

ELSOMS SEEDS LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2006

WEDNESDAY



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COMPANIES HOUSE

Company Registration No 656393

ELSOMS SEEDS LIMITED
COMPANY INFORMATION

DIRECTORS

A G Keeling (Chairman)
A S Guthrie
J M Keeton
R H Miles
R L Wood

SECRETARY

J M Keeton

REGISTERED OFFICE

Pinchbeck Road
Spalding
Lincolnshire
PE11 1QG

SOLICITORS

Mossop & Bowser
11 West End
Holbeach
Lincolnshire
PE12 7LP

AUDITORS

Duncan & Toplis
Chartered Accountants and
Registered Auditors
Welland House
High Street
Spalding
Lincolnshire
PE11 1UB

ELSOMS SEEDS LIMITED DIRECTORS' REPORT

The directors present their report and the financial statements of Elsoms Seeds Limited for the year ended 30 June 2006

Principal Activities

The principal activities of the company during the year were those of plant breeding, testing, processing and distributing vegetable and agricultural seeds

Results and Dividends

As a private company the principles of governance are adopted in a practical manner in line with the Combined Code of Corporate Governance

The profit on ordinary activities for the year before tax amounted to £943,215 (2005 £406,972) In accordance with the now fully implemented Financial Reporting Standard 17 this included net changes in pension liabilities and assets at Balance Sheet date which increased profits before tax by £44,000 (2005 £30,000), before such adjustments, the profit on ordinary activities for the year before tax amounted to £899,215 (2005 £376,972) The profit for the year after tax, amounted to £747,975 (2005 £394,388)

Turnover increased significantly during the year to £13,561,043 (2005 £10,187,045), an increase of 33% Most of this improvement was due to the addition of sugar beet seed and vining pea seed to the portfolio and increased sales of vegetable seed However due to a reduction in wheat plant breeders rights income the overall gross profit margin reduced to 29.9% (2005 31.9%)

The directors have responsibility for implementing a risk management strategy and monitoring compliance There are uncertainties in the sugar beet market due to the reduction in the EU sugar beet acreage although the directors are confident that the company will increase market share There is a risk of a further reduction in plant breeders rights income due to continued reductions in the winter wheat seed market The company however is well placed with its good vegetable seed portfolio together with its seed treatment and pelleting capability to continue to increase sales

The directors consider the result to be more than satisfactory given prevailing industry conditions In consultation with the parent company board, the directors do not recommend the payment of a dividend

Research and Development Activities

The company undertakes a continuous programme of research and development into the production and testing of new and improved seed varieties of vegetables, winter wheat, oil seed rape and sugar beet which it plans to continue

Directors and their Interests in the Parent Company

The directors at 30 June 2006 and their interests in the share capital of the parent company were as follows -

	30 June 2006		30 June 2005	
	Ordinary 1p	'A' ordinary 1p	Ordinary 1p	'A' ordinary 1p
A J Hewitt (Retired 30 August 2005)	6,377	10,786	6,377	10,786
A S Guthrie (Appointed 1 July 2005)	-	-	-	-
J M Keeton	15,972	13,164	15,972	13,164
R H Miles	16,886	2,691	16,886	2,691
R L Wood (Appointed 23 August 2005)	175	445	175	445

The shareholding of A G Keeling (Chairman) is disclosed in the accounts of the parent company

No director has been granted or exercised any right to subscribe to the shares of the company

ELSOMS SEEDS LIMITED
DIRECTORS' REPORT (CONTINUED)

Charitable Donations

During the year the company made charitable donations totalling £9,375 (2005 £17,450)

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year 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, subject to any material departures disclosed and explained in the financial statements,
- 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

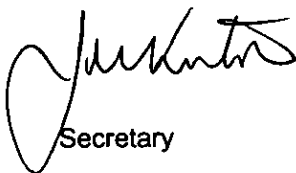
Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution to re-appoint Duncan & Toplis, Chartered Accountants, as auditors will be put to the members at the annual general meeting

On behalf of the board



Secretary

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ELSOMS SEEDS LIMITED

We have audited the financial statements of Elsoms Seeds Limited for the year ended 30 June 2006 on pages 5 to 19. These financial statements have been prepared under 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 for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Report of the Directors is 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 directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors 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 judgments 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.

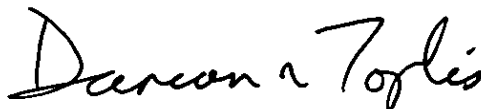
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the 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 30 June 2006 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.

Duncan & Topliss
Registered Auditor
Chartered Accountants
Welland House
High Street
Spalding
PE11 1UB



9/10/2006

ELSOMS SEEDS LIMITED
PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2006

	Notes	2006		2005 As restated	
		£	£	£	£
Turnover			13,561,043		10,187,045
Cost of sales			<u>(9,510,952)</u>		<u>(6,937,613)</u>
Gross profit			4,050,091		3,249,432
Distribution costs			(110,965)		(122,364)
Administrative expenses			<u>(3,202,283)</u>		<u>(2,829,137)</u>
Operating Profit			736,843		297,931
Interest receivable		100,372		52,041	
Other finance income	5	<u>106,000</u>	<u>206,372</u>	<u>57,000</u>	<u>109,041</u>
Profit on Ordinary Activities before Taxation	2		943,215		406,972
Taxation	4		<u>(195,240)</u>		<u>(12,584)</u>
Retained Profit for the Year	13		<u>747,975</u>		<u>394,388</u>

Continuing Operations

None of the company's activities were acquired or discontinued during the current or previous year

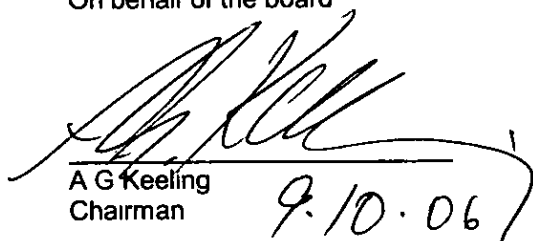
ELSOMS SEEDS LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2006

	<i>Notes</i>	2006 £	2005 £
Profit for the Financial Year		747,975	394,388
Actuarial gain for the year		191,000	(134,000)
Movement in deferred tax relating to pension asset/liability		<u>(70,000)</u>	<u>31,000</u>
Total Recognised Gains and Losses Relating to the Year		868,975	291,388
Prior year adjustment – FRS17	5	<u>(27,000)</u>	<u>-</u>
Total Gains and Losses Recognised Since Last Annual Report		<u>841,975</u>	<u>291,388</u>

ELSOMS SEEDS LIMITED
BALANCE SHEET
30 JUNE 2006

	Notes	2006 £	2005 as restated £
Fixed Assets			
Tangible assets	6	855,238	566,103
Investments	7	<u>23,198</u>	<u>23,198</u>
		878,436	589,301
Current Assets			
Stocks	8	860,960	759,085
Debtors	9	4,260,609	4,092,057
Cash at bank and in hand		<u>3,251,430</u>	<u>1,682,097</u>
		8,372,999	6,533,239
Creditors			
Amounts falling due within one year	10	<u>(3,772,802)</u>	<u>(2,367,240)</u>
Net Current Assets		<u>4,600,197</u>	<u>4,165,999</u>
Total Assets Less Current Liabilities		5,478,633	4,755,300
Provision for Liabilities And Charges			
Deferred taxation	11	<u>(19,358)</u>	<u>-</u>
Net Assets Excluding Pension Surplus/(Deficit)		5,459,275	4,755,300
Pension surplus/(deficit)	17	<u>138,000</u>	<u>(27,000)</u>
Net Assets Including Pension Surplus/(Deficit)		<u>5,597,275</u>	<u>4,728,300</u>
Capital and Reserves			
Called up share capital	12	326,228	326,228
Profit and loss account	13	<u>5,271,047</u>	<u>4,402,072</u>
Shareholders' Funds	14	<u>5,597,275</u>	<u>4,728,300</u>

On behalf of the board


A G Keeling
Chairman
9.10.06

ELSOMS SEEDS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	<i>Notes</i>	2006 £	2005 £
Cash flow from operating activities	15(a)	2,072,165	962,262
Returns on investments and servicing of finance	15(b)	97,096	51,962
Taxation		(37,541)	(183,701)
Capital expenditure and financial investment	15(b)	<u>(562,387)</u>	<u>(275,075)</u>
Increase in Cash in the Period		<u>1,569,333</u>	<u>555,448</u>
		2006 £	2005 £
Reconciliation of Net Cash Flow to Movement in Net Funds			
Increase in cash in the period		<u>1,569,333</u>	<u>555,448</u>
Movement in Net Funds in the Period		1,569,333	555,448
Net Funds at 1 July 2005		<u>1,682,097</u>	<u>1,126,649</u>
Net Funds at 30 June 2006		<u>3,251,430</u>	<u>1,682,097</u>

1 Accounting Policies

Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. There were no material departures from those standards.

Tangible Fixed Assets

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows -

Plant and machinery	over 5 or 10 years
Motor vehicles	over 4 or 5 years
Other equipment	over 4, 5 or 10 years

Stocks

Stocks are valued at the lower of cost and net realisable value.

Research and Development

Research and development expenditure is written off as incurred.

Deferred Taxation

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Retirement Benefits

Defined Benefit Scheme

The cost of providing pensions for employees are charged in the profit and loss account over the average working life of employees in accordance with the recommendations of qualified actuaries. Any funding surplus or deficit which may arise from time to time is normally amortised over the remaining average working life of employees.

The defined benefit scheme was closed to new members from 22 May 2003.

Defined Contribution Scheme

The company also operates a defined contribution scheme.

The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

ELSOMS SEEDS LIMITED
ACCOUNTING POLICIES (CONTINUED)

1 Accounting Policies (Continued)

Turnover

Turnover represents the invoiced value of goods sold before discounts and excluding value added tax

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are included in the determination of the profit for the year.

Changes in Accounting Policies

The company has adopted FRS17, 'Retirement benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt FRS17 is as shown in note 5.

ELSOMS SEEDS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 £	2005 £
2 Profit on Ordinary Activities before Taxation		
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and amounts written off tangible fixed assets		
- charge for the year	295,234	227,826
- profit on disposals	(21,982)	(13,979)
Auditors' remuneration		
- for audit services	10,500	7,000
- for other services	<u>650</u>	<u>3,170</u>
Research and development expenditure	<u>909,518</u>	<u>856,891</u>
	2006 No	2005 No
3 Employees		
The average number of persons (including directors) employed by the company during the year was		
Management, administration and sales	22	22
Research and development, trials and logistics	<u>38</u>	<u>35</u>
	<u>60</u>	<u>57</u>
	2006 £	2005 as restated £
Staff costs for the above persons		
Wages and salaries	1,603,282	1,413,918
Social security costs	142,108	129,461
Other pension costs	<u>228,785</u>	<u>191,857</u>
	<u>1,974,175</u>	<u>1,735,236</u>
Directors' Remuneration		
Emoluments	354,716	271,246
Pension costs	<u>38,887</u>	<u>42,577</u>
	<u>393,603</u>	<u>313,823</u>
The emoluments of the Chairman (highest paid director) were		
Emoluments	75,205	71,518
Pension costs	<u>13,644</u>	<u>13,743</u>
	<u>88,849</u>	<u>85,261</u>
Retirement benefits were accruing to four directors (2005 four) under the group defined benefit schemes during the year. The amount of accrued pension under the defined benefit scheme of the Chairman (also being the highest paid director) was £42,848 (2005 £41,409)		

ELSOMS SEEDS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 £	2005 as restated £
4 Taxation		
Current tax		
UK Corporation tax on profit of the period	175,131	28,603
Adjustments in respect of previous periods	751	(16,019)
Deferred taxation	<u>19,358</u>	<u>-</u>
Tax on profit on ordinary activities	<u>195,240</u>	<u>12,584</u>
Factors affecting tax charge for the period		
The tax assessed for the period is lower than the standard rate of corporation tax for small companies, 30% (2005 19%), as explained below		
Profit on ordinary activities before tax	<u>943,215</u>	<u>406,972</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax 30% (2005 19%)	282,965	77,325
Effects of		
Expenses not deductible for tax purposes	7,598	1,534
Income not taxable	(6,007)	(4,111)
Capital allowances in excess of depreciation	(24,110)	(2,376)
Additional tax relief on research and development expenditure	(67,928)	(38,111)
Effect of corporation tax marginal relief	(4,187)	42
Pension provision	<u>(13,200)</u>	<u>(5,700)</u>
Current tax charge for the period	<u>175,131</u>	<u>28,603</u>

5 Prior Year Adjustment

The prior year adjustment relates to the implementation of FRS17

The adoption of FRS17 has resulted in an increase in staff costs and a increase in other finance income by £62,000 (2005 £27,000) and £106,000 (2005 £57,000) respectively, to increase the profit for the year by £44,000 (2005 decrease £30,000) and to increase the total recognised gains by £121,000 (2005 decrease £103,000)

Analysis of changes to reserves as a result of the prior year adjustments	Total £
Adjustment to opening reserve at 1 July 2004	(46,000)
Adjustment to profit and loss for the year	(30,000)
Adjustment to statement of total recognised gains and losses for the year ended 30 June 2005	<u>103,000</u>
	<u>27,000</u>

ELSOMS SEEDS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Plant and machinery £	Motor vehicles £	Other equipment £	Total £
6 Tangible Fixed Assets				
Cost				
1 July 2005	1,347,482	439,799	1,614,456	3,401,737
Additions	233,583	164,536	212,507	610,626
Disposals	-	(116,292)	(159,475)	(275,767)
30 June 2006	<u>1,581,065</u>	<u>488,043</u>	<u>1,667,488</u>	<u>3,736,596</u>
Depreciation				
1 July 2005	1,165,411	276,045	1,394,178	2,835,634
Charge for year	91,382	77,582	126,270	295,234
Disposals	-	(95,340)	(154,170)	(249,510)
30 June 2006	<u>1,256,793</u>	<u>258,287</u>	<u>1,366,278</u>	<u>2,881,358</u>
Net book value				
30 June 2006	<u>324,272</u>	<u>229,756</u>	<u>301,210</u>	<u>855,238</u>
1 July 2005	<u>182,071</u>	<u>163,754</u>	<u>220,278</u>	<u>566,103</u>
			2006 £	2005 £
7 Fixed Asset Investments				
Shares in subsidiary (unlisted)			150	150
Shares in holding company			<u>23,048</u>	<u>23,048</u>
			<u>23,198</u>	<u>23,198</u>
<p>The £150 investment in subsidiary represents 100% of the issued ordinary share capital of Unicorn Plant Breeders Limited, a dormant company incorporated in Great Britain and registered in England and Wales. Net assets at 30 June 2006 were £116</p> <p>The shares in the holding company are an investment of £23,048 in an Employee Benefit Trust. The shares may be issued to employees as part of any entitlement to shares under the rules of the profit sharing scheme, which has had to cease accepting further contributions. Under the rules of the employee benefit trust the shares may be held until 2078</p>				
			2006 £	2005 £
8 Stocks				
Seeds			746,499	687,061
Consumables and sundries			<u>114,461</u>	<u>72,024</u>
			<u>860,960</u>	<u>759,085</u>

ELSOMS SEEDS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 £	2005 £
9 Debtors		
Due within one year		
Trade debtors	4,086,049	3,934,937
Other debtors	38,830	15,647
Prepayments and accrued income	<u>135,730</u>	<u>141,473</u>
	<u>4,260,609</u>	<u>4,092,057</u>
	2006 £	2005 £
10 Creditors. Amounts falling due within one year		
Trade creditors	2,390,909	2,088,968
Amounts owed to parent undertaking	927,383	32,948
Corporation tax	175,131	36,790
Other taxation and social security costs	53,309	48,309
Other creditors	138,086	117,596
Accruals and deferred income	<u>87,984</u>	<u>42,629</u>
	<u>3,772,802</u>	<u>2,367,240</u>
	2006 £	2005 £
11 Deferred Taxation		
Balance at 1 July 2005	-	-
Transfer from profit and loss	<u>19,358</u>	<u>-</u>
Balance at 30 June 2005	<u>19,358</u>	<u>-</u>
Provision for deferred tax has been made as follows -		
Accelerated capital allowances	<u>19,358</u>	<u>-</u>
	2006 £	2005 £
12 Share Capital		
Authorised		
360,000 ordinary shares of £1 each	<u>360,000</u>	<u>360,000</u>
Allotted, issued and fully paid		
326,228 ordinary shares of £1 each	<u>326,228</u>	<u>326,228</u>
	2006 £	
13 Profit and Loss Account		
1 July 2005	4,429,072	
Prior year adjustment	<u>(27,000)</u>	
	4,402,072	
Retained profit for the year	747,975	
Adjustment to statement of total recognised gains and losses	<u>121,000</u>	
30 June 2006	<u>5,271,047</u>	
Profit and loss account excluding pension asset	5,133,047	
Pension surplus	<u>138,000</u>	
Profit and loss account	<u>5,271,047</u>	

ELSOMS SEEDS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

		2006	2005		
		£	as restated £		
14	Reconciliation of Movement in Shareholders' Funds				
	Profit for the financial year	747,975	394,388		
	Other recognised gains and losses relating to the year (net)	<u>121,000</u>	<u>(103,000)</u>		
	Net addition to shareholders' funds	<u>868,975</u>	<u>291,388</u>		
	Opening shareholders' funds as previously reported	4,755,300	4,390,912		
	Prior year adjustment – FRS17	<u>(27,000)</u>	<u>(46,000)</u>		
	Opening shareholders' funds as restated	<u>4,728,300</u>	<u>4,436,912</u>		
	Closing shareholders' funds	<u>5,597,275</u>	<u>4,728,300</u>		
		2006	2005		
		£	as restated £		
15	Cashflows				
	a Reconciliation of operating profit to net cash inflow from operating activities				
	Operating profit	736,843	297,931		
	Depreciation	295,234	227,826		
	Profit on sale of tangible fixed assets	(21,982)	(13,979)		
	Pension fund surplus movement	(20,023)	(19,435)		
	(Increase)/decrease in stocks	(101,875)	197,292		
	(Increase)/decrease in debtors	(165,276)	572,096		
	Increase/(decrease) in creditors	1,287,244	(326,469)		
	Difference between pension charge and cash contributions	<u>62,000</u>	<u>27,000</u>		
	Net cashflow from operating activities	<u>2,072,165</u>	<u>962,262</u>		
	b Analysis of cash flows for headings netted in the cash flow				
	Returns on investments and servicing of finance				
	Interest received	<u>97,096</u>	<u>51,962</u>		
	Net cash inflow for returns on investment and servicing of finance	<u>97,096</u>	<u>51,962</u>		
	Capital expenditure and financial investment				
	Purchase of tangible fixed assets	(610,626)	(303,712)		
	Sale of tangible fixed assets	<u>48,239</u>	<u>28,637</u>		
	Net cash outflow for capital expenditure and financial investment	<u>(562,387)</u>	<u>(275,075)</u>		
	c Analysis of net funds				
		At 1 July 2005 £	Cash flow £	Other non cash changes £	At 30 June 2006 £
	Cash in hand, at bank	1,682,097	1,569,333	-	3,251,430

ELSOMS SEEDS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 £	2005 £
16 Capital Commitments		
Capital expenditure contracted for but not provided in the financial statements	<u>16,638</u>	<u>63,219</u>

17 Pension and Other Post Employment Commitments

Defined Contribution Schemes

The company operates a stakeholder compliant group personal pension plan whose assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the group and amounted to £17,617 (2005 £9,383). Contributions totalling £Nil (2005 £Nil) were payable to the fund at the year end and are included in creditors.

Defined Benefit Scheme

The company operates a funded defined benefit scheme whose assets are held in independent trustee administered funds. The scheme was closed to new employees with effect from 22 May 2003. From that date a "stakeholder" compliant group personal pension plan has been in place. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method, the most recent valuation being at 1 January 2003. The assumptions which have the most significant effect on the results of the valuation are the rate at which current salaries and pensions will increase and the return the scheme will earn on its assets.

It was assumed for the 2003 valuation that salaries would increase by 4.25% per annum and the investment returns would be 6% per annum, and that present and future pensions would increase at the rate of 4.25% per annum. The most recent actuarial valuation showed that the market value of the scheme's assets as £4,521,900, actuarially estimated to represent 100.40% of the benefits that has accrued to members of the scheme after allowing for expected future increases in earnings.

The contributions of the company and its employees will remain at 14.8% and 5.25% respectively.

The pension charge for the period was £147,188 (2005 £155,474). This included £20,023 (2005 £19,435) in respect of amortisation of experience surpluses that are now being recognised three over years, the average remaining service lives of the employees.

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17 Pension and Other Post Employment Commitments (continued)

The most recent actuarial valuation of the Scheme has been updated by an independent actuary to 30 June 2006 to take account of the requirements of FRS17. The principal assumptions used by the actuary were

	2006 %	2005 %	2004 %
Rate of increase in salaries	4.25%	4.00%	4.25%
Rate of increase in pensions in payment			
- pre 6 April 1997 service	Nil	Nil	Nil
- post 5 April 1997 service	3.00%	2.75%	3.00%
Discount rate	5.10%	5.00%	5.75%
Inflation assumption	3.00%	2.75%	3.00%

The assets in the scheme and the expected rate of return are shown in the table below, along with the present value of the scheme liabilities and the (deficit)/surplus in the scheme

	Long-term rate of return expected at 30 June 2006 %	Value at 30 June 2006 £000's	Long-term rate of return expected at 30 June 2005 %	Value at 30 June 2005 £000's	Long-term rate of return expected at 30 June 2004 %	Value at 30 June 2004 £000's
Equities	7.25%	5,527	7.25%	4,897	7.00%	4,372
Bonds	5.00%	1,021	5.00%	581	5.50%	450
Other	5.00%	<u>431</u>	5.00%	<u>595</u>	5.00%	<u>331</u>
Total market value of assets		6,979		6,073		5,153
Present value of scheme liabilities		<u>6,782</u>		<u>6,111</u>		<u>5,087</u>
Surplus/(deficit) in scheme		197		(38)		66
Related deferred tax asset/(liability)		<u>(59)</u>		<u>11</u>		<u>(20)</u>
Net pension asset/(liability)		<u>138</u>		<u>(27)</u>		<u>46</u>

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17 Pension and Other Post Employment Commitments (continued)

The following amounts would be reflected in the profit and loss account and statement of total recognised gains and losses on implementation of FRS17

	2006 £000's	2005 £000's
Analysis of amount that would be charged to operating profits		
Current service cost	233	200
Past service cost	—	—
Total operating charge	<u>233</u>	<u>200</u>
Analysis of amount that would be credited to other finance income		
Expected returns on pension scheme assets	412	353
Interest on pension scheme liabilities	(306)	(296)
Net return	<u>106</u>	<u>57</u>
Analysis of amount that would be recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on scheme assets	547	488
Experience gain arising on the scheme liabilities	54	5
Loss arising from changes in assumptions underlying the present value of the scheme liabilities	(410)	(627)
Actuarial gain/(loss)	<u>191</u>	<u>(134)</u>
Movement in pension scheme deficits during the year		
(Deficit)/surplus in scheme at beginning of the year	(38)	66
Movement in year		
Current service cost	(233)	(200)
Contributions	171	173
Other financial income	106	57
Actuarial gain/(loss) in STRGL	<u>191</u>	<u>(134)</u>
Surplus/(deficit) in the scheme at end of the year	<u>197</u>	<u>(38)</u>

The above surplus of £197,000 (2005 deficit of £38,000) arises from a "snapshot" of the fund on 30 June 2006, as required to meet the requirements of Financial Reporting Standard 17

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17 Pension and Other Post Employment Commitments (continued)

	2006	2005	2004	2003
History of experience gains and losses				
Difference between the expected and actual return on scheme assets				
Amount (£000's)	547	488	216	(850)
Percentage of scheme assets (%)	8%	8%	4%	(19%)
Experience gains and losses on scheme liabilities				
Amount (£000's)	54	5	(105)	312
Percentage of present value of the scheme liabilities (%)	1%	0%	(2%)	6%
Total amount recognised in the STRGL				
Amount (£000's)	191	(134)	93	(41)
Percentage of present value of the scheme liabilities (%)	3%	(2%)	2%	(1%)

18 Related Party Transactions

All of the following related party transactions were on normal commercial terms

During the year the company sold goods to a value of £71,619 (2005 £117,883) to Engine Farm Limited, a business controlled by Mr A C Green, a director of the holding company, Elsoms (Spalding) Limited. Year end debtors amounted to £48,267 (2005 £100,156)

The company also purchased goods to the value of £19,640 (2005 £2,468) from Glen Farrow UK Limited, which is controlled by Mr and Mrs A G Keeling. Year end creditors amounted to £226 (2006 £405)

The company is a 100% owned subsidiary and is therefore exempt from disclosing transactions with other group entities

19 Ultimate Holding Company

The company's ultimate holding company and its parent company is Elsoms (Spalding) Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the group accounts of the ultimate parent company can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ