

**Buhler Sortex Limited  
(Formerly Sortex Limited)**

**Report and Accounts**

**2006**

**(Company number 434274)**

SATURDAY



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01/09/2007  
COMPANIES HOUSE

**DIRECTORS**                      B Mendler (Chairman)  
                                         C D Chaffers  
                                         H Kefayati  
                                         A J Hillary  
                                         B G M Kilshaw  
                                         N H Wilson  
                                         C A Gunawardena  
                                         N J Wilkins

**SECRETARY**                      N H Wilson

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

**AUDITORS**                        Bournier Bullock  
                                         Chartered Accountants  
                                         Sovereign House  
                                         212-224 Shaftesbury avenue  
                                         London  
                                         WC2H 8HQ

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**DIRECTORS' REPORT**

The directors present their report and accounts for the year ended 31 December 2006

**RESULTS AND DIVIDENDS**

The profit for the year after taxation amounted to £3,925,914 (2005 - Profit of £6,907,347)  
During the year the directors paid a dividend of £1,500,000 in respect of 2005. The directors have recommended a final ordinary dividend of £2,000,000 for the year ended 31 December 2006

**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**

Having disposed of its headquarters in 2005 to the London Development Agency as part of the London 2012 Olympic Games, work on providing the company with a new headquarters surged ahead during the year, with the frame for the building completed and fit-out well under way by year-end. It is anticipated that the company will move into its new premises in July 2007

The directors remain optimistic about the long term prospects for growth

**DIRECTORS**

The directors who served during the year were as follows

C D Chaffers  
H Kefayati  
C A Gunawardena  
A J Hillary  
M J Honeywood  
B G M Kilshaw  
B Mendler  
N H Wilson  
N J Wilkins

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**

The auditors, Bournier Bullock, will be proposed for reappointment as the company's auditor in accordance with section 386 Companies Act 1985

By order of the board



N H Wilson  
Secretary  
Date 7th August 2007

**Buhler Sortex Limited  
(Formerly Sortex Limited)  
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, 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. The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

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

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

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements.

  
BOURNIER BULLOCK  
Chartered Accountants & Registered Auditors

Sovereign House  
212-224 Shaftesbury Avenue

London  
8 August 2007

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

		<b>Year ended 31/12/06</b>	<b>Year ended 31/12/05</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
TURNOVER	2/3	35,166,424	30,620,508
Cost of sales		<u>(25,373,050)</u>	<u>(23,242,987)</u>
GROSS PROFIT		9,793,374	7,377,521
Distribution costs		(2,535,711)	(2,344,647)
Administrative expenses		(1,455,252)	(1,257,418)
Profit/(Loss) arising on exchange movements		<u>(510,250)</u>	<u>84,012</u>
OPERATING PROFIT	4	5,292,161	3,859,468
Profit/(Loss) on disposal of fixed assets		(9,881)	4,037,144
Interest receivable	8	235,978	21,561
Interest payable and similar charges	9	<u>(3,154)</u>	<u>(8,137)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,515,104	7,910,036
Taxation on profit on ordinary activities	10	<u>(1,589,190)</u>	<u>(1,002,689)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>3,925,914</u></u>	<u><u>6,907,347</u></u>

All amounts relate to continuing operations.

A reconciliation of the movements in shareholders' funds is given in note 20

**BUHLER SORTEX LIMITED (FORMERLY SORTEX LIMITED)**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	<b>Year ended 31/12/06</b>	<b>Year ended 31/12/05</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	3,925,914	6,907,347
Actuarial loss on defined benefit pensions (net of deferred ta	(126,000)	(305,200)
Total recognised gains relating to the year	3,799,914	6,602,147
Prior year adjustment - adoption of FRS 17	-	(626,100)
Total recognised gains since last annual report	<u>3,799,914</u>	<u>5,976,047</u>

**BALANCE SHEET AS AT 31 DECEMBER 2006**

		<b>31/12/06</b>	<b>31/12/06</b>	<b>31/12/05</b>	<b>31/12/05</b>
	Note	£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	12	6,108,038		6,297,187	
Assets under Construction		<u>5,186,624</u>		<u>-</u>	
			11,294,662		6,297,187
<b>CURRENT ASSETS</b>					
Stocks	13	5,492,999		4,879,391	
Debtors	14	10,015,642		13,212,211	
Cash at bank and in hand		<u>1,609,897</u>		<u>715,246</u>	
		17,118,538		18,806,848	
Creditors (amounts falling due within one year)	15	(8,337,154)		(6,678,429)	
<b>NET CURRENT ASSETS</b>			8,781,384		12,128,419
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>20,076,046</u>		<u>18,425,606</u>
Provision for liabilities and charges	16		57,054		62,580
Accruals and deferred income	17		(5,265,000)		(5,400,000)
Pension Liability	24		(821,800)		(772,800)
<b>NET ASSETS</b>			<u>14,046,300</u>		<u>12,315,386</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		1,250,000		1,250,000
Profit and loss account	19		<u>12,796,300</u>		<u>11,065,386</u>
<b>SHAREHOLDERS' FUNDS</b>	20		<u>14,046,300</u>		<u>12,315,386</u>

The accounts on pages 5 to 19 were approved by the board of directors on the 7th August 2007 and are signed on its behalf by -



Bruno Mendler  
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

## *Change in accounting policies*

With effect from 1 January 2005 the company changed its accounting policy for pensions by fully adopting FRS 17 "Retirement Benefits". Accordingly, comparative figures have been restated

## *Cashflow Statement*

The company has taken advantage of the exemption from preparing a cashflow statement contained in FRS1 (Revised) since it is a wholly owned subsidiary of Buhler Holdings A G whose accounts include the company and are publicly available, see note 21

## *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

Leasehold Land	- equal annual instalments over the life of the lease
Buildings	- equal annual instalments over the length of the life of the building
Machinery, vehicles and furniture	- 8 33% to 33 33%

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

## *Leased Assets*

Rentals under operating leases are charged to the profit and loss account on a straight line basis

## *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

## *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

## *Defined benefit pensions*

Pension liabilities are measured at the present value in accordance with actuarial assumptions that are updated at each balance sheet date. The net pension liability or asset, after deferred tax, is recognised in the balance sheet

Pension costs for the group's defined benefit scheme are recognised as follows

### (a) Within operating profit

- The current service cost arising from employee service in the current period,
- The prior year service cost related to employee service in prior periods arising in the current period as a result of improvements to benefits and,
- Gains and losses arising on unanticipated or curtailments where the item that gave rise to the settlement or curtailment is recognised within operating profit

### (b) Within interest payable/receivable

- The interest cost on the liabilities, calculated by reference to the scheme liabilities and discount rate at the beginning of the period and allowing for changes during the period, and
- The expected return on assets, calculated by reference to the assets and their long-term expected rate of return at the beginning of the period and allowing for changes during the period

*Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

*Government Grants*

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the assets by equal annual instalments.

**2. TURNOVER**

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

	<b>Year ended 31/12/06 £</b>	<b>Year ended 31/12/05 £</b>
United Kingdom	466,341	1,041,030
Overseas	34,700,083	29,579,478
	<u>35,166,424</u>	<u>30,620,508</u>

**4. OPERATING PROFIT is stated after charging / (crediting)**

	<b>£</b>	<b>£</b>
Research & development expenditure	3,134,437	3,481,200
Depreciation of tangible fixed assets	500,605	500,393
Hire of equipment	1,945	2,763
Operating leases	113,338	131,075
Auditor remuneration	22,500	24,650
Other	21,274	36,534
Audit services		
Other services		
	<u>21,274</u>	<u>36,534</u>

**5. STAFF COSTS**

	<b>£</b>	<b>£</b>
Wages and salaries	5,051,440	5,095,448
Social security costs	543,302	536,220
Other pension costs	215,387	220,603
SFSS Funding	12,000	-
	<u>5,822,129</u>	<u>5,852,271</u>

**6. EMPLOYEES**

The average number of employees in the period was 166 (2005 - 179) and is analysed into the following categories

	<b>Year ended 31/12/06 Number</b>	<b>Year ended 31/12/05 Number</b>
Factory/warehouse	74	78
Administration	13	14
Selling	40	40
Research & development	39	47
	<u>166</u>	<u>179</u>

**7. EMOLUMENTS OF DIRECTORS**

	<b>Year ended 31/12/06 £</b>	<b>Restated Year ended 31/12/05 £</b>
Emoluments	<u>705,603</u>	<u>657,989</u>
Company contributions to defined contribution pension schemes	<u>33,637</u>	<u>31,726</u>
	<b>Number</b>	<b>Number</b>
Members of defined contributions pension schemes	<u>7</u>	<u>7</u>
	<b>£</b>	<b>£</b>
The amounts in respect of the highest paid director are as follows -		
Emoluments	<u>157,528</u>	<u>147,606</u>
Company contributions to defined contribution pension schemes	<u>8,901</u>	<u>8,735</u>
The accrued pension entitlement of highest paid director	<u>11,305</u>	<u>10,975</u>
	<b>£</b>	<b>£</b>
<b>8. INTEREST RECEIVABLE</b>		
Bank interest	48,294	21,561
Receivable from parent undertakings	185,684	-
Other finance income (see note 24)	<u>2,000</u>	<u>5,000</u>
	<u>235,978</u>	<u>21,561</u>
	<b>£</b>	<b>£</b>
<b>9. INTEREST PAYABLE AND SIMILAR CHARGES</b>		
Payable to parent undertakings	3,082	8,137
Payable to third parties	<u>72</u>	<u>-</u>
	<u>3,154</u>	<u>8,137</u>

**10. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**UK corporation tax at 30.00% (2005: 30%)**

	<b>Year ended 31/12/06 £</b>	<b>Restated Year ended 31/12/05 £</b>
UK corporation tax on profits of the period	1,610,242	1,578,951
Group relief payable	-	-
Adjustments in respect of previous periods	(26,578)	(39,708)
	<u>1,583,664</u>	<u>1,539,243</u>

**Deferred tax**

Originating and reversal of timing differences	5,526	(536,554)
	<u>1,589,190</u>	<u>1,002,689</u>

**Factors affecting the tax charge for the period**

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30.00% (2005: 30%). The differences are explained below

	<b>Year ended 31/12/06 £</b>	<b>Restated Year ended 31/12/05 £</b>
Profit on ordinary activities before tax	<u>5,515,104</u>	<u>7,915,036</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2005: 30.00%)	1,654,531	2,374,511
Effect of		
Disallowed expenses and non taxable income	(44,966)	(1,136,053)
Capital allowances in excess of depreciation	9,977	481,793
Other timing differences	(9,300)	46,500
Adjustments in respect of previous periods		(39,708)
Rollover of holdover gains		(2,550,000)
Capital gains (effects of indexation, rebasing etc)		2,550,000
Current tax charge for the period	<u>1,610,242</u>	<u>1,727,043</u>

**Factors that may affect future tax charges**

Provision has been made for all deferred tax assets in respect of accelerated capital allowances, short term and other timing differences, arising from transactions and events recognised in the financial statements of the current year and previous years

**11. Dividends**

	<b>Year ended 31/12/06 £</b>	<b>Restated Year ended 31/12/05 £</b>
Equity dividends on ordinary shares		
Dividends paid in the year	(2,000,000)	(1,500,000)
Total Dividend	<u>(2,000,000)</u>	<u>(1,500,000)</u>

**BUHLER SORTEX LIMITED (FORMERLY SORTEX LIMITED)**  
**NOTES TO THE ACCOUNTS**  
**at 31 December 2006**

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**12. TANGIBLE FIXED ASSETS**

	Buildings	Land (Short Leasehold)	Plant and Machinery	Furniture, Fittings Equip Computers & Vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
1 January 2006	-	5,400,000	1,064,306	1,650,326	8,114,632
Additions	-	-	181,770	139,806	321,576
Disposals	-	-	(11,509)	(99,615)	(111,124)
31 December 2006	-	5,400,000	1,234,567	1,690,517	8,325,084
<b>Depreciation</b>					
1 January 2006	-	-	683,028	1,134,417	1,817,445
Charge for period	-	135,000	136,073	229,532	500,605
Disposals	-	-	(10,295)	(90,709)	(101,004)
31 December 2006	-	135,000	808,806	1,273,240	2,217,046
<b>Net book value at 31 December 2006</b>	-	5,265,000	425,761	417,277	6,108,038
<b>Net book value at 1 January 2006</b>	-	5,400,000	381,278	515,909	6,297,187

**13. STOCKS**

	31/12/06	31/12/05
	£	£
Raw materials	2,490,765	2,187,846
Work in progress	1,102,871	1,661,332
Finished goods	1,899,363	1,030,213
	5,492,999	4,879,391

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

**14. DEBTORS**

	31/12/06	Restated 31/12/05
	£	£
Due within one year		
Trade debtors	2,849,639	1,922,313
Amounts due from other group undertakings	5,397,044	4,875,424
Other debtors	506,458	1,293,286
Prepayments and accrued income	190,501	121,188
Group Deposit	1,000,000	5,000,000
Employee benefit asset	72,000	-
	10,015,642	13,212,211

**15. CREDITORS**

	31/12/06	Restated 31/12/05
	£	£
Amounts falling due within one year		
Bank overdraft	-	-
Trade creditors	3,424,047	1,503,151
Amounts due to other group undertakings	241,214	306,336
Short Term Group Loan	-	750,000
Other taxation & social security	207,236	179,180
Corporation tax	1,091,803	1,315,492
Other creditors & commission payable	1,658,015	1,049,536
Accruals	1,714,839	1,574,734
	8,337,154	6,678,429

**16. PROVISION FOR LIABILITIES AND CHARGES**

**Provision for deferred tax**

	<b>Deferred tax liability £</b>
At 1 January 2006	(62,580)
Tax charge	5,526
Other timing differences-Pension	
At 31 December 2006	<u>(57,054)</u>

**The deferred tax consists of:**

	<b>Year ended 31/12/06 £</b>	<b>Year ended 31/12/05 £</b>
Accelerated capital allowances	(66,354)	(62,580)
Other timing differences	9,300	-
<b>Total deferred tax (asset) / liability</b>	<u>(57,054)</u>	<u>(62,580)</u>

**17. Accruals and Deferred Income**

	<b>Deferred Government Grants £</b>
At 1 January 2006	5,400,000
Received during the year	(135,000)
At 31 December 2006	<u>5,265,000</u>

**18. CALLED UP SHARE CAPITAL**

	<b>Authorised 31/12/06 £</b>	<b>31/12/05 £</b>	<b>Allotted, called up and fully paid 31/12/06 £</b>	<b>31/12/05 £</b>
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>

**19. RESERVES**

	<b>Year ended 31/12/06 £</b>	<b>Year ended 31/12/05 £</b>
Profit and loss account excluding pension liability	13,618,100	11,838,186
Pension liability	(821,800)	(772,800)
Profit and loss account	<u>12,796,300</u>	<u>11,065,386</u>

**20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

	<b>Share Capital £</b>	<b>Profit and Loss Account £</b>	<b>Total Share- Holders Funds £</b>
At 1 January 2006 (as previously reported)	1,250,000	11,065,386	12,315,386
Prior year adjustment - adoption of FRS17	-	-	-
Prior year adjustment - adoption of FRS21	-	-	-
At 1 January 2006 (as restated)	<u>1,250,000</u>	<u>11,065,386</u>	<u>12,315,386</u>
Profit for the financial period	-	3,925,914	3,925,914
Prior year adjustment - reinstate IAS 19 adj		(69,000)	(69,000)
Actuarial loss on defined benefit pensions (net of deferred tax)	-	(126,000)	(126,000)
Dividend & Other Appropriations	-	(2,000,000)	(2,000,000)
At 31 December 2006	<u>1,250,000</u>	<u>12,796,300</u>	<u>14,046,300</u>

**21. 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 Buhler House, Centennial Park, Elstree, Herts WD6 3SX.

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

Buhler Holdings AG is the ultimate parent undertaking of Sortex Limited.

The Company has taken advantage of the exemption available under FRS 8 "Related Party Disclosures" from disclosing transactions with related parties that are part of the Buhler group.

**22. CONTINGENT LIABILITIES**

The company has contingent liabilities arising in the ordinary course of business from which it is anticipated that the likelihood of any material liabilities arising is remote.

**23. OPERATING LEASES**

At 31 December 2006, the company is committed to making the following payments within the next year in respect of operating leases:

Operating leases which expire	2006 Other £	2005 Other £
Within 1 year	33,358	13,341
In two to five years	56,694	85,680
	<u>90,052</u>	<u>99,021</u>

**24. PENSION COMMITMENTS**

The company has two pension schemes - Norwich Union Personal Pension (NUPP) which is a defined contribution scheme and The Sortex Final Salary Scheme (SFSS) which is a defined benefit scheme based on final pensionable salary. As previously reported the SFSS scheme was closed on 30 June 2001 with regard to members' contributions.

**Defined contribution pension scheme.**

The pension cost, which represents contributions payable by the company to the NUPP, amounted to £220,911 (2005 - £220,603). There are no outstanding contributions as at 31 December 2006.

**Defined benefit pension scheme.**

The pension cost and provision are assessed in accordance with the advice of a professionally qualified actuary (Alexander Forbes Financial Services Limited) using the project unit credit method. The last valuation being made on the 31st December 2004, and updated to 31 December 2005 by a qualified actuary.

**24. Defined benefit pension scheme (continued)**

The major assumptions made when valuing the assets and liabilities of the scheme under FRS 17 are as follows

	<b>Dec 2006</b>
Inflation rate	3.15%
Rate of increase for pensions in payment	3.15%
Rate of increase in deferred pensions	3.15%
Discount rate	5.15%
Rate of salary increases	Not applicable, due to cessation of scheme

	<b>Dec 2005</b>
Inflation rate	2.90%
Rate of increase for pensions in payment	2.90%
Rate of increase in deferred pensions	2.90%
Discount rate	4.90%
Rate of salary increases	Not applicable, due to cessation of scheme

	<b>Dec 2004</b>
Inflation rate	3.00%
Rate of increase for pensions in payment	3.00%
Rate of increase in deferred pensions	3.00%
Discount rate	5.25%
Rate of salary increases	Not applicable, due to cessation of scheme

The expected long term rate of return and market value of the scheme's assets at 31 December 2006 were as follows -

	Expected long term rate of return	Market value £
	term return on assets	
Equities	7.3%	1,702,000
Fixed Interest (mainly UK Gilts)	4.4%	1,019,000
Bonds	5.0%	524,000
Cash	4.5%	21,000
		<u>3,266,000</u>
Present value of the scheme liabilities		<u>(4,440,000)</u>
Deficit in the scheme		<u>(1,174,000)</u>
Related deferred tax asset		<u>352,200</u>
Net pension liability		<u>(821,800)</u>

The expected long term rate of return and market value of the scheme's assets at 31 December 2005 were as follows -

	Expected long term rate of return	Market value £
	term return on assets	
Equities	7.3%	2,427,000
Fixed Interest (mainly UK Gilts)	4.4%	601,000
Bonds	5.0%	3,000
Cash	4.5%	14,000
		<u>3,045,000</u>
Present value of the scheme liabilities		<u>(4,149,000)</u>
Deficit in the scheme		<u>(1,104,000)</u>
Related deferred tax asset		<u>331,200</u>
Net pension liability		<u>(772,800)</u>

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**24. Defined benefit pension scheme (continued)**

The expected long term rate of return and market value of the scheme's assets at 31 December 2004 are as follows

	Expected long term rate of term return on assets
Equities	7.5%
Bonds	5.0%
Cash	4.0%
Present value of the scheme liabilities	
Deficit in the scheme	
Related deferred tax asset	
Net pension liability	

**Analysis of the Scheme movements during the period:**

	<b>31/12/06</b>	<b>31/12/05</b>
	<b>£</b>	<b>£</b>
Deficit at the beginning of the year	(1,104,000)	(673,000)
Current service cost	-	-
Contributions paid	108,000	-
Curtailment gain	-	-
Other financial income	2,000	5,000
Actuarial gain/(loss)	(180,000)	(436,000)
Deficit at the end of the year	<u>(1,174,000)</u>	<u>(1,104,000)</u>

**24. Defined benefit pension scheme (continued)**

	<b>31/12/06</b>	<b>31/12/05</b>
	<b>£</b>	<b>£</b>
<b>Amounts charged to operating profit:</b>	<b>Nil</b>	<b>Nil</b>
<b>Amounts (charged)/credited to other finance income:</b>		
	<b>31/12/06</b>	<b>31/12/05</b>
	<b>£</b>	<b>£</b>
Expected return on assets	198,000	189,000
Interest on liabilities	(196,000)	(184,000)
Total other finance income included as part of net interest (see note 8)	2,000	5,000

**Analysis of amounts recognised in the statement of  
total recognised gains and losses:**

	<b>31/12/06</b>	<b>31/12/05</b>
	<b>£</b>	<b>£</b>
Actual return less expected return on pension scheme assets	205,000	23,000
Experience gains/ (losses) arising on the scheme liabilities	(381,000)	-
Changes in the assumptions underlying the present value of scheme liabilities	(4,000)	(459,000)
Actuarial loss recognised in the statement of recognised gains and losses	(180,000)	(436,000)
<b>Net of 30% deferred tax credit</b>	<b>(126,000)</b>	<b>(305,200)</b>

**History of experience gain and losses:**

	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>31/12/2004</b>	<b>31/12/2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Actual less expected return on assets	205,000	23,000	119,000	24,000
Percentage of year end scheme assets	6.3%	0.8%	4.2%	0.8%
Net experience gain / (loss)	(381,000)	-	(73,000)	107,000
Percentage of year end scheme liabilities	-8.6%	0.0%	2.1%	3.4%
Change in assumptions	(4,000)	(459,000)	(392,000)	(211,000)
Percentage of year end scheme liabilities	-0.1%	11.1%	11.1%	6.7%