Buhler Sortex Limited

Report and Accounts

for the year ended 31 December 2008

(Company number 434274)

Buhler Sortex Limited
Registration No. 434274

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 C.E.Briggs
SECRETARY :	N.H.Wilson
REGISTERED OFFICE :	20 Atlantis Avenue, London E16 2BF
AUDITORS :	Bourner 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 2008.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £5,861,430 (2007 - Profit of £3,683,973). During the year the directors paid a dividend of £2,500,000 in respect of 2007. The directors have recommended a final ordinary dividend of £7,000,000 for the year ended 31 December 2008.

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.

BUSINESS REVIEW

The Key performance indicators (KPIs) are defined in the table below. The KPIs for the company in 2008 are shown in the following table:

	2008	2007
Operating profit	£8,879,704	£4,924,877
Dividend cover[1]	1.2	0.7
Ordinary shareholders' equity	£18,424,863	£14,908,073

KPI DEFINITIONS

1 Dividend cover is calculated as operating profit after tax divided by the current year proposed final dividend.

FINANCIAL RISKS

The directors monitor the financial risks to the company on an ongoing basis. During the year the credit, interest and foreign exchange rate risks were minimal. Hence, the directors did not feel that it was appropriate to mitigate these risks by purchasing any financial instruments. The global economic outlook has also been identified as a potential risk due to the worldwide coverage of the customer base. However the directors are confident that the industry the company operates in, will not be affected greatly.

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 remain optimistic about the long term prospects for growth.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the group has been continued through the newsletter 'Mosaic'. Employees have also been encouraged to present their suggestions and views on the group's performance to management. Regular staff meetings are held between local management and employees to allow a free flow of information and ideas.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

PAYMENT POLICY FOR CREDITORS

It is the company's policy to negotiate payment terms with its suppliers in all sectors and to ensure that they know the terms on which the payments will take place when business is agreed. It is the company's policy to abide by these terms.

Trade creditor days of the company for the year ended 31 December 2008 were 27 days (2007 28 days), calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year and the amounts due, at the year end, to trade creditors within one year

Buhler Sortex Limited
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

DIRECTORS
The directors who served during the year were as follows:

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

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.

DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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 responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Annual reports may differ from legislation in other jurisdictions.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and

- each director has taken all the steps that they ought to have taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Bourner Bullock will therefore continue in office.

By order of the board

N.H.Wilson
Secretary
Date: 07/09/09

We have audited the company's financial statements for the year ended 31 December 2008 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 2008 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.

Bourner Bullock

BOURNER BULLOCK
Chartered Accountants & Registered Auditors

Sovereign House
212-224 Shaftesbury Avenue

17th August 2009

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year ended 31/12/08 £	Year ended 31/12/07 £
TURNOVER	2/3	46,057,843	36,615,228
Cost of sales		(32,863,678)	(26,926,748)
GROSS PROFIT		13,194,165	9,688,480
Distribution costs		(4,566,608)	(3,487,983)
Administrative expenses		(1,143,199)	(1,495,018)
Profit arising on exchange movements		1,394,746	219,398
OPERATING PROFIT	4	8,879,104	4,924,877
Interest receivable	8	84,254	32,595
Interest payable and similar charges	9	(542,911)	(122,425)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,420,447	4,835,047
Taxation on profit on ordinary activities	10	(2,559,017)	(1,151,074)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,861,430	3,683,973

All amounts relate to continuing operations.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2008

	Year ended 31/12/08	Year ended 31/12/07
	£	£
Profit for the financial year	5,861,430	3,683,973
Actuarial gain on defined benefit pensions (net of deferred tax)	171,360	177,800
Change in provision of deferred tax on pension liabilities brought forward	(16,000)	-
Total recognised gains relating to the year	6,016,790	3,861,773
Total recognised gains since last annual report	6,016,790	3,861,773

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31/12/08 £	31/12/08 £	As restated 31/12/07 £	As restated 31/12/07 £
FIXED ASSETS					
Tangible assets	12	13,192,931		13,326,389	
			13,192,931		13,326,389
CURRENT ASSETS					
Stocks	13	5,194,320		4,803,290	
Debtors	14	8,012,046		11,062,395	
Cash at bank and in hand		10,077,180		1,798,450	
		23,283,546		17,664,135	
Creditors (amounts falling due within one year)	15	(12,462,974)		(10,208,151)	
NET CURRENT ASSETS			10,820,572		7,455,984
TOTAL ASSETS LESS CURRENT LIABILITIES			24,013,503		20,782,373
Accruals and deferred income	17		(5,270,400)		(5,313,600)
Defined benefit pension scheme liabilit\	24		(318,240)		(560,700)
NET ASSETS			18,424,863		14,908,073
CAPITAL AND RESERVES					
Called up share capital	18		1,250,000		1,250,000
Profit and loss account	19		17,174,863		13,658,073
SHAREHOLDERS' FUNDS	20		18,424,863		14,908,073

The accounts on pages 5 to 18 were approved by the board of directors on 7TH AUGUST 2009 and are signed on its behalf by:-

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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.

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 23.

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 40 years
Other assets	- 20% to 33.33%
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.

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.

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.

(c) Within the statement of total recognised gains and losses
- On the scheme assets - the difference between the expected and actual return on assets, and
- On the scheme liabilities - (a) The differences between The actuarial assumptions and actual experience, and (b) The effect of changes in actuarial assumptions.

Defined contribution pensions
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.

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.

2. TURNOVER

Turnover comprises the invoiced 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 31/12/08 £	Year ended 31/12/07 £
United Kingdom	741,043	639,786
Overseas	45,316,800	35,975,442
	46,057,843	36,615,228

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

		£	£
Research & development expenditure		3,449,819	2,826,208
Depreciation of tangible fixed assets		690,063	378,004
Hire of equipment		17,543	13,644
Operating leases	Other	121,426	121,261
Auditors' remuneration	Audit services	38,000	35,000
	Associated pension scheme audit	5,000	4,750
	Other services	21,809	3,984

5. STAFF COSTS

	£	£
Wages and salaries	6,062,715	5,495,056
Social security costs	625,603	570,139
Other pension costs	251,940	249,426
BSFSS Funding	144,000	144,000
	7,084,258	6,458,621

6. EMPLOYEES

The average number of employees in the period was 174 (2007 - 171) and is analysed into the following categories :

	Year ended 31/12/08 Number	Year ended 31/12/07 Number
Factory/warehouse	77	80
Administration	14	13
Selling	42	39
Research & development	41	39
	174	171

7. EMOLUMENTS OF DIRECTORS

	Year ended 31/12/08 £	Year ended 31/12/07 £
Emoluments	967,496	872,529
Company contributions to defined contribution pension schemes	65,987	49,710
	Number	**Number**
Members of defined contributions pension schemes	8	8
	£	£
The amounts in respect of the highest paid director are as follows:-		
Emoluments	183,393	172,950
Company contributions to defined contribution pension schemes	29,640	17,871
The accrued pension entitlement of highest paid director	-	11,870

8. INTEREST RECEIVABLE

	£	£
Bank interest	84,254	25,461
Receivable from parent undertakings	-	7,134
	84,254	32,595

9. INTEREST PAYABLE AND SIMILAR CHARGES

	£	£
Payable to parent undertakings	25,295	121,459
Payable sales invoices discounting	493,616	-
Payable to third parties (see note 24)	24,000	966
	542,911	122,425

		Year ended 31/12/08 £	Year ended 31/12/07 £
10.	**TAX ON PROFIT ON ORDINARY ACTIVITIES**		
	UK corporation tax at 28.5% (2007: 30%)		
	UK corporation tax on profits of the period	2,404,503	1,329,875
	Adjustments in respect of previous periods	151,514	(207,674)
		2,556,017	1,122,201
	Deferred tax		
	Originating and reversal of timing differences	3,000	28,873
		2,559,017	1,151,074

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 28.50% (2007: 30%). The differences are explained below:

	Year ended 31/12/08 £	Year ended 31/12/07 £
Profit on ordinary activities before tax	8,421,047	4,880,000
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.50% (2007: 30.00%)	2,399,998	1,464,000
Effect of:		
Disallowed expenses and non taxable income	85,191	18,851
Capital allowances in excess of depreciation	44,465	(28,873)
Other timing differences	11,399	-
Adjustments in respect of previous periods	151,514	(207,674)
Additional deduction for R&D expenditure	(136,550)	(124,103)
Current tax charge for the period	2,556,017	1,122,201

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

	Year ended 31/12/08 £	Year ended 31/12/07 £
Equity dividends on ordinary shares:		
Dividends paid in the year	(2,500,000)	(3,000,000)
Total Dividend	(2,500,000)	(3,000,000)

The directors have recommended a final ordinary dividend of £7,000,000 for the year ended 31 December 2008.

12. TANGIBLE FIXED ASSETS

	Buildings	Land (Leasehold)	Plant and Machinery	Furniture, Fittings Equip Computers & Vehicles	Total
	£	£	£	£	£
Cost					
1 January 2008	7,119,423	5,400,000	1,122,136	1,837,800	15,479,359
Additions	-	-	27,785	603,897	631,682
Disposals	-	-	(16,295)	(146,748)	(163,043)
31 December 2008	7,119,423	5,400,000	1,133,626	2,294,949	15,947,998
Depreciation / amortisation					
1 January 2008	29,664	86,400	837,577	1,199,329	2,152,970
Charge for period	177,986	43,200	115,644	396,433	733,263
Disposals	-	-	(15,424)	(115,742)	(131,166)
31 December 2008	207,650	129,600	937,797	1,480,020	2,755,067
Net book value at 31 December 2008	6,911,773	5,270,400	195,829	814,929	13,192,931
Net book value at 1 January 2008	7,089,759	5,313,600	284,559	638,471	13,326,389

13. STOCKS

	31/12/08	31/12/07
	£	£
Raw materials	2,738,501	2,171,661
Work in progress	1,258,013	899,402
Finished goods	1,197,806	1,732,227
	5,194,320	4,803,290

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

14. DEBTORS

	31/12/08	31/12/07
Due within one year :	£	£
Trade debtors	2,437,967	4,096,873
Amounts owed by other group undertakings	4,659,494	6,078,085
Other debtors	649,364	701,514
Prepayments and accrued income	202,929	157,742
Deferred tax asset (see note 16)	62,292	28,181
	8,012,046	11,062,395

15. CREDITORS

	31/12/08	31/12/07
Amounts falling due within one year:	£	£
Trade creditors	2,416,331	1,948,699
Amounts owed to other group undertakings	821,911	788,085
Short Term Group Loan	-	2,000,000
Other taxation and social security	281,667	255,235
Corporation tax	1,717,563	1,010,607
Other creditors and commission payable	2,668,470	2,077,669
Accruals	4,557,032	2,127,856
	12,462,974	10,208,151

16. PROVISION FOR LIABILITIES AND CHARGES

Provision for deferred tax

	Deferred tax liability/(asset) £
At 1 January 2008	(28,181)
Tax charge	3,000
Other timing differences	(37,111)
At 31 December 2008	(62,292)

The deferred tax consists of:

	Year ended 31/12/08 £	Year ended 31/12/07 £
Accelerated capital allowances	(91,132)	(71,081)
Other timing differences	28,840	42,900
Total deferred tax asset	(62,292)	(28,181)

17. Accruals and Deferred Income

	Deferred Income £
At 1 January 2008	5,313,600
Amortised during the year	(43,200)
At 31 December 2008	5,270,400

The Government grant received towards the purchase of leasehold land is treated as deferred income which is credited to the profit and loss account by instalments over the 125 year lease period of the land on a basis consistent with the amortisation policy.

18 CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	31/12/08 £	31/12/07 £	31/12/08 £	31/12/07 £
Ordinary shares of £1 each.	1,250,000	1,250,000	1,250,000	1,250,000

19 RESERVES

	Year ended 31/12/08 £	Year ended 31/12/07 £
Profit and loss account excluding pension liability	17,493,103	14,218,773
Pension liability	(318,240)	(560,700)
Profit and loss account	17,174,863	13,658,073

20 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £	Profit and Loss Account £	Total Share-Holders' Funds £
At 1 January 2008	1,250,000	13,658,073	14,908,073
Profit for the financial period	-	6,016,790	6,016,790
Dividend & Other Appropriations	-	(2,500,000)	(2,500,000)
At 31 December 2008	1,250,000	17,174,863	18,424,863

21. CONTINGENT LIABILITIES

The company has contingent liabilities arising in the ordinary course of business relating to a claim from a customer related to machinery supplied. In the directors' opinion, it is anticipated that the likelihood of any material liabilities arising is remote.

22. OPERATING LEASES

At 31 December 2008, the company is committed to making the following payments within the next year in respect of operating leases.

Operating leases which expire:	2008 Other £	2007 Other £
Within 1 year	22,176	10,406
In two to five years	84,305	69,698
	106,481	80,104

23. ULTIMATE PARENT AND ULTIMATE CONTROLLING PARTY

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 20 Atlantis Avenue, London, E16 2BF.

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 Buhler 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.

The ultimate controlling party is Mr Urs Buhler.

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 £246,729 (2007 - £238,182). There are no outstanding contributions as at 31 December 2008.

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 2007, and updated to 31 December 2008 by a qualified actuary.

The deficit is being spread over the remaining service life of the employees who were members of the SFSS at the date of closure. The remaining deficit will be eliminated through company contributions to the scheme. Contributions paid during the year amounted to £144,000 (2007 - £144,000). There were no outstanding contributions as at 31 December 2008.

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:

	Dec 2008	Dec 2007
Inflation rate	2.70%	3.40%
Rate of increase for pensions in payment	2.70%	3.40%
Rate of increase in deferred pensions	2.70%	3.40%
Discount rate	6.50%	5.80%
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 Decembe 2008 and the previous three years were as follows :-

	Expected long term rate of return	Value at 2008 £	Expected long term rate of return	Value at 2007 £
Equities	6.7%	1,345,000	7.6%	1,808,000
Fixed interest (mainly UK Gilts)	3.7%	835,000	4.6%	1,049,000
Bonds	6.5%	512,000	5.8%	529,000
Cash	2.0%	234,000	5.5%	51,000
		2,926,000		3,437,000
Present value of the scheme liabilities		(3,368,000)		(4,238,000)
Deficit in the scheme		(442,000)		(801,000)
Related deferred tax asset		123,760		240,300
Net pension liability		(318,240)		(560,700)

	Expected long term rate of return	Value at 2006 £	Expected long term rate of return	Value at 2005 £
Equities	7.5%	1,702,000	7.3%	2,427,000
Fixed interest (mainly UK Gilts)	4.5%	1,019,000	4.4%	601,000
Bonds	5.0%	524,000	5.0%	3,000
Cash	4.5%	21,000	4.5%	14,000
		3,266,000		3,045,000
Present value of the scheme liabilities		(4,440,000)		(4,149,000)
Deficit in the scheme		(1,174,000)		(1,104,000)
Related deferred tax asset		352,200		331,200
Net pension liability		(821,800)		(772,800)

24. Defined benefit pension scheme (continued)

Analysis of the Scheme movements during the period:

	31/12/08	31/12/07
	£	£
Deficit at the beginning of the year	(800,000)	(1,174,000)
Current service cost	-	-
Contributions paid	144,000	144,000
Curtailment gain	-	-
Other finance cost	(24,000)	(24,000)
Actuarial gain/(loss)	238,000	254,000
Deficit at the end of the year	(442,000)	(800,000)

It has been agreed with the trustees that the company's contribution for the next year will be £190,000.

	31/12/08	31/12/07
	£	£
Amounts charged to operating profit:	Nil	Nil

Amounts charged to other finance cost:

	31/12/08	31/12/07
	£	£
Expected return on assets	213,000	202,000
Interest on liabilities	(237,000)	(226,000)
Total other finance cost included as part of net interest (see note 8)	(24,000)	(24,000)

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

	31/12/08	31/12/07
	£	£
Actual return less expected return on pension scheme assets	(555,000)	(89,000)
Experience gains/ (losses) arising on the scheme liabilities	(23,000)	(2,000)
Changes in the assumptions underlying the present value of scheme liabilities	816,000	345,000
Actuarial gain recognised in the statement of recognised gains and losses	238,000	254,000
Net of 28% (2007: 30%) deferred tax credit	171,360	177,800

History of experience gain and losses:

	31/12/2008	31/12/2007	31/12/2006	31/12/2005
	£	£	£	£
Actual less expected return on assets	(555,000)	(89,000)	205,000	23,000
Percentage of year end scheme assets	-19.0%	-2.6%	6.3%	0.8%
Net experience gain / (loss)	(23,000)	(2,000)	(381,000)	-
Percentage of year end scheme liabilities	-0.7%	0.0%	-8.6%	0.0%
Change in assumptions	816,000	345,000	(4,000)	(459,000)
Percentage of year end scheme liabilities	24.2%	8.1%	-0.1%	11.1%