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# Accounts

THE PIG IMPROVEMENT  
COMPANY LIMITED

30th June 1986



Spicer and Pegler  
Chartered Accountants

I N D E X

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## REPORT OF THE DIRECTORS

The directors submit their report and the audited accounts for the year ended 30th June 1986.

## PRINCIPAL ACTIVITY

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

## REVIEW OF THE BUSINESS

Having regard to market conditions, a satisfactory performance was achieved in the year under review.

A summary of the main performance indicators is given below:

	1986	1985
Turnover	18,906,048	17,724,898
Gross margin	5,361,310	6,118,668
Net profit before tax	837,107	556,618

During the year the company acquired the beneficial interest in the entire share capital of Deutsche Pig Improvement GmbH, from Coulson Agricultural Oxon Limited, a wholly owned subsidiary of the company. The holding in Deutsche Pig Improvement GmbH was subsequently sold to a fellow subsidiary of the company's own holding company, realising a profit as set out in note 6.

On 1st July 1985 the company acquired the assets of its subsidiary Coulson Agricultural (Oxon) Limited and an agreement was signed for the company to manage the business on behalf of Coulson. The accounts for 1986 therefore include the results of the Coulson business.

The directors consider that the company is in a position to continue the progress which has been achieved and take advantage of any improvement in market conditions.

## ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Dalgety PLC which is incorporated in England.

## RESULTS AND DIVIDEND

The results for the year are set out in the profit and loss account on page 4. The directors recommend a final dividend of £500,000, leaving an amount of £351,420 to be transferred to reserves.

## DIRECTORS

The directors who served on the board during the year, together with their interests in the shares of the holding company, Dalgety PLC, were as follows:

	Ordinary shares of £1 each in Dalgety PLC	
	1986	1985*
K.W. Woolley	2,000	4,762
Dr. M. Bichard	366	366
R.G. McCreery	-	-
R.L. Richardson	nil	nil
G.S. Hemmings (appointed 15th November 1985)	-	-

# REPORT OF THE DIRECTORS

## DIRECTORS continued

Mr. R.G. McCreery is a director of Dalgety U.K. Limited and his interest in the shares of Dalgety PLC is shown in the accounts of that company. Mr. G.S. Hemmings is a director of Dalgety Trading Limited and his interest in the shares of Dalgety PLC is shown in the accounts of that company.

The undermentioned directors hold options to subscribe for ordinary shares in Dalgety PLC under the terms of the Dalgety PLC Executive Share Option Scheme. These options in the case of Dr. M. Bichard are exercisable until October 1990 at a price of 201p per share, and in the case of Mr. R.L. Richardson are exercisable in October 1995 at a price of 215p per share.

	1986	1985*
Dr. M. Bichard	13,020	13,020
Mr. R.L. Richardson	11,570	-

In addition, Mr. R.L. Richardson also holds an option to subscribe for 722 (1985 - 722\*) shares at 205p per share in May 1989 under a Save As You Earn Share Option Scheme and Dr. M. Bichard holds an option for 3,720 (1985 - 1808\*) shares on the same terms under the same scheme.

\* Adjusted for scrip issue in November 1985.

## LAND AND BUILDINGS

A valuation of the company's freehold and leasehold properties was carried out on 30th June 1982 by professional valuers as shown in note 8, the values arrived at being incorporated in the accounts at that date. The directors are of the opinion that as the assets are fully utilised in the business of the company, any difference between market value and book value is not of significance.

## EMPLOYMENT POLICIES

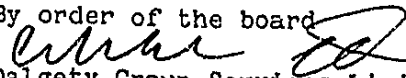
- The company consults and discusses with employees matters likely to affect employees' interests.
- Information on matters of concern to employees is given through information bulletins, meetings and reports, including information to help employees achieve a common awareness of the financial and economic factors affecting the performance of the company.
- A Save As You Earn Share Option Scheme giving employees with two or more years' service the opportunity to acquire shares in Dalgety PLC was introduced to encourage involvement in the company's performance.
- The policy of the company for the employment of disabled persons is to provide equal opportunities with other employees to train for and attain any position in the group, having regard to the maintenance of a safe working environment and the constraints of their disabilities.

## CLOSE COMPANY STATUS

The company is not a close company as defined by the Taxes Acts.

## AUDITORS

A resolution to reappoint the auditors, Spicer and Pegler, will be proposed at the Annual General Meeting.

By order of the board  
  
 Dalgety Group Services Limited

Secretary

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

We have audited the financial statements on pages 4 to 17 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings, give a true and fair view of the state of affairs of the company at 30th June 1986 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.

London, EC3

26th September 1986

*Squire and Pople*

Chartered Accountants

PROFIT AND LOSS ACCOUNT  
for the year to 30th June 1986

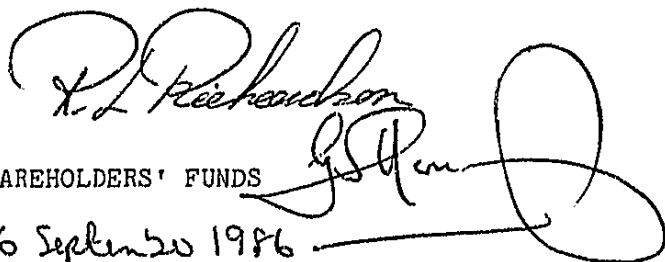
	Note	1986	1985
TURNOVER	1	<u>£18,906,048</u>	<u>£17,724,898</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	837,107	556,618
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	<u>101,145</u>	<u>21,000</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND BEFORE EXTRAORDINARY ITEM		735,962	535,618
EXTRAORDINARY ITEM	6	<u>115,458</u>	<u>-</u>
PROFIT AFTER TAX AND EXTRAORDINARY ITEM		851,420	535,618
DIVIDENDS	7	<u>500,000</u>	<u>-</u>
RETAINED PROFIT FOR THE YEAR		<u>£351,420</u>	<u>£535,618</u>

The notes on pages 7 to 17 form an integral part of these accounts.

BALANCE SHEET  
30th June 1986

FIXED ASSETS	Note	1986	1985
Tangible assets	8	3,674,516	3,181,707
Investments	9	1,624,880	2,274,977
		<u>5,299,396</u>	<u>5,456,684</u>
CURRENT ASSETS			
Stock	10	2,325,358	2,263,954
Debtors	11	2,891,229	2,556,757
Cash at bank and in hand		15,326	2,675
		<u>5,231,913</u>	<u>4,823,386</u>
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts	12	546,951	993,150
Sundry creditors	12	2,135,621	1,287,279
		<u>2,682,572</u>	<u>2,280,429</u>
NET CURRENT ASSETS		<u>2,549,341</u>	<u>2,542,957</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,848,737</u>	<u>7,999,641</u>
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	6,686,406	7,222,763
PROVISION FOR LIABILITIES AND CHARGES	14	42,000	21,000
		<u>£1,120,331</u>	<u>£755,878</u>
CAPITAL AND RESERVES			
Called up share capital	15	185,716	185,716
RESERVES			
Share premium account	16	8,000	8,000
Revaluation reserve	17	505,958	505,958
Other reserves	18	21,071	8,038
Profit and loss account	18	399,586	48,166
TOTAL RESERVES	19	<u>934,615</u>	<u>570,162</u>

APPROVED BY THE BOARD OF DIRECTORS



SHAREHOLDERS' FUNDS

£1,120,331£755,878

26 September 1986

The notes on pages 7 to 17 form an integral part of these accounts.

SOURCE AND APPLICATION OF FUNDS  
for the year ended 30th June 1986

SOURCE OF FUNDS	1986	1985
Profit on ordinary activities before taxation	837,107	556,618
Extraordinary item	115,458	-
Movements on exchange	13,033	(15,170)
Items not involving the movement of funds		
Depreciation	479,427	474,622
Profit on sale of fixed assets	(21,505)	(41,127)
Profit on sale of investments	(2,386)	-
	<u>455,536</u>	<u>433,495</u>
FUNDS GENERATED FROM OPERATIONS	1,421,134	974,943
FUNDS FROM OTHER SOURCES		
Loan repayment received (secured loan)	-	5,833
Loan capital raised - group	-	3,092,250
Repayment of loan by subsidiary	-	39,788
Proceeds of sale of fixed assets	105,996	82,873
Proceeds of sale of subsidiary	713,836	271,559
Proceeds of sale of investments	8,538	-
	<u>2,249,504</u>	<u>4,467,246</u>
NET SOURCE OF FUNDS	2,249,504	4,467,246
APPLICATION OF FUNDS		
Purchase of investment	(100)	-
Additional investment in subsidiary company	(69,791)	(886,843)
Purchase of fixed assets	(1,056,727)	(935,293)
Provisions utilised	-	(5,000)
(Decrease) increase in working capital	(127,679)	83,486
Repayment of long term loans	(536,357)	-
	<u>(1,790,654)</u>	<u>(1,743,650)</u>
NET REDUCTION OF FUNDS	(1,790,654)	(1,743,650)
INCREASE IN LIQUID FUNDS	£458,850	£2,723,596
Decrease in working capital		
Debtors	(431,514)	62,171
Stock	(61,404)	209,157
Creditors	240,480	129,791
Group company indebtedness	124,759	(317,633)
	<u>£(127,679)</u>	<u>£83,486</u>



ACCOUNTING POLICIES  
for the year ended 30th June 1986

1. COMPANIES ACT 1985

These accounts are prepared in compliance with the Companies Act 1985.

2. CONSOLIDATION

Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of Dalgety Trading Limited, a company incorporated in the United Kingdom.

3. TURNOVER

Turnover comprises the gross amount of sales when the company acts as principal and the commission where the company acts as agent.

4. 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, equipment and vehicles are depreciated over periods which range from 4 to 10 years and which do not exceed their anticipated useful lives.

Profits or losses arising on routine replacement or retirement of tangible fixed assets are dealt with through company trading results as adjustments to depreciation while profits less losses on disposals of tangible fixed assets arising from closure or significant reorganisations are included within extraordinary items.

5. INTEREST

Interest payable is written off as incurred.

6. DEFERRED TAX

Provision has not been made for tax liabilities which, under current legislation, are expected to be deferred indefinitely because of the availability of tax allowances for tangible fixed asset expenditure. Provision has been made for other timing differences on the liability method.

7. STOCK

Commodity, merchandise and manufacturing inventories and livestock are valued at the lower of cost and net realisable value; cost in the main, being calculated on 'first in first out' or 'average cost' principles. In the case of breeding and fattening pigs on farms and processed and partly processed stocks cost includes certain overheads attributable.

ACCOUNTING POLICIES  
for the year ended 30th June 1986

8. RESEARCH AND DEVELOPMENT EXPENDITURE

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

9. CURRENCY EXCHANGE RATES

Exchange profits or losses realised on trading transactions are included in company trading results. Other exchange differences arise from non-trading items and the translation, at rates different from those used in the previous year's accounts, of foreign currency loans. These exchange differences are dealt with through reserves.

NOTES TO THE ACCOUNTS  
30th June 1986

1. ANALYSIS OF TURNOVER AND PROFIT TURNOVER	1986	1985
Sales to other group companies	3,396,189	1,867,244
Other sales	15,509,859	15,857,654
	<hr/>	<hr/>
	£18,906,048	£17,724,898

The turnover and profit before taxation are attributable to the company's business of agricultural service and supply.

The geographical analysis of the company's turnover is:

United Kingdom	15,917,223	15,764,811
Rest of Europe	2,900,704	1,917,748
Other	88,121	42,339
	<hr/>	<hr/>
	£18,906,048	£17,724,898

## 2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

- (a) The following have been credited before arriving at profit on ordinary activities before tax:

Change in stock of finished goods and work-in-progress	10,216	-
Royalties	60,692	37,290
Other operating income	102,429	-
Profit on sale of surplus assets	23,891	41,127
Other interest receivable and similar income	2,672	1,484
Income from shares in group companies	100,998	14,685
Own work capitalised	84,357	-
	<hr/>	<hr/>
	£385,255	£94,586

- (b) The following have been debited before arriving at profit on ordinary activities before tax:

Change in stock of finished goods and work-in-progress	-	211,249
Raw materials and consumables	11,839,245	11,166,726
Auditors' remuneration	18,652	26,703
Other external charges	3,547,716	3,019,650
Wages and salaries	1,838,230	1,526,548
Social security costs	158,184	150,294
Other pension costs	46,184	76,097
Depreciation and other amounts written off		
tangible fixed assets (note 2(e))	479,427	474,622
Interest payable and similar charges (note 2(d))	461,857	441,657
Hire of plant and machinery	64,700	49,320
Provision for claims	-	120,000
	<hr/>	<hr/>
	£18,454,195	£17,262,866

NOTES TO THE ACCOUNTS  
30th June 1986

## 2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX continued

(c) Income from listed investments included in 2(a) above is £99 (1985 - £92).

(d) Interest payable and similar charges:

	1986	1985
Bank loans and overdrafts repayable within 5 years	64,078	93,905
Group interest	397,779	347,752
	<u>£461,857</u>	<u>£441,657</u>

(e) The charge for depreciation includes a credit of £59,425 relating to the surplus on revaluation of freehold and leasehold property at 30th June 1982.

## 3. EMPLOYEES

The average number of persons employed by the company throughout the year was:

	1986		1985	
	<u>Permanent</u>	<u>Casual</u>	<u>Permanent</u>	<u>Casual</u>
United Kingdom	217	12	192	12

The costs incurred in respect of these employees were:

	1986	1985
Wages and salaries	1,838,230	1,526,548
Social security costs	158,184	150,294
Other pension costs	46,185	76,097
	<u>£2,042,599</u>	<u>£1,752,939</u>

There were no employees whose emoluments (excluding pension contributions) were £30,000 or more.

## 4. DIRECTORS

(a) The emoluments of directors were as follows:

Emoluments	60,292	27,525
Pension contributions	4,796	2,817
	<u>£65,088</u>	<u>£30,342</u>

The emoluments of the chairman were £nil (1985 - £nil) and the highest paid director, excluding pension contributions, £30,349 (1985 - £27,525).

NOTES TO THE ACCOUNTS  
30th June 1986

## 4. DIRECTORS continued

	<u>No. of directors</u>	
	<u>1986</u>	<u>1985</u>
Other directors		
£0 - £5,000	three	two

(b) Loans to directors - nil.

## (c) Directors' interests in contracts

During the year to 30th June 1986 sales of pigs totalling £34,080 and purchases of pigs totalling £169,582 were made on normal trading terms with Summerdale Pigs Limited, a company in which Mr. R.L. Richardson is a director.

## 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation comprises:

Corporation tax	68,000	-
Deferred taxation	21,000	21,000
Adjustment in respect of previous years		
Overseas taxation	12,145	-
	<u>£101,145</u>	<u>£21,000</u>

## 6. EXTRAORDINARY ITEM

Profit on sale of subsidiary	£115,148	£ -
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## 7. DIVIDENDS

On 1,857,164 ordinary shares -		
26.923p per share (1985 - nil)	£500,000	£ -

NOTES TO THE ACCOUNTS  
30th June 1986

## 8. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Plant machinery etc.	Fixtures, fittings etc.	Assets in course of construction	TOTAL
<b>COST OR VALUATION</b>					
At 1st July 1985	2,849,213	1,401,422	157,649	82,389	4,490,673
Additions	7,506	486,977	13,695	504,242	1,012,420
Disposals	(3,495)	(200,709)	(1,112)	-	(205,316)
Reallocation					
between categories	92,075	30,344	-	(122,419)	-
Group transfers	-	43,195	1,112	-	44,307
At 30th June 1986	2,945,299	1,761,229	171,344	464,212	5,342,084
<b>DEPRECIATION</b>					
At 1st July 1985	456,571	743,732	108,663	-	1,308,966
Charge for year	180,107	280,119	19,201	-	479,427
Disposals	-	(132,321)	(762)	-	(133,083)
Group transfers	-	11,935	323	-	12,258
At 30th June 1986	636,678	903,465	127,425	-	1,667,568
<b>NET BOOK VALUE</b>					
At 30th June 1986	£2,308,621	857,764	43,919	464,212	£3,674,516
At 30th June 1985	£2,392,642	657,690	48,986	82,389	£3,181,707
Cost or valuation at 30th June 1986 comprises:					
Cost	1,452,799	1,761,229	171,344	464,212	3,849,584
Valuation at 30th June 1982	1,492,500	-	-	-	1,492,500
	£2,945,299	1,761,229	171,344	464,212	£5,342,084

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

	1986	1985
Cost	5,856,910	5,005,499
Accumulated depreciation	2,688,172	2,210,900
Historical cost net book value	£3,168,738	£2,794,599

NOTES TO THE ACCOUNTS  
30th June 1986

8. TANGIBLE FIXED ASSETS continued	1986	1985
Future capital expenditure		
Contracted for but not provided for	128,000	168,983
Authorised by the directors but not contracted for	21,000	-
	<u>£149,000</u>	<u>£168,983</u>

## 9. FIXED ASSET INVESTMENTS

COST	Subsidiary companies		Listed and unlisted investments	TOTAL
	Shares at cost	Loans		
At 1st July 1985	2,733,105	821,904	15,358	3,570,367
Advanced	69,791	-	100	69,891
Repaid	-	(713,836)	(6,152)	(719,988)
At 30th June 1986	2,802,896	108,068	9,306	2,920,270
PROVISIONS				
At 1st July 1985	1,295,390	-	-	1,295,390
Provided in year	-	-	-	-
Written back	-	-	-	-
At 30th June 1986	1,295,390	-	-	1,295,390
NET BOOK VALUE				
At 30th June 1986	£1,507,506	108,068	9,306	£1,624,880
At 30th June 1985	£1,437,715	821,904	15,358	£2,274,077

	Cost	
	1986	1985
LISTED INVESTMENTS		
On a recognised stock exchange	£ -	£1,152
Market value	£ -	£3,168
UNLISTED INVESTMENTS		
Loan (secured) to Guy Butler Henderson	9,167	14,167
Sinodum Farmers	29	29
Cambac Pig Sales	10	10
Grampian Pig Producers	100	-
	<u>£9,306</u>	<u>£14,206</u>

NOTES TO THE ACCOUNTS  
30th June 1986

9. FIXED ASSET INVESTMENTS continued

The directors consider that the investments are worth at least their book value.

Subsidiaries

The company's subsidiaries at 30th June 1986 which are incorporated and registered in England, unless otherwise stated, were 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>
Pig Improvement International S.C.P.A. (registered in France)	Ordinary FF 20.5 million	100%	Pig breeding
Coulson Agriculture Oxon Limited	Ordinary £100	100%	Agricultural Engineering
Reprodutores PIC Limitada (registered in Portugal)	Ordinary 18,000,000 escudos	100%	Pig breeding
Pigtales Limited	Ordinary £5,500	100%	Computer software

In the opinion of the directors the aggregate value of the investments in the company's subsidiaries is not less than the aggregate amount at which those assets are stated in the balance sheet.

10. STOCK

	<u>1986</u>		<u>1985</u>	
	<u>Cost in accounts</u>	<u>Replacement cost</u>	<u>Cost in accounts</u>	<u>Replacement cost</u>
Arable growing	88,233	88,233	77,071	77,071
Livestock	2,024,247	2,024,247	2,038,712	2,038,712
Consumables	188,909	188,909	148,171	148,171
Work-in-progress and goods for resale	23,969	23,969	-	-
	<u>£2,325,358</u>	<u>£2,325,358</u>	<u>£2,263,954</u>	<u>£2,263,954</u>



NOTES TO THE ACCOUNTS  
30th June 1986

11.	DEBTORS	1986	1985
	Trade debtors	2,300,504	1,861,181
	Amounts owed by group companies	428,068	528,648
	Other debtors	124,774	116,273
	Prepayments and accrued income	37,883	50,655
		<hr/>	<hr/>
		£2,891,229	£2,556,757
		<hr/>	<hr/>
12.	CREDITORS - AMOUNT FALLING DUE WITHIN ONE YEAR		
	Bank loans and overdrafts		
	Overdrafts (unsecured)	£546,951	£993,150
		<hr/>	<hr/>
	Sundry creditors		
	Client credit balances	13,771	9,932
	Trade creditors	875,110	606,879
	Amounts owed to group companies	383,425	355,708
	Tax including social security	50,522	43,874
	Other creditors	874	7,936
	Accruals and deferred income	243,919	262,950
	Corporation tax	68,000	-
	Dividend payable	500,000	-
		<hr/>	<hr/>
		£2,135,621	£1,287,279
		<hr/>	<hr/>
13.	CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
	Amount owed to holding company	6,677,837	7,222,763
	Amount owed to subsidiary	8,569	-
		<hr/>	<hr/>
		£6,686,406	£7,222,763
		<hr/>	<hr/>

Included in the amount due to holding company are debentures amounting to £2,850,000 bearing interest at 9 3/4 - 13 1/2%.

14. PROVISION FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

No provision has been made for taxation which is expected to be deferred indefinitely because of the availability of tax allowances for capital expenditure.

Provision has been made for other timing differences on the liability method.

NOTES TO THE ACCOUNTS  
30th June 1986

14. PROVISION FOR LIABILITIES AND CHARGES continued  
Deferred taxation is made up as follows:

	Not dealt with in the accounts		Dealt with in accounts	
	1986	1985	1986	1985
Accelerated tax depreciation	19,000	52,000	239,000	123,000
Revaluation surpluses	364,000	364,000	-	-
Other timing differences	67,000	67,000	1,000	-
Advance corporation tax	(702,000)	(98,000)	(198,000)	(102,000)
	<u>£(252,000)</u>	<u>£385,000</u>	<u>£42,000</u>	<u>£21,000</u>

15. SHARE CAPITAL

Authorised

2 million ordinary shares of 10p each

£200,000 £200,000

Allotted and fully paid

1,857,164 ordinary shares of 10p each

£185,716 £185,716

16. SHARE PREMIUM ACCOUNT

At 1st July 1985 and 30th June 1986

£8,000

17. REVALUATION RESERVE

Distributable

Balance at 1st July 1985 and 30th June 1986

£505,958

18. TOTAL OTHER RESERVES/PROFIT AND LOSS ACCOUNT

	Undistributable reserves	Distributable reserves	TOTAL reserves
	Currency exchange variation	Profit and loss account	
At 1st July 1985	8,038	48,166	56,204
Transfer to profit and loss account	-	351,420	351,420
Exchange variations in the year	13,033	-	13,033
At 30th June 1986	<u>£21,071</u>	<u>399,586</u>	<u>£420,657</u>

NOTES TO THE ACCOUNTS  
30th June 1986

19. TOTAL RESERVES - AT 30TH JUNE 1986

	<u>Undistributable</u>	<u>Distributable</u>	<u>TOTAL</u>
Share premium account	8,000	-	8,000
Other reserves/profit and loss account	21,071	399,586	420,657
Revaluation reserve	-	505,958	505,958
	<u>£29,071</u>	<u>905,544</u>	<u>£934,615</u>

20. FLOATING CHARGE

The assets of the company are subject to a floating charge, jointly and severally with certain other group companies, to secure the debenture stock of Dalgety PLC amounting to £2,357,828 (1985 - £2,357,828).

21. PENSION COMMITMENTS

The company participates in the Dalgety Spillers Limited pension fund which is a contributory scheme. The scheme funds are administered by trustees and are independent of the group's finances. The scheme is fully funded and contributions are paid to the scheme in accordance with actuarial advice following periodic valuations of the fund. The contributions to the fund are charged against profits in the year in which contributions are made.