

ELSOMS SEEDS LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

Company Registration No. 656393

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ELSOMS SEEDS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2008**

DIRECTORS:

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

SECRETARY:

J M Keeton

REGISTERED OFFICE:

Pinchbeck Road
Spalding
Lincolnshire
PE11 1QG

REGISTERED NUMBER:

00656393 (England and Wales)

AUDITORS:

Duncan & Toplis
Chartered Accountants and
Registered Auditors
Enterprise Way
Pinchbeck
Spalding
Lincolnshire
PE11 3YR

ELSOMS SEEDS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2008

The directors present their report with the financial statements of the company for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

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 £937,120 (2007 £1,165,608) which included pension costs and revenues in accordance with the now fully implemented FRS17; before such adjustments, the profit on ordinary activities for the year before tax amounted to £887,120 (2007 £1,116,608). The profit for the year after tax, amounted to £747,648 (2007 £887,616).

Turnover increased during the year to £14,959,865 (2007 £14,609,553), an increase of 2.3%. Vegetable seed sales increased but sugar beet seed sales were lower. Overall gross profit margin fell slightly to 28.8% (2007 30.0%).

The Directors consider the result to be good given prevailing industry conditions and look forward to the future with confidence.

BUSINESS AND FINANCIAL RISKS

The directors have responsibility for implementing a risk management strategy and monitoring compliance.

Business risk:

The main business risks identified are agricultural and horticulture related and are dependant upon the performance of those markets. Some of those risks are outside the company's control but the directors continually review business procedures and operations to ensure that the company is running as efficiently as possible. Accordingly the company has achieved and continues to maintain ISO 9001 accreditation.

There continue to be uncertainties in the sugar beet market due to the reduction in the EU sugar beet acreage and market share can change rapidly. There is also a risk of a further reduction in plant breeders rights income due to market share decline. The company is however well placed with its good vegetable seed portfolio together with its seed treatment and pelleting capabilities to continue to increase sales of vegetable seeds.

Liquidity risk:

The company has sufficient cash balances to minimise liquidity problems. Cash levels are monitored on a regular basis.

Currency risk:

The company's principal currency risk exposure is in respect of the Euro/Sterling exchange rate. Procedures are in place to manage currency risk exposure with currency hedging arrangements.

Credit risk:

The credit risk arises from the collection of trade debtors. Procedures have been implemented for the checking of debtors' credit risk and collection of debts in order to manage those risks. Trade debtors are regularly reviewed.

DIVIDENDS

At the Company AGM held on 6th November 2007 approval was given for payment of a final dividend of £1,000,000 in respect of the year ended 30th June 2007 which was paid to the holding company, Elsoms(Spalding)Ltd, during the year.

The directors recommend a final dividend of £700,000 in respect of the year ended 30th June 2008.

**ELSOMS SEEDS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2008**

RESEARCH AND DEVELOPMENT

New varieties and improved seed processes and treatments are vital for the company. The company therefore undertakes a continuous programme of research and development for new and improved varieties of vegetables, winter wheat, oil seed rape and sugar beet as well as into improved seed processes and treatments. It plans to continue these activities.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2007 to the date of this report.

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

Other changes in directors holding office are as follows:

R A L Keeling - appointed 8 October 2007

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations totalling £10,025 (2007 £10,000).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 judgements 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 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

The auditors, Duncan & Toplis, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

Director

Date: 2nd October 2008

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 2008 on pages five to nineteen. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page three.

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 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 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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Duncan & Toplis
Chartered Accountants and
Registered Auditors
Enterprise Way
Pinchbeck
Spalding
PE11 3YR



Date: 04/07/08

ELSOMS SEEDS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	2008		2007	
		£	£	£	£
TURNOVER			14,959,965		14,609,553
Cost of sales			<u>10,651,080</u>		<u>10,223,156</u>
GROSS PROFIT			4,308,885		4,386,397
Distribution costs		120,693		100,361	
Administrative expenses		<u>3,531,411</u>		<u>3,410,716</u>	
			<u>3,652,104</u>		<u>3,511,077</u>
OPERATING PROFIT	3		656,781		875,320
Interest receivable and similar income		167,339		165,288	
Other finance income	14	<u>113,000</u>		<u>125,000</u>	
			<u>280,339</u>		<u>290,288</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			937,120		1,165,608
Tax on profit on ordinary activities	4		<u>189,472</u>		<u>277,992</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			<u>747,648</u>		<u>887,616</u>

CONTINUING OPERATIONS

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

ELSOMS SEEDS LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES [STRGL]
FOR THE YEAR ENDED 30 JUNE 2008**

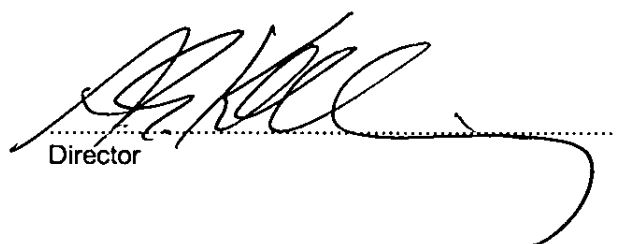
	2008 £	2007 £
PROFIT FOR THE FINANCIAL YEAR	747,648	887,616
Actuarial gain for the year	(303,000)	153,000
Movement in deferred tax relating to pension asset	<u>79,000</u>	<u>(61,000)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>523,648</u>	<u>979,616</u>

ELSOMS SEEDS LIMITED

**BALANCE SHEET
30 JUNE 2008**

	Notes	2008 £	2007 £
FIXED ASSETS			
Tangible assets	6	971,316	916,660
Investments	7	<u>23,198</u>	<u>23,198</u>
		994,514	939,858
CURRENT ASSETS			
Stocks	8	965,734	837,757
Debtors	9	4,584,341	4,171,794
Cash at bank and in hand		<u>3,405,949</u>	<u>4,662,010</u>
		8,956,024	9,671,561
CREDITORS			
Amounts falling due within one year	10	<u>3,900,085</u>	<u>4,265,496</u>
NET CURRENT ASSETS		<u>5,055,939</u>	<u>5,406,065</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,050,453	6,345,923
PROVISIONS FOR LIABILITIES	11	(54,914)	(48,032)
PENSION ASSET	14	<u>105,000</u>	<u>279,000</u>
NET ASSETS		<u>6,100,539</u>	<u>6,576,891</u>
CAPITAL AND RESERVES			
Called up share capital	12	326,228	326,228
Profit and loss account	13	<u>5,774,311</u>	<u>6,250,663</u>
SHAREHOLDERS' FUNDS	17	<u>6,100,539</u>	<u>6,576,891</u>

The financial statements were approved by the Board of Directors on 2nd October 2008 and were signed on its behalf by:


Director

ELSOMS SEEDS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	2008 £	2007 £
Net cash inflow from operating activities	1	177,199	1,740,221
Returns on investments and servicing of finance	2	171,560	161,226
Taxation		(248,956)	(175,131)
Capital expenditure	2	(355,864)	(315,736)
Equity dividends paid		(1,000,000)	-
(Decrease)/Increase in cash in the period		<u>(1,256,061)</u>	<u>1,410,580</u>

**Reconciliation of net cash flow
to movement in net funds**

	3		
(Decrease)/Increase in cash in the period		(1,256,061)	1,410,580
Change in net funds resulting from cash flows		(1,256,061)	1,410,580
Movement in net funds in the period		(1,256,061)	1,410,580
Net funds at 1 July		<u>4,662,010</u>	<u>3,251,430</u>
Net funds at 30 June		<u>3,405,949</u>	<u>4,662,010</u>

ELSOMS SEEDS LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008	2007
	£	£
Operating profit	656,781	875,320
Depreciation charges	299,820	270,141
Loss/(Profit) on disposal of fixed assets	1,388	(15,827)
Pension fund surplus movement	-	(10,012)
(Increase)/Decrease in stocks	(127,977)	23,203
(Increase)/Decrease in debtors	(416,768)	92,877
(Decrease)/Increase in creditors	(299,045)	428,519
Difference between pension charge and cash contributions	<u>63,000</u>	<u>76,000</u>
Net cash inflow from operating activities	<u>177,199</u>	<u>1,740,221</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2008	2007
	£	£
Returns on investments and servicing of finance		
Interest received	<u>171,560</u>	<u>161,226</u>
Net cash inflow for returns on investments and servicing of finance	<u>171,560</u>	<u>161,226</u>
 Capital expenditure		
Purchase of tangible fixed assets	(381,582)	(355,482)
Sale of tangible fixed assets	<u>25,718</u>	<u>39,746</u>
Net cash outflow for capital expenditure	<u>(355,864)</u>	<u>(315,736)</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1/7/07	Cash flow	At 30/6/08
	£	£	£
Net cash:			
Cash at bank and in hand	<u>4,662,010</u>	<u>(1,256,061)</u>	<u>3,405,949</u>
	<u>4,662,010</u>	<u>(1,256,061)</u>	<u>3,405,949</u>
 Total	<u>4,662,010</u>	<u>(1,256,061)</u>	<u>3,405,949</u>

ELSOMS SEEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

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 3, 5 or 10 years
Motor vehicles	over 4 or 5 years
Other equipment	over 4, 5 or 10 years
Computer software	over 3, 4 or 5 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

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 between the company's taxable profits and its results as stated in the financial statements.

Deferred taxation 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.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-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 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 Contributions Scheme

The company also operates a defined contributions scheme.

The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contribution 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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2008**

2. STAFF COSTS

	2008	2007
	£	£
Wages and salaries	1,799,624	1,760,349
Social security costs	177,471	164,528
Other pension costs	<u>259,573</u>	<u>197,319</u>
	<u>2,236,668</u>	<u>2,122,196</u>

The average monthly number of employees during the year was as follows:

	2008	2007
Management, administration and sales	24	23
Research and development and trials	<u>40</u>	<u>40</u>
	<u>64</u>	<u>63</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2008	2007
	£	£
Depreciation - owned assets	299,820	270,141
Loss/(Profit) on disposal of fixed assets	1,388	(15,827)
Auditors' remuneration	10,900	10,000
Auditors' remuneration for non audit work	<u>500</u>	<u>250</u>
Directors' emoluments	<u>365,833</u>	<u>371,743</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2008	2007
Defined benefit schemes	<u>3</u>	<u>3</u>

Information regarding the highest paid director is as follows:

	2008	2007
	£	£
Emoluments etc	77,465	88,017
Accrued pension at 30 June 2008	<u>47,840</u>	<u>45,507</u>

ELSOMS SEEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 30 JUNE 2008**

4. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2008 £	2007 £
Current tax:		
UK corporation tax	182,952	249,318
Adjustment in respect of previous periods	<u>(362)</u>	<u>-</u>
Total current tax	182,590	249,318
Deferred tax	<u>6,882</u>	<u>28,674</u>
Tax on profit on ordinary activities	<u><u>189,472</u></u>	<u><u>277,992</u></u>

UK corporation tax has been charged at 30%

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	<u>937,120</u>	<u>1,165,608</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007 - 30%)	281,136	349,682
Effects of:		
Expenses not deductible for tax purposes	5,838	7,032
Capital allowances in excess of depreciation	(7,196)	(19,374)
Additional tax relief on research and development expenditure	(76,883)	(70,318)
Effect of corporation tax marginal relief	(4,943)	-
Pension provision	(15,000)	(17,704)
Adjustment re prior year tax	<u>(362)</u>	<u>-</u>
Current tax charge	<u><u>182,590</u></u>	<u><u>249,318</u></u>

5. DIVIDENDS

	2008 £	2007 £
Ordinary shares of 1 each		
Final	<u>1,000,000</u>	<u>-</u>

ELSOMS SEEDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2008**

6. TANGIBLE FIXED ASSETS

	Plant and machinery £	Other equipment £	Motor vehicles £	Totals £
COST				
At 1 July 2007	1,540,703	1,841,512	477,892	3,860,107
Additions	173,836	141,814	65,932	381,582
Disposals	<u>(42,124)</u>	<u>(65,483)</u>	<u>(46,645)</u>	<u>(154,252)</u>
At 30 June 2008	<u>1,672,415</u>	<u>1,917,843</u>	<u>497,179</u>	<u>4,087,437</u>
DEPRECIATION				
At 1 July 2007	1,303,043	1,376,303	264,101	2,943,447
Charge for year	101,443	124,454	73,923	299,820
Eliminated on disposal	<u>(36,179)</u>	<u>(64,208)</u>	<u>(26,759)</u>	<u>(127,146)</u>
At 30 June 2008	<u>1,368,307</u>	<u>1,436,549</u>	<u>311,265</u>	<u>3,116,121</u>
NET BOOK VALUE				
At 30 June 2008	<u>304,108</u>	<u>481,294</u>	<u>185,914</u>	<u>971,316</u>
At 30 June 2007	<u>237,660</u>	<u>465,209</u>	<u>213,791</u>	<u>916,660</u>

7. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Unlisted investments £	Totals £
COST			
At 1 July 2007 and 30 June 2008	<u>23,048</u>	<u>150</u>	<u>23,198</u>
NET BOOK VALUE			
At 30 June 2008	<u>23,048</u>	<u>150</u>	<u>23,198</u>
At 30 June 2007	<u>23,048</u>	<u>150</u>	<u>23,198</u>

The company's investments at the balance sheet date in the share capital of companies includes the following:

Unicorn Plant Breeders Limited

Nature of business: Dormant

	% holding	2008 £	2007 £
Class of shares:	100.00		
Ordinary			
Aggregate capital and reserves		<u>116</u>	<u>116</u>

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 to cease accepting further contributions. Under the rules of the Employee Benefit Trust the shares may be held until 2078.

ELSOMS SEEDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2008**

8. STOCKS

	2008	2007
	£	£
Seeds	829,212	722,376
Consumables and sundries	<u>136,522</u>	<u>115,381</u>
	<u>965,734</u>	<u>837,757</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Trade debtors	4,430,303	4,025,786
Other debtors	22,737	39,448
Prepayments and accrued income	<u>131,301</u>	<u>106,560</u>
	<u>4,584,341</u>	<u>4,171,794</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Trade creditors	2,791,279	2,650,373
Amounts owed to group undertakings	694,553	1,087,021
Corporation Tax	182,952	249,318
Social security and other taxes	55,763	52,917
Other creditors	139,974	184,685
Accruals and deferred income	<u>35,564</u>	<u>41,182</u>
	<u>3,900,085</u>	<u>4,265,496</u>

11. PROVISIONS FOR LIABILITIES

	2008	2007
	£	£
Deferred tax	<u>54,914</u>	<u>48,032</u>
		Deferred tax
		£
Balance at 1 July 2007		48,032
Accelerated capital allowances		<u>6,882</u>
Balance at 30 June 2008		<u>54,914</u>

ELSOMS SEEDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2008**

12. CALLED UP SHARE CAPITAL

Authorised:		Nominal value:	2008 £	2007 £
Number:	Class:			
360,000	Ordinary	1	<u>360,000</u>	<u>360,000</u>
Allotted, issued and fully paid:		Nominal value:	2008 £	2007 £
Number:	Class:			
326,228	Ordinary	1	<u>326,228</u>	<u>326,228</u>

13. RESERVES

	Profit and loss account £
At 1 July 2007	6,250,663
Profit for the year	747,648
Dividends	(1,000,000)
Adjustment to statement of total recognised gains and losses	<u>(224,000)</u>
At 30 June 2008	<u>5,774,311</u>
Profit and loss account excluding pension asset	5,669,311
Pension reserve	<u>105,000</u>
Profit and loss account	<u>5,774,311</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2008

14. EMPLOYEE BENEFIT OBLIGATIONS

DEFINED CONTRIBUTION SCHEME

The company operates a stakeholder compliant personal pension plan whose assets are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the group and amounted to £35,280 (2007 £27,509). Contributions totalling £Nil (2007 £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 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 31 December 2005. 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 2005 valuation that earnings would increase by 4.25% per annum, the investment returns would be 5% per annum for past service and post retirement future service and 6.50% per annum for pre retirement future service, 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 £6,808,670, actuarially estimated to represent 101% of the benefits that has accrued to members of the scheme after allowing for expected future increases in earnings.

The contributions of the company increased from 15.4% to 19.2% with effect from 1 April 2007. Employee contributions will remain at 5.25%.

The pension charge for the period was £217,689 (2007 £168,343). This included £Nil (2007 £10,012) in respect of amortisation of experience surpluses that are now being recognised over three years, the average remaining service lives of the employees.

The most recent actuarial valuation of the Scheme has been updated by an independent actuary to 30 June 2007 to take account of the requirements of FRS17. The principal assumptions used by the actuary were:

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2008	2007
	£	£
Present value of funded obligations	(7,266,000)	(7,539,000)
Fair value of plan assets	<u>7,412,000</u>	<u>7,938,000</u>
	146,000	399,000
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Surplus	146,000	399,000
Deferred tax liability	<u>(41,000)</u>	<u>(120,000)</u>
Net asset	<u>105,000</u>	<u>279,000</u>

ELSOMS SEEDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2008**

14. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2008	2007
	£	£
Current service cost	275,000	255,000
Interest cost	434,000	348,000
Expected return	(547,000)	(473,000)
Past service cost	-	-
	<u>162,000</u>	<u>130,000</u>
Actual return on plan assets	<u>(603,000)</u>	<u>963,000</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2008	2007
	£	£
Opening defined benefit obligation	7,539,000	6,782,000
Current service cost	275,000	255,000
Contributions by scheme participants	58,000	59,000
Interest cost	434,000	348,000
Actuarial losses/(gains)	(847,000)	337,000
Benefits paid	<u>(193,000)</u>	<u>(242,000)</u>
	<u>7,266,000</u>	<u>7,539,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2008	2007
	£	£
Opening fair value of scheme assets	7,938,000	6,979,000
Contributions by employer	212,000	179,000
Contributions by scheme participants	58,000	59,000
Expected return	547,000	473,000
Actuarial gains/(losses)	(1,150,000)	490,000
Benefits paid	<u>(193,000)</u>	<u>(242,000)</u>
	<u>7,412,000</u>	<u>7,938,000</u>

ELSOMS SEEDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2008**

14. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in the statement of recognised gains and losses are as follows:

	Defined benefit pension plans	
	2008	2007
	£	£
(Gain)/loss on scheme assets and liabilities	1,150,000	(492,000)
(Gain)/loss arising from changes in assumptions	<u>(847,000)</u>	<u>339,000</u>
	<u>303,000</u>	<u>(153,000)</u>
Cumulative amount of actuarial gains/(losses)	<u>-</u>	<u>-</u>

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	2008	2007
	£	£
Equities	5,067,000	6,351,000
Bonds	1,784,000	1,201,000
Other	<u>561,000</u>	<u>386,000</u>
	<u>7,412,000</u>	<u>7,938,000</u>

Principal long term actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2008	2007
Discount rate	6.60%	5.70%
Expected return on scheme assets	7.00%	6.90%
Future salary increases	4.75%	4.75%
Inflation	4.00%	3.50%

The expected return on assets is a weighted average of the individual asset categories and their expected rates of return, which are determined by consideration of historical experience and current market factors. Increases in pensions in payment (in respect of service after 5 April 1997), and deferred pensions subject to statutory revaluation, have been assumed to increase in line with future price inflation.

The mortality assumption adopted for the purposes of the calculations as at 30 June 2008 is as follows:

- Base table: "92 series"
- Future mortality improvements: Short cohort projections from 1992 onwards

ELSOMS SEEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2008

14. EMPLOYEE BENEFIT OBLIGATIONS - continued

Amounts for the current and previous three periods are as follows:

	2008	2007	2006	2005
Defined benefit pension plans				
Defined benefit obligation	(7,266,000)	(7,539,000)	(6,400,000)	(6,111,000)
Fair value of scheme assets	7,412,000	7,938,000	5,661,000	6,073,000
Surplus/(deficit)	146,000	399,000	(739,000)	(38,000)
Experience adjustments on scheme liabilities	-	-	-	-
Experience adjustments on scheme assets	-	-	-	-

15. CAPITAL COMMITMENTS

	2008	2007
Contracted but not provided for in the financial statements	<u>428,446</u>	<u>-</u>

16. RELATED PARTY DISCLOSURES

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

The company purchased goods to the value of £4,737 (2007 £3,301) from Glen Farrow UK Limited, which is controlled by Mr and Mrs A G Keeling. Year end creditors amounted to £1,258 (2007 £Nil).

The company is a 100% owned subsidiary and is therefore exempt from disclosing transactions with other group entities under FRS8.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008	2007
Profit for the financial year	747,648	887,616
Dividends	(1,000,000)	-
	(252,352)	887,616
Other recognised gains and losses relating to the year (net)	<u>(224,000)</u>	<u>92,000</u>
Net (reduction)/addition to shareholders' funds	(476,352)	979,616
Opening shareholders' funds	<u>6,576,891</u>	<u>5,597,275</u>
Closing shareholders' funds	<u>6,100,539</u>	<u>6,576,891</u>

18. ULTIMATE HOLDING COMPANY

The company's ultimate holding company and it's 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.