,304
Net liquid funds		256,498		(166,468)
		<u>£(1,715,742)</u>		<u>£313,655</u>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1985

1 ACCOUNTING POLICIES

(a) Basis of preparation of the accounts

The accounts have been prepared under the historical cost convention.

(b) Depreciation of fixed assets

Depreciation is calculated on a straight line basis at rates estimated to write-off the cost of assets within their expected useful lives. The principal annual rates of depreciation employed are:

Improvement to leasehold properties	equal annual instalments over the length of the lease or over 10 years whichever is the shorter.
Plant, machinery, vehicles and furniture	10% to 40%

(c) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. Cost consists of cost of raw materials, labour and overheads attributable to production.

(d) Research and development

Research and development expenditure is written off in the year in which it is incurred.

(e) Foreign currencies

Assets and liabilities in foreign currencies are translated to sterling at rates of exchange ruling at the balance sheet date; transactions recorded in foreign currencies are translated to sterling at rates of exchange ruling at the time of the transaction.

(f) Deferred taxation

Provision is made for deferred taxation, using the liability method, on short-term timing differences and all other material timing differences which are not expected to continue in the future. Where known, provision is made at the rates of corporation tax that will apply in the years in which the taxation is expected to arise.

(g) Pension arrangements

A majority of employees are members of the group pension scheme which is administered by independent trustees. Scheme assets are entirely separate from those of the group. Actuarial valuations are made every three years and contributions paid by the group companies are in accordance with these recommendations.

2 TURNOVER

Turnover comprises the invoice value of goods and services supplied by the company net of commission and VAT.

SORTEX LIMITED

9

NOTES ON THE ACCOUNTS - 31 DECEMBER 1985

3 ANALYSIS OF TURNOVER

All turnover is derived from the sale of optical separators and sorting machinery in the following geographical markets:

	Year to December 1985 £	Six months to December 1984 £
Africa	296,607	134,059
North America	1,463,735	934,901
South America	607,658	474,691
Asia	1,261,836	445,422
Australasia	251,396	27,797
Europe	<u>2,886,502</u>	<u>856,555</u>
	£6,767,734	£ 2,873,425

4 NET OPERATING INCOME is stated after charging:

	Year to December 1985 £	Six months to December 1984 £
Depreciation of tangible fixed assets	156,371	66,377
Hire of plant and equipment	59,826	34,989
Auditors' remuneration	<u>18,034</u>	<u>9,950</u>

5 STAFF COSTS

	Year to December 1985 £	Six months to December 1984 £
Wages and salaries	1,893,600	866,617
Social Security costs	181,863	88,627
Other pension costs	<u>63,597</u>	<u>34,015</u>
	£2,139,060	£989,259

This includes remuneration paid to directors of the company including pension contributions £192,181 (six months to 31 December 1984 £117,681) - see note 6

6 EMOLUMENTS OF DIRECTORS

The emoluments, excluding pension contributions of directors of the company, are detailed as follows:

	Year to December 1985 £	Six months to December 1984 £
Chairman	-	-
Highest paid director	<u>42,268</u>	<u>25,664</u>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1985

	Year to December 1985	Six months to December 1984
6 EMOLUMENTS OF DIRECTORS (continued)		
Number of directors		
Other directors in scale		
Not more than £5,000	3	2
£5,001 to £10,000	-	-
£10,001 to £15,000	-	3
£15,001 to £20,000	1	3
£20,001 to £25,000	3	-
£25,001 to £30,000	2	-
7 OTHER INCOME	Year to December 1985 £	Six months to December 1984 £
Dividend proposed from Gunson's Colorplugs Ltd.,	50,000	-
Group interest receivable	79,824	-
Other interest receivable and similar income	40,636	30,740
	<u>£170,460</u>	<u>£30,740</u>
8 INTEREST PAYABLE AND SIMILAR CHARGES	Year to December 1985 £	Six months to December 1984 £
Group interest payable	13,168	-
Other interest payable and similar charges	32,232	29,128
	<u>£ 45,400</u>	<u>£29,128</u>
9 TAX ON PROFITS ON ORDINARY ACTIVITIES	Year to December 1985 £	Six months to December 1984 £
The charge based on the profit for the period comprises:		
UK Corporation Tax at 41.25% (45%)	(9,000)	166,000
Transfer (to)/from deferred taxation	(11,000)	(17,243)
Adjustments relating to prior years	-	5,661
	<u>£(20,000)</u>	<u>£154,418</u>

SORTEX LIMITED

11

NOTES ON THE ACCOUNTS - 31 DECEMBER 1985

10 EXTRAORDINARY ITEMS

	Year to December 1985 £	Six months to December 1984 £
(Increase)/reduction of provision against interests in subsidiary companies	<u>£(371,586)</u>	<u>£(281,556)</u>

11 DIVIDENDS

	Year to December 1985 £	Six months to December 1984 £
Proposed dividends to Booker McConnell PLC.	<u>£115,000</u>	<u>-</u>

12 TANGIBLE FIXED ASSETS

	Long leasehold land £	Building under con- struction £	Improve short leasehold property £	Plant and machinery £	Furniture fittings equipment & vehicles £	Total £
Cost						
at 1 January 1985	-	-	24,813	428,665	248,402	701,880
Additions	280,000	1619,764	-	164,473	100,331	2164,568
Disposals	-	-	-	(8,137)	(12,545)	(20,682)
At 31 December 1985	<u>280,000</u>	<u>1619,764</u>	<u>24,813</u>	<u>585,001</u>	<u>336,188</u>	<u>2845,766</u>
Depreciation						
at 1 January 1985	-	-	23,777	199,235	103,206	326,218
Charge for period	-	-	1,036	105,413	49,922	156,371
Disposals	-	-	-	(7,667)	(7,843)	(15,510)
At 31 December 1985	<u>-</u>	<u>-</u>	<u>24,813</u>	<u>296,981</u>	<u>145,285</u>	<u>467,079</u>
Net book amounts						
31 December 1985	<u>£280,000</u>	<u>£1619,764</u>	<u>£ -</u>	<u>£288,020</u>	<u>£190,903</u>	<u>£2378,687</u>
Net book amounts						
31 December 1984	<u>£ -</u>	<u>£ -</u>	<u>£1,036</u>	<u>£229,430</u>	<u>£145,196</u>	<u>£375,662</u>

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SORTEX LIMITED

12

NOTES ON THE ACCOUNTS - 31 DECEMBER 1985

13 FIXED ASSET INVESTMENTS

Subsidiary companies	31 December 1985	31 December 1984
	£	£
Investment at cost	48,306	87,934
less amounts written off	<u>-</u>	<u>39,628</u>
	<u>£48,306</u>	<u>£48,306</u>

A subsidiary company which had not been trading for some years changed its name from Sortex Limited to G.S. Company Limited and was subsequently dissolved.

At 31 December 1985 the subsidiary companies were:

Name	Percentage shares held	Nature of business
Gunson's Colorplugs Limited	100	Manufacture and marketing of car accessories
Sortex North America Inc (incorporated in United States of America)	100	Marketing Sortex machines

Subsidiaries are incorporated in Great Britain and registered in England unless otherwise stated and operate where incorporated.

Group accounts are not prepared as the company is a wholly owned subsidiary of a company incorporated in Great Britain. In the opinion of the directors, the aggregate value of the interests in the subsidiaries is not less than the aggregate amounts stated in the company's balance sheet.

14 STOCKS

	31 December 1985	31 December 1984
	£	£
Raw materials	1,329,086	1,177,105
Work in progress	655,595	631,696
Finished goods	<u>560,283</u>	<u>237,055</u>
	<u>£2,544,964</u>	<u>£2,045,856</u>

The replacement cost of stocks exceeds the balance sheet value by the following amounts:

Raw materials	47,000	40,000
Work in progress	34,000	19,000
Finished goods	<u>26,000</u>	<u>20,000</u>
	<u>£107,000</u>	<u>£79,000</u>

SORTEX LIMITED

13

NOTES ON THE ACCOUNTS - 31 DECEMBER 1985

15 DEBTORS

	31 December 1985 £	31 December 1984 £
Due within one year:		
Trade debtors	787,417	472,981
Other debtors	125,357	78,485
Prepayments and accrued income	<u>36,407</u>	<u>99,806</u>
	949,181	651,272
Due after more than one year:		
Trade debtors	<u>10,080</u>	<u>39,691</u>
	<u>£959,261</u>	<u>£690,963</u>

16 GROUP COMPANIES

	31 December 1985 £	31 December 1984 £
Due within one year:		
due from immediate holding company	-	197,962
other group companies	15,195	2,901
subsidiary companies	<u>1,248,952</u>	<u>1,389,938</u>
	<u>£1,264,147</u>	<u>£1,590,801</u>
due to immediate holding company	-	68,077
other group companies	<u>2,714,244</u>	<u>10,919</u>
	<u>£2,714,244</u>	<u>£78,996</u>

17 CREDITORS

	31 December 1985 £	31 December 1984 £
Amounts falling due within one year:		
Trade creditors	548,777	338,204
Corporation Tax	613,000	742,000
Other Taxation & Social Security	53,389	55,656
Other creditors	234,438	199,564
Accruals	<u>581,673</u>	<u>560,523</u>
	<u>£2,031,277</u>	<u>£1,895,947</u>

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SORTEX LIMITED

14

NOTES ON THE ACCOUNTS - 31 DECEMBER 1985

18 PROVISION FOR LIABILITIES AND CHARGES
Deferred taxation:

Accelerated capital allowances

31 December 1985	31 December 1984
£	£
<u>£94,000</u>	<u>£105,000</u>

Deferred taxation has been provided in respect of all potential liabilities.

19 CALLED UP SHARE CAPITAL

Authorised, allotted, called up and fully paid
250,000 Ordinary shares of £1 each

31 December 1985	31 December 1984
£	£
<u>£250,000</u>	<u>£250,000</u>

20 FINANCIAL COMMITMENTS

At 31 December 1985 the company had
the following lease commitments:

	31 December 1985	31 December 1984
	£	£
1985	-	92,186
1986	63,589	79,908
1987	<u>6,841</u>	<u>6,841</u>

21 COMMITMENT TO PENSION FUND

The most recent actuarial valuation of the pension fund was 5 April 1983
when a surplus was disclosed.

22 CONTINGENT LIABILITIES

At 31 December 1985 there were contingent
liabilities in respect of the following:

	31 December 1985	31 December 1984
	£	£
Bonds and Guarantees	49,000	151,000
Bills of exchange negotiated	<u>140,000</u>	<u>42,000</u>
	<u>£189,000</u>	<u>£193,000</u>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1985

24 EMPLOYEES

The average number of employees in each week in the period was 193 (previous period-189) and is broken down into the following categories:

	31 December 1985 Number	31 December 1984 Number
Factory/warehouse	115	115
Administration	26	25
Selling	21	20
Other	<u>31</u>	<u>29</u>
	193	189
	—	—

The number of employees whose emoluments exceeded £30,000 is:

£30,001 to £35,000	—	1
£40,001 to £45,000	<u>1</u>	<u>—</u>

25 CAPITAL COMMITMENTS

	31 December 1985 Number	31 December 1984 £
Capital expenditure committed but not yet provided for	851,000	126,000
Capital expenditure authorised but not committed	<u>286,200</u>	<u>60,000</u>

26 ULTIMATE HOLDING COMPANY

The ultimate holding company is Booker McConnell PLC incorporated in Great Britain.