

PIG IMPROVEMENT COMPANY UK LIMITED

(Registered number: 716304)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 JUNE 1999



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PIG IMPROVEMENT COMPANY UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999

The directors present their report and the audited financial statements for the year ended 30 June 1999.

PRINCIPAL ACTIVITY

The principal activity of the company is the breeding of pigs.

REVIEW OF THE BUSINESS

The background to the year's results has been the worst pig-cycle in the UK and throughout Western Europe generally for 40 – 50 years. The company has suffered both volume and unit margin decreases in this period of reduced demand for its product. The company has responded by restructuring its activities to reduce its owned production operations, details of which are outlined in note 4 to the financial statements.

A summary of the main performance indicators is given below:

	<u>1999</u> £'000	<u>1998</u> £'000
Turnover	17,136	33,837
Gross margin (before royalties and other income)	6,196	11,683
Profit before taxation	1,182	7,215

Continuous research is undertaken into the development of the company's products as part of the day-to-day business activities.

RESULTS AND DIVIDENDS

The results for the year are set out on page 6.

The directors have recommended the payment of a dividend of £Nil (1998: £9,000,000) which results in a transfer to reserves of £2,453,000 (1998: transfer from reserves of £2,922,000).

YEAR 2000

The company has considered the impact of the Year 2000 on the computer systems. Following a review of its key financial and operational computer systems, the company has been able to ensure that all key computer systems will be Year 2000 compliant. The costs to achieve Year 2000 compliance are unlikely to be significantly greater than its normal Management Information systems costs.

PIG IMPROVEMENT COMPANY UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served on the Board during the year were as follows:

A J Allner	(appointed 30 September 1998 and resigned 1 April 2000)
Dr J H Anderson	(appointed 1 January 1999)
I M Biggs	(resigned 4 December 1998)
Dr P J David	
Dr P K Durrands	(resigned 30 September 1998)
B E Gandy	(resigned 12 January 1999)
K G Hanna	(resigned 30 September 1998)
B Verret	(appointed 1 January 1999)

The directors' interests in the shares of the ultimate parent company, PIC International Group PLC, were as follows:

	Ordinary shares of £1 each in PIC International Group PLC At the year end or date of appointment if later	
	<u>1999</u>	<u>1998</u>
A J Allner	*	*
Dr J H Anderson	*	*
Dr P J David	*	*
B Verret	**	**

* A J Allner, Dr J H Anderson and Dr P J David are directors of PIC International Group Plc, the company's ultimate parent undertaking, and their interests in PIC International Group PLC, are shown in the financial statements of that company.

** B Verret is a director of PIC Fyfield Limited the company's intermediate parent undertaking and his interests in PIC International Group PLC are shown in the financial statements of that company.

None of the directors held any interests in the share capital of the company during the year.

PAYMENTS TO SUPPLIERS

The company has a variety of payment terms with its suppliers. For the year ending 30 June 1999, the payment terms for its business transactions have been settled when agreeing the other terms negotiated with its suppliers. Payment has been made in line with these agreed terms, subject to the terms and conditions being met by the suppliers.

The number of days that the company takes to pay its suppliers is on average 14 (1998: 14).

PIG IMPROVEMENT COMPANY UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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.

EMPLOYEES AND COMPANY AFFAIRS

The company operates a non-discriminatory employment policy and makes every reasonable effort to provide disabled people with equal opportunities for employment, training and development, having regard to their particular aptitudes and abilities.

The involvement of staff at all levels in quality courses facilitates the review and development of company policies and procedures.

Staff are informed of company developments through a quarterly newsletter, PIC People.

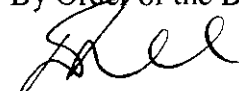
PIG IMPROVEMENT COMPANY UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999 (continued)

AUDITORS

An elective resolution has been passed under Section 386 of the Companies Act 1985 enabling PricewaterhouseCoopers to continue as auditors of the company without reappointment.

By Order of the Board



Fyfield Group Services Limited
Secretary
Fyfield Wick
Abingdon
Oxfordshire
OX13 5NA

27 April 2000

AUDITORS' REPORT TO THE MEMBERS OF PIG IMPROVEMENT COMPANY UK LIMITED

PricewaterhouseCoopers
31 Great George Street
Bristol
BS1 5QD
Telephone +44 (0) 117 929 1500
Facsimile +44 (0) 117 929 0519

We have audited the financial statements on pages 6 to 22 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 9 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance

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 United Kingdom Companies Act. 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 directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 of the state of the company's affairs at 30 June 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
and Registered Auditors

27 April 2000

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

PIG IMPROVEMENT COMPANY UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

	<u>Note</u>	30 June <u>1999</u>	30 June 1998 <u>Restated</u>
		£'000	£'000
CONTINUING OPERATIONS			
TURNOVER	2	17,136	33,837
Changes in stock of finished goods and work in progress		(392)	(633)
Other operating income		156	747
Raw materials and consumables		(10,548)	(21,521)
Other external charges		(8,702)	(9,351)
Staff costs	6	(5,402)	(5,771)
Depreciation and other amounts written off tangible fixed assets	10	(874)	(692)
Royalties		4,607	5,153
Group management charges		<u>1,479</u>	<u>1,609</u>
OPERATING (LOSS)/PROFIT	3	(2,540)	3,378
Termination of operation	4	(828)	-
Profits on the disposal of fixed assets		37	196
Income from shares in group undertakings		4,500	3,200
Other interest receivable and similar income	5	1,131	1,485
Interest payable and similar charges	5	<u>(1,118)</u>	<u>(1,044)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,182	7,215
Tax on profit on ordinary activities	8	<u>1,271</u>	<u>(1,137)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR		2,453	6,078
Dividends	9	<u>-</u>	<u>(9,000)</u>
RETAINED PROFIT/(DEFICIT) TRANSFERRED TO/(FROM) RESERVES		<u>2,453</u>	<u>(2,922)</u>

The movement on reserves is set out in note 18 to these financial statements.

The notes on pages 9 to 22 form part of these financial statements.

PIG IMPROVEMENT COMPANY UK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	30 June <u>1999</u>	30 June 1998 <u>Restated</u>
	£'000	£'000
Profit for the financial year	<u>2,453</u>	<u>6,078</u>
Total recognised gains and losses relating to the year	2,453	6,078
Prior year adjustment (note 1(2))	<u>(180)</u>	
Total gains and losses recognised since the last annual report	<u>2,273</u>	

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 30 JUNE 1999

	30 June <u>1999</u>	30 June 1998 <u>Restated</u>
	£'000	£'000
Reported profit on ordinary activities before taxation	1,182	7,215
Realisation of property revaluation gains	-	180
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the Revalued amount	<u>(5)</u>	<u>1</u>
Historical cost profit on ordinary activities before taxation	<u>1,177</u>	<u>7,396</u>
Historical cost profit/(deficit) for the financial year retained after taxation and dividends	<u>2,448</u>	<u>(2,741)</u>

PIG IMPROVEMENT COMPANY UK LIMITED

BALANCE SHEET AT 30 JUNE 1999

	<u>Note</u>	<u>30 June 1999</u>		<u>30 June 1998</u>	
		£'000	£'000	£'000	<u>Restated</u> £'000
FIXED ASSETS					
Tangible assets	10		6,137		4,796
Investments	11		<u>20,325</u>		<u>19,260</u>
			26,462		24,056
CURRENT ASSETS					
Stocks	12	730		955	
Debtors	13	39,536		51,578	
Cash at bank and in hand		<u>29</u>		<u>79</u>	
		40,295		52,612	
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year	14	<u>(26,419)</u>		<u>(29,586)</u>	
NET CURRENT ASSETS			<u>13,876</u>		<u>23,026</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			40,338		47,082
CREDITORS: Amounts falling due after more than one year	15		<u>(37,001)</u>		<u>(46,198)</u>
			3,337		884
			<u> </u>		<u> </u>
CAPITAL AND RESERVES					
Called up share capital	17		186		186
Share premium account	18		8		8
Revaluation reserve	18		411		411
Other reserves	18		23		23
Profit and loss account	18		<u>2,709</u>		<u>256</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	19		<u>3,337</u>		<u>884</u>
			<u> </u>		<u> </u>

Approved by the Board and signed on its behalf on 27 April 2000 by:

J H Anderson

DR J H ANDERSON
DIRECTOR

The notes on pages 9 to 22 form part of these financial statements.

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999

1 ACCOUNTING POLICIES

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards. Except as noted in Note 1(2), accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(2) Change in accounting policy

The results include a change in accounting policy to reflect the capitalisation of certain types of breeding stock. Historically all livestock, including breeding animals, have been included as stock on the balance sheet. Breeding animals in genetic nucleus, daughter nucleus and production nucleus herds that are classified as maiden gilts, in pig or empty sows and stock boars are held for breeding purposes on PIC Farms. In view of this, it has been decided to reclassify these breeding animals as fixed assets and to depreciate them over their useful lives.

The effect of the change in accounting policy on both the 1999 and 1998 accounts is shown below. Comparative figures for 1998 have been restated in accordance with the adjustments shown below. The effect of the prior year adjustment is shown in the statement of total recognised gains and losses.

Profit and Loss Account	1999	1998
	£'000	£'000
Turnover	(105)	(219)
Raw materials and consumables	271	369
Depreciation	(114)	(204)
Profits on the disposal of fixed assets	<u>31</u>	<u>92</u>
Profit before tax	83	38
	==	==
Balance Sheet	1999	1998
	£'000	£'000
Fixed assets	73	181
Stock	<u>(132)</u>	<u>(323)</u>
Net Assets	(59)	(142)
	==	==

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (continued)

1 ACCOUNTING POLICIES (continued)

(2) Change in accounting policy (continued)

The analysis of the prior year adjustment as shown in the statement of total recognised gains and losses is as follows:-

Depreciation of Breeding stock	£'000
For the year ended 30 June 1997	180
	<hr/>

(3) Consolidation

The profit and loss account and balance sheet are those of the company. Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of Pig Improvement Group Limited, a company incorporated in the United Kingdom. (see note 22).

(4) Turnover

Turnover comprises the gross amount of sales when the company acts as principal and the commission amount where the company acts as agent, and excludes Value Added Tax.

Turnover is recognised on despatch of stock to customers, including animals used by multipliers and those sold direct to slaughter houses.

Royalty income is included in the period in which the relevant third party sales of stock are despatched.

(5) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation except for certain freehold land and buildings which are stated at valuation less accumulated depreciation.

Freehold land is not depreciated. Freehold buildings are depreciated by equal annual instalments over their estimated useful lives up to a maximum period of 50 years. Plant and equipment is depreciated over periods which range from 4 to 10 years and which do not exceed their anticipated useful lives. Breeding stock is depreciated by equal annual instalments over its estimated useful life of 2 years.

(6) Interest

Interest receivable and payable is credited or charged to the profit and loss account on an accruals basis.

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (continued)

1 ACCOUNTING POLICIES (continued)

(7) Deferred tax

Deferred tax is provided in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future. Advance corporation tax is only carried forward in the accounts to the extent that it is recoverable.

(8) Stocks

Commodities, merchandise and livestock, excluding breeding animals included in fixed assets, are valued at the lower of cost and net realisable value. In the case of livestock on farms, cost includes direct costs and certain attributable overheads.

(9) Research and development

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

(10) Currency exchange rates

Foreign exchange profits or losses realised on trading transactions are included in company trading results. Foreign currency amounts are translated into sterling at the rate of exchange in force at the balance sheet date.

(11) Investments

Investments are stated at the lower of costs and net realisable value.

(12) Operating lease agreements

Assets held under operating leases are not capitalised. Rentals applicable to operating leases, under which substantially all benefits and risk of ownership remain with the lessor, are charged to the profit and loss account on an accruals basis.

(13) Pension costs

The company is a member of the Dalgety Group pension scheme which provides benefits based on final pensionable salary. Contributions to the scheme, as assessed by an independent actuary, are based on pension costs across the Group and are charged to the profit and loss account in the period for which they become payable. Details of the Dalgety Group pension scheme, which has a surplus, are fully described in the accounts of PIC International Group PLC.

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (continued)

1 ACCOUNTING POLICIES (continued)

(14) Cashflow statement

The company has taken advantage of paragraph 5 of FRS 1 (revised) and accordingly these financial statements do not include a cashflow statement.

2 TURNOVER

	1999 £'000	1998 £'000
Sales to group undertakings	4,329	7,909
External sales	<u>12,807</u>	<u>25,928</u>
	<u>17,136</u>	<u>33,837</u>

All turnover derives from trading activities originating in the United Kingdom.

The turnover and profit before taxation are attributable to the company's principal activity. External sales are split by geographical destination as follows:

	1999 £'000	1998 £'000
United Kingdom	11,744	24,585
Rest of Europe	915	1,231
Other	<u>148</u>	<u>112</u>
	<u>12,807</u>	<u>25,928</u>

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (continued)

3 OPERATING (LOSS)/PROFIT

The following have been charged before arriving at operating (loss)/profit before interest, tax and exceptional item:	1999 £'000	1998 £'000
Auditor's remuneration: Audit fees	46	31
Non audit fees	-	6
Hire of plant and machinery	837	951
Other operating lease costs	145	374
Depreciation of tangible fixed assets		
- Owned assets	874	679
- Assets held under finance leases	-	13
Research and development	<u>2,540</u>	<u>1,655</u>

4 EXCEPTIONAL ITEM

	1999 £'000	1998 £'000
Termination of operation	828	-

The charge in the profit and loss account mainly comprises redundancy costs of on farm staff and fixed asset and stock write downs due to the decision to close the company's farming operation at Goval, Scotland as follows:-

	1999 £'000
Redundancy and other staff costs	32
Impairment of tangible fixed assets	400
Operating lease rentals	180
Write down of stocks	<u>216</u>
	<u>828</u>

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (continued)

5 INTEREST

	1999 £'000	1998 £'000
Other interest receivable and similar income:		
Receivable from group undertakings	1,099	1,279
Other interest receivable	<u>32</u>	<u>206</u>
	1,131	1,485
	<u>=====</u>	<u>=====</u>
Interest payable and similar charges		
Payable to group undertakings	1,115	1,043
Other interest payable	<u>3</u>	<u>1</u>
	1,118	1,044
	<u>=====</u>	<u>=====</u>

Included in interest payable and similar charges to group undertakings are exchange losses of £10,000 (1998 : £19,000) arising on the translation at year end of non trading amounts denominated in foreign currency.

Other interest payable is in respect of late payment interest to the Inland Revenue.

6 EMPLOYEES

	1999 £'000	1998 £'000
Wages and salaries	4,995	5,254
Social security costs	401	432
Pension costs	<u>6</u>	<u>85</u>
	5,402	5,771
	<u>=====</u>	<u>=====</u>

The average number of persons employed by the company throughout the year was 193 (1998: 249).

7 DIRECTORS

The emoluments of the directors (excluding pension contributions) were as follows:

	1999 £'000	1998 £'000
Remuneration for managerial services	<u>426</u>	<u>126</u>

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (continued)

7 DIRECTORS (continued)

The emoluments (excluding pension contributions) of the highest paid director were £226,000 (1998: £126,000) and the amount of his accrued pension at the end of the year was £Nil.

There is one director for whom retirement benefits are accruing under the Dalgety Group Pension Scheme.

Dr J H Anderson is partly remunerated by Pig Improvement Company Incorporated, a group company in the USA. During the year the company was recharged £69,000 (1998 : Nil) by Pig Improvement Company Incorporated for this remuneration. None of the other directors received any amounts from other group companies in respect of their services to Pig Improvement Company UK Limited.

8 TAXATION

Taxation (credit)/ charge comprises:

	1999 £'000	1998 £'000
Taxation comprises:		
UK corporation tax at 30.75% (1998: 31%)	-	1,287
Foreign Taxation	16	46
Adjustment in respect of previous years	<u>(1,287)</u>	<u>(196)</u>
	<u>(1,271)</u>	<u>1,137</u>

No corporation tax charge arises in the year due to the losses incurred.

9 DIVIDENDS

	1999 £'000	1998 £'000
Paid	-	9,000

All dividends paid are in respect of equity share capital.

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 **(continued)**

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and Equipment £'000	Breeding Stock £'000	Total £'000
COST OR VALUATION				
1 July 1998	3,145	4,970	-	8,115
Prior Year Adjustment (Note 1(2))	-	-	323	323
As restated	3,145	4,970	323	8,438
Additions	473	1,362	80	1,915
Disposals	(2)	(349)	(271)	(622)
Transfer from Group companies	99	317	-	416
Reallocation between categories	(484)	(362)	-	(846)
30 June 1999	3,231	5,938	132	9,301
DEPRECIATION				
1 July 1998	980	2,520	-	3,500
Prior Year Adjustment (Note 1(2))	-	-	142	142
As restated	980	2,520	142	3,642
Charge for the year	144	616	114	874
Disposals	(2)	(337)	(197)	(536)
Transfer from Group companies	6	24	-	30
Reallocation between categories	(334)	(512)	-	(846)
30 June 1999	794	2,311	59	3,164
NET BOOK AMOUNT				
30 June 1999	2,437	3,627	73	6,137
30 June 1998	2,165	2,450	181	4,796
COST OR VALUATION				
At 30 June 1999 comprises:				
Cost	1,519	5,938	132	7,589
1997 valuation (open market basis)	1,712	-	-	1,712
	3,231	5,938	132	9,301

In the opinion of the directors, the aggregate value of tangible fixed assets is not less than the aggregate amount at which those assets are stated in the balance sheet.

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (continued)

10 TANGIBLE FIXED ASSETS (continued)

If stated under historical cost principles the amounts for total tangible fixed assets would be:

	1999 £'000	1998 £'000
Cost	9,751	8,552
Accumulated depreciation	<u>(4,025)</u>	<u>(4,348)</u>
Historical cost net book value	5,726	4,204
Future capital expenditure: Contracted for but not provided	<u>-</u>	<u>-</u>

11 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £'000	Other Investments £'000	Total £'000
COST			
1 July 1998	18,994	498	19,492
Additions	<u>1,065</u>	<u>-</u>	<u>1,065</u>
30 June 1999	20,059	498	20,557
PROVISIONS			
30 June 1998 and 30 June 1999	<u>(92)</u>	<u>(140)</u>	<u>(232)</u>
NET BOOK AMOUNT			
30 June 1999	19,967	358	20,325
30 June 1998	<u>18,902</u>	<u>358</u>	<u>19,260</u>

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 **(continued)**

11 FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The company's subsidiary undertakings at 30 June 1999 are as follows:

	<u>Class of shares and nominal value</u>	<u>Percentage of nominal value of Issued shares held</u>	<u>Nature of business</u>
Pigtales Limited (incorporated in the United Kingdom)	Ordinary £10,000	100%	Dormant
National Pig Development Company Limited (incorporated in the United Kingdom)	Ordinary £31,768	100%	Receipt of royalties
	Non-voting ordinary £11,034	100%	
PIC Polska (incorporated in Poland)	Ordinary 12.82 million zloties	100%	Pig breeding

Other investments

The company holds £350,000 (representing 66.88%) of non-voting preference shares in Greenway Farms Limited.

In the opinion of the directors, the aggregate recoverable value of the investment in the company's subsidiary undertakings and other investments is not less than the aggregate amount at which those assets are stated in the balance sheet.

12 STOCK

	1999	1998
	£'000	Restated £'000
Livestock	697	899
Consumables	<u>33</u>	<u>56</u>
	730	955

In the opinion of the directors, there is no material difference between the book value of stocks and their replacement cost at 30 June 1999.

The comparative figure for livestock has been reduced by £323,000 following the change in accounting policy to capitalise breeding stock as outlined in Note 1(2).

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 **(continued)**

13 DEBTORS

	1999 £'000	1998 £'000
Trade debtors	1,028	2,056
Amounts due from parent and fellow subsidiary undertakings	32,651	44,139
Amounts due from subsidiary undertakings	3,051	3,058
Other debtors	1,230	908
Prepayments and accrued income	332	127
Taxation recoverable	<u>1,244</u>	<u>1,290</u>
	<u>39,536</u>	<u>51,578</u>

Amounts due from subsidiary undertakings include £Nil (1998: £2,700,000) receivable in more than one year.

Other debtors include £9,000 (1998: £39,000) receivable in more than one year.

14 CREDITORS: Amounts falling due within one year

	1999 £'000	1998 £'000
Bank Overdraft	341	82
Trade creditors	730	1,221
Amounts due to parent and fellow subsidiary undertakings	19,069	17,802
Amounts due to subsidiary undertakings	3,285	6,484
Taxation and social security	807	1,866
Other creditors	957	681
Accruals and deferred income	<u>1,230</u>	<u>1,450</u>
	<u>26,419</u>	<u>29,586</u>

15 CREDITORS: Amounts falling due after more than one year

	1999 £'000	1998 £'000
Amounts owed to parent undertaking	<u>37,001</u>	<u>46,198</u>

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (continued)

16 DEFERRED TAXATION

	<u>Provided</u>		<u>Unprovided (asset)/liability</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	90	(3)
Other timing differences	-	-	(21)	(112)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	69	(115)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

17 SHARE CAPITAL

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Authorised:		
2 million ordinary shares of 10p each	200	200
	<u>-</u>	<u>-</u>
Allotted, issued, called up and fully paid:		
1,857,164 ordinary shares of 10p each	186	186
	<u>-</u>	<u>-</u>

18 MOVEMENT ON RESERVES

	<u>Share premium</u>	<u>Revaluation reserve</u>	<u>Other Reserves</u>	<u>Profit and loss account</u>
	£'000	£'000	£'000	£'000
1 July 1998	8	411	23	436
Prior year adjustment	-	-	-	(180)
As restated	8	411	23	256
Retained profit for the year	-	-	-	2,453
30 June 1999	8	411	23	2,709
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 **(continued)**

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999	1998
	£'000	Restated £'000
Profit for the financial year after taxation	2,453	6,078
Dividends paid	—	(9,000)
Net increase/(reduction) in shareholders' funds	2,453	(2,922)
Opening shareholders' funds (originally £1,026,000 before deducting prior year adjustment of £142,000)	<u>884</u>	<u>3,806</u>
Closing shareholders' funds	<u>3,337</u>	<u>884</u>

20 LEASE OBLIGATIONS

	<u>Land and buildings</u>		<u>Plant and machinery</u>	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Operating leases				
Annual commitments which expire:				
Within one year	64	71	121	55
Between one and five years	15	12	458	523
After five years	<u>8</u>	<u>13</u>	<u>34</u>	<u>20</u>
	87	96	613	598
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

21 RELATED PARTY TRANSACTIONS

Group companies

The company has not disclosed transactions with any group members on the grounds that 90% or more of the voting rights are controlled in the group, and that the consolidated accounts in which the company is included are publicly available.

Dr J H Anderson

Dr J H Anderson, a director of the company, is currently based in the UK, on secondment from Pig Improvement Company Incorporated. To assist with his relocation and the purchase of a house in the UK, the Company has provided an interest free loan to Dr Anderson of £55,125 (1998: £55,125) and has guaranteed his mortgage of £312,375. The property was purchased by Dr Anderson from Dr P J David on the basis of independent

PIG IMPROVEMENT COMPANY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (continued)

21 RELATED PARTY TRANSACTIONS (continued)

Dr J H Anderson (continued)

valuations as to its market value. In addition, the Company has agreed to reimburse interest payments on the mortgage and to upkeep and insure the property.

Dr Anderson is indemnified against any loss on the sale of his house or will share equally with Pig Improvement Company UK Limited any profit on sale.

Mr N Massie

Mr N Massie is employed by the company as a Sales Territory Manager. The Company has entered into a contract with Mr Massie to rent his farm for seven years at £30,000 per annum. In the view of the directors, this transaction was made at an arms length basis.

22 PARENT UNDERTAKING

The company's immediate parent undertaking is Pig Improvement Group Limited, which is registered in England.

The company's ultimate controlling party and parent undertaking is PIC International Group PLC which is registered in England and which is the smallest and largest undertaking for which group financial statements, which include these financial statements, are prepared. Copies of the group financial statements of PIC International Group PLC may be obtained at the following address:

PIC International Group PLC
Fyfield Wick
Abingdon
Oxfordshire
OX13 5NA

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