

Sortex Limited

Report and Accounts

1998

(Company number 434274)



SORTEX LIMITED

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Registration No. 434274

DIRECTORS : H.J.Schoch Chairman
 C.D.Chaffers
 R.Day
 A.J.Hillary
 B.G.M.Kilshaw
 J.M.Low
 N.H.Wilson

SECRETARY : N.H.Wilson

REGISTERED OFFICE : Pudding Mill Lane,
 Stratford,
 London E15 2PJ

AUDITORS : Ernst & Young
 Becket House
 1 Lambeth Palace Road
 London
 SE1 7EU

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DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £235,981 (1997 - £202,618). The directors do not recommend a final ordinary dividend (1997 - £nil).

PRINCIPAL 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.

RESEARCH AND DEVELOPMENT

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

FUTURE PROSPECTS

The directors are optimistic about the long term prospects for continued growth.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A company-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers (including computer bureaux) and customers. In appropriate cases we have initiated formal communication with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved.

DIRECTORS

The directors who served during the year were as follows:

B.J.Booth	(resigned 31 March)
C.D.Chaffers	(appointed 16 June)
R.Day	
B.Hani	(resigned 5 March)
A.J.Hillary	(appointed 23 June)
S.S.Henning	(resigned 31 May)
B.G.M.Kilshaw	
J.M.Low	
H.J.Schoch	(appointed 5 March)
A.R.Wettstein	(resigned 6 November)
N.H.Wilson	(appointed 6 November)

The directors did not have any interests in shares or debentures of the company or any other subsidiary of the ultimate holding company , or of the company's ultimate holding company during any part of the period.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors, and a resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



N.H.Wilson

Secretary

Date 19/3/99

SORTEX LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS**

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

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed; 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of Sortex Limited

We have audited the financial statements on pages 6 to 14 which have been prepared on the basis of the accounting policies set out on page 8 and 9.

Respective responsibilities of directors and auditors.

As described on page 4, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young

Registered Auditor

London

6 May 1999

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998**

		Year ended 31/12/98	Year ended 31/12/97
	Note	£	£
TURNOVER	2/3	14,321,341	11,409,764
Cost of sales		<u>10,689,925</u>	<u>8,202,690</u>
GROSS PROFIT		3,631,416	3,207,074
Distribution costs		1,864,361	1,385,406
Administrative expenses		1,088,115	1,494,344
(Loss)/profit arising on exchange movements		<u>(46,916)</u>	<u>7,601</u>
OPERATING PROFIT	4	632,024	334,925
Interest receivable	8	13,132	42,653
Interest (payable) and similar charges	9	<u>(299,302)</u>	<u>(173,293)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		345,854	204,285
Taxation on profit on ordinary activities	10	(109,873)	(1,667)
PROFIT FOR THE FINANCIAL YEAR		<u>235,981</u>	<u>202,618</u>
Dividends		-	-
RETAINED PROFIT FOR THE PERIOD		<u>235,981</u>	<u>202,618</u>

All amounts relate to continuing operations.

The company has no recognised gains or losses other than the profit for the period.

A reconciliation of the movements in shareholders funds is given in note 17.

BALANCE SHEET as at 31 December 1998

	Note	£	31/12/98 £	31/12/97 £
FIXED ASSETS				
Tangible assets	11		2,681,447	2,743,040
CURRENT ASSETS				
Stocks	12	3,735,894		3,190,669
Debtors	13	3,511,096		2,161,115
Cash at bank and in hand		627		257
		<u>7,247,617</u>		<u>5,352,041</u>
Creditors (amounts falling due within one year)	14	<u>6,801,213</u>		<u>5,203,211</u>
		<u>6,801,213</u>		<u>5,203,211</u>
NET CURRENT ASSETS			446,404	148,830
TOTAL ASSETS LESS CURRENT LIABILITIES			3,127,851	2,891,870
PROVISION FOR LIABILITIES AND CHARGES	15		<u>-</u>	<u>-</u>
			<u>3,127,851</u>	<u>2,891,870</u>
CAPITAL AND RESERVES				
Called up share capital	16		1,250,000	1,250,000
Profit and loss account			1,877,851	1,641,870
SHAREHOLDERS' FUNDS	17		<u>3,127,851</u>	<u>2,891,870</u>

The accounts on pages 5 to 12 were approved by the board of directors on the 19th March 1999 and are signed on its behalf by :-

.....  H.J. Schoch
Chairman

1. ACCOUNTING POLICIES

Basis of preparation of the accounts

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

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:-

Land	- equal annual instalments over the length of the life of the building
Buildings	- 2%, or 10% for improvements.
Plant , machinery , vehicles and furniture	- 10% to 40%

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.

Research and development

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

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. All differences are taken to the profit and loss account.

Deferred taxation

Provision is made for deferred taxation, using the partial provision 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 tax is expected to arise.

Pensions

The company operated a defined contribution scheme and a defined benefit scheme during the year, both of which required contributions to be made to separately administered funds.

Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit cost method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss accounts are treated as either provisions or prepayments in the balance sheet.

The company also provides pension benefits for employees through a defined contribution scheme operated by an insurance company. Premiums are paid as required by the insurers and charged to the profit and loss account on an accruals basis.

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2. TURNOVER

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

3. ANALYSIS OF TURNOVER

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

	Year ended 31/12/98 £	Year ended 31/12/97 £
United Kingdom	834,741	1,139,482
Overseas	13,486,600	10,270,282
	<u>14,321,341</u>	<u>11,409,764</u>

4. NET OPERATING INCOME is stated after charging/(crediting) :

Research & Development expenditure	1,801,772	1,535,400
Depreciation of tangible fixed assets	221,862	246,382
Adjustment to depreciation brought forward	-	(165,352)
Hire of equipment	21,424	10,790
Office rental overseas	-	37,879
Operating leases	156,692	134,053
Auditors' remuneration	21,600	21,000
Audit Services		
Other Services	9,500	6,500
	<u>3,982,435</u>	<u>3,482,798</u>

5. STAFF COSTS

Wages and salaries	3,458,873	2,992,976
Social Security costs	335,380	306,958
Other pension costs (see note 22)	188,182	182,864
	<u>3,982,435</u>	<u>3,482,798</u>

6. EMPLOYEES

The average number of employees in the period was 146 (1997 - 148) and is analysed into the following categories :

	Year ended 31/12/98 Number	Year ended 31/12/97 Number
Factory/warehouse	69	69
Administration	10	22
Selling	33	24
Research & development	34	33
	<u>146</u>	<u>148</u>

7. EMOLUMENTS OF DIRECTORS

	31/12/98 £	31/12/97 £
Emoluments	<u>300,018</u>	<u>344,466</u>
Company contributions to defined benefit pension schemes	<u>33,117</u>	<u>39,119</u>
	No.	No.
Members of defined benefit pension schemes	<u>7</u>	<u>7</u>
	£	£

The amounts in respect of the highest paid director are as follows:-

Emoluments	<u>84,212</u>	<u>80,653</u>
Company contributions to defined benefit pension schemes	<u>11,625</u>	<u>11,447</u>

The amount at the end of the year of the highest paid directors accrued pension is £6,844.

8. INTEREST RECEIVABLE

Bank interest	<u>13,132</u>	<u>42,653</u>
	<u>13,132</u>	<u>42,653</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

Payable to parent undertakings	247,500	166,005
Payable to third parties	<u>51,802</u>	<u>7,288</u>
	<u>299,302</u>	<u>173,293</u>

	Year ended 31/12/98 £	Year ended 31/12/97 £
10. TAX ON PROFIT ON ORDINARY ACTIVITIES		
The tax charge based on the profit for the year comprises:		
UK Corporation Tax at 31 %	(109,873)	-
Deferred tax	-	-
Corporation tax (under) provided in previous years	-	(1,667)
	<u>(109,873)</u>	<u>(1,667)</u>

11. TANGIBLE FIXED ASSETS

	<u>Land</u> (Short Leasehold) £	<u>Building</u> £	<u>Plant and Machinery</u> £	<u>Furniture, Fittings, Equipment & Vehicles</u> £	<u>Total</u> £
Cost					
31 December 1997	280,000	2,471,640	394,421	947,068	4,093,129
Additions	-	2,463	19,714	138,092	160,269
Transfers	-	-	(143,444)	143,444	-
Disposals	-	-	-	-	-
31 December 1998	<u>280,000</u>	<u>2,474,103</u>	<u>270,691</u>	<u>1,228,604</u>	<u>4,253,398</u>
Depreciation					
31 December 1997	25,789	593,329	271,514	459,457	1,350,089
Charge for period	5,600	49,457	27,446	139,359	221,862
Transfers	38,611	(45,755)	(158,445)	165,589	-
Disposals	-	-	-	-	-
31 December 1998	<u>70,000</u>	<u>597,031</u>	<u>140,515</u>	<u>764,405</u>	<u>1,571,951</u>
Net book amounts					
31 December 1998	<u>210,000</u>	<u>1,877,072</u>	<u>130,176</u>	<u>464,199</u>	<u>2,681,447</u>
Net book amounts					
31 December 1997	<u>254,211</u>	<u>1,878,311</u>	<u>122,907</u>	<u>487,611</u>	<u>2,743,040</u>

12. STOCKS

Raw materials	1,811,253	1,116,659
Work in progress	953,989	568,630
Finished goods	970,652	1,505,380
	<u>3,735,894</u>	<u>3,190,669</u>

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

13.	DEBTORS	31/12/98 £	31/12/97 £
	Due within one year :		
	Trade debtors	1,678,359	1,567,433
	Amounts due from other group undertakings	1,549,815	384,686
	Other debtors	166,187	101,443
	Prepayments and accrued income	116,735	107,553
		<u>3,511,096</u>	<u>2,161,115</u>

14.	CREDITORS:		
	amounts falling due within one year		
	Bank Overdraft	320,226	66,175
	Trade creditors	1,318,634	979,653
	Amounts due to other Group undertakings	981,497	298,853
	Amounts due to parent undertakings	3,000,000	3,000,000
	Corporation tax	104,967	0
	Other taxation & social security	123,855	95,675
	Other creditors & commission payable	515,075	311,635
	Accruals	436,959	451,220
		<u>6,801,213</u>	<u>5,203,211</u>

15. **PROVISION FOR LIABILITIES AND CHARGES**

No liability for taxation deferred on accelerated allowances is expected to arise in the foreseeable future.

The full potential liability for deferred taxation, the majority of which relates to accelerated capital allowances, is £280,592 (1997 - £250,700).

16. **CALLED UP SHARE CAPITAL**

	Authorised		Allotted, called up and fully paid	
	31/12/98 £	31/12/97 £	31/12/98 £	31/12/97 £
Ordinary shares of £1 each.	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,250,000</u>

17. **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS**

	£	£
Profit for the financial period	235,981	202,618
Additional capital subscribed during year	-	-
Dividends	-	-
	<u>235,981</u>	<u>202,618</u>
Balance at 31 December 1997	<u>2,891,870</u>	<u>2,689,252</u>
Balance at 31 December 1998	<u>3,127,851</u>	<u>2,891,870</u>

18. CAPITAL COMMITMENTS

31/12/98
£

31/12/97
£

Contracted but not provided for in the accounts.

-

31,804

19. ULTIMATE PARENT

The parent undertaking of the smallest group of undertakings for which group accounts are drawn up, and of which the company is a member, is Buhler UK Holdings Limited. Copies of Buhler UK Holdings Limited's accounts can be obtained from 19 Station Road, New Barnet, Herts. EN5 1NN.

The parent undertaking of the largest group undertakings for which group accounts are drawn up, and of which the company is a member, is Buhler A.G., a company incorporated in Switzerland. Copies of Buhler A.G.'s accounts can be obtained from CH 9240, Uzwil, Switzerland.

20. CONTINGENT LIABILITIES

There are no contingent liabilities.

21. OPERATING LEASES

At 31 December 1998, the company is committed to making the following payments within the next year in respect of operating leases.

Operating leases which expire:

Other

Other

Within 1 year

13,605

10,983

In two to five years

102,000

116,461

22. PENSION COMMITMENTS

The company operates two pension schemes, the Sortex Money Purchase Plan (SMPP), which is a defined contribution scheme, and the Sortex Final Salary Scheme (SFSS), which is a defined benefit scheme based on final pensionable salary.

Defined contribution pension scheme.

The pension cost, which represents contributions payable by the company to the SMPP, amounted to £6,553 (1997 - £8,962). Outstanding contributions as at 31 December 1998 amounted to £620.

Defined benefit pension scheme.

The pension cost relating to this scheme is assessed in accordance with the advice of qualified consulting actuaries on the basis of triennial valuations using the projected unit method. The first formal actuarial valuation of the scheme took place in 1995 at which time the actuary stated that in his opinion, the scheme's assets fully covered its liabilities as at that date.

Contributions payable during the year amounted to £179,100. (1997 £173,902). There were no outstanding contributions as at 31 December 1998

Defined benefit pension scheme (cont.)

The main assumptions of the most recent actuarial valuation are:

Rate of return on investments	9%p.a.
Rate of salary increases	8%p.a.
Rate of pension increases	9%p.a.
Market value of scheme's assets (as at 30 June 1998)	£ 3,076,292
Level of funding being the actuarial value of assets expressed as a percentage of benefits accrued to members, after allowing for future salary increases	100%