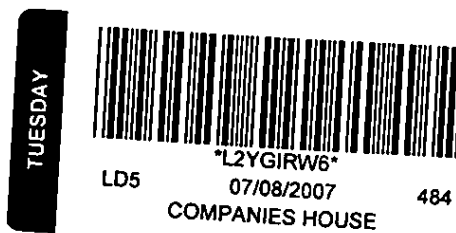


Company Registration No. 716304

**Pig Improvement Company UK
Limited
Report and Financial Statements**

30 June 2006



Pig Improvement Company UK Limited

Report and financial statements 2006

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Pig Improvement Company UK Limited

Report and financial statements 2006

Officers and professional advisers

Directors

S A R P Crichton
B Verret

Secretary

Pigtales Limited
2 Kingston Business Park
Kingston Bagpuize
Oxfordshire
OX13 5FE

Registered Office

2 Kingston Business Park
Kingston Bagpuize
Oxfordshire
OX13 5FE

Bankers

Barclays Bank PLC
Abingdon Marcham Road Branch
South Oxon Group
PO Box 42
Abingdon
Oxfordshire
OX14 1GU

Solicitors

Morgan Cole
3 West Way,
Oxford, OX2 0SZ

Auditors

Deloitte & Touche LLP
London

Pig Improvement Company UK Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2006

Principal activity

The principal activities of the company are the sale of breeding pigs and the receipt of royalty income from licensing the use of its intellectual property, trade marks and patents

Review of the business

Trading conditions showed a further improvement with the UK sow herd and market prices stabilising. Combined with the introduction of new products and increased exports to developing markets in Eastern Europe and the C I S , this enabled the UK breeding activities to show further growth which is reflected in an increased turnover of 21% over the prior year

A summary of the main performance indicators is given below

| | 2006 | 2005 (restated note 19) |
|----------------------|---------|-------------------------------|
| | £'000 | £'000 |
| Turnover | 17,089 | 14,072 |
| Operating loss | (3,404) | (2,273) |
| Loss before taxation | (6,114) | (2,075) |

The increase in the loss before taxation has arisen due to writedowns of £4,094,000 in the carrying value of the company's intercompany investments and receivables and one off redundancy and pension costs of £2,253,000 associated with a reorganisation of the company's activities following the acquisition of the company's former ultimate parent undertaking, Sygen International plc by Genus plc as explained more fully in note 21

As part of this reorganisation the company's Research and Development activities, together with those previously performed by PIC USA, a fellow group company, will be consolidated in a new Group research centre in Wisconsin, USA. Consequently, the Research and Development activity of the company will be carried out at the new Group research centre, the cost of which will be recharged to the company. It is envisaged that economies of scale will be generated by combining all the Group's research activities in a single location

The company's balance sheet on page 10 shows that the company's financial position at the year end is weaker in net asset terms due to the write down in the carrying value of its intercompany investments and receivables. However because of the strong underlying trading performance the cash position of the company is stronger than the prior year, despite the payment of additional reorganisational expenses related to the acquisition of Sygen by Genus plc

Pig Improvement Company UK Limited

Directors' report

Principal risks and uncertainties

The company operates in a highly competitive environment. Whilst offering a product range differentiated from its competitors, the company must maintain its strong market position through continuous research into new products and new methods of harnessing the company's technological capabilities in meeting the changing needs of its customers.

Future Prospects

The directors believe the performance of the company in the year has been satisfactory and that the company is in a strong position to achieve future growth given its current product base and continued investment in the development of new products and markets. The directors are not aware at the date of this report of any likely changes in the company's activities in the forthcoming year.

Dividends

The directors do not recommend the payment of a dividend (2005 nil).

Significant events

As more fully explained in note 21 the company's previous ultimate parent undertaking Sygen International plc was acquired by Genus plc during the year.

Prior year restatements

The directors have restated certain disclosures made in the prior year's financial statements to more accurately reflect the substance of the relevant transactions. A loan due to the company's parent undertaking, PIC Fyfield Limited, for £25,000,000 which was waived during the prior year has been restated in the comparative year as a capital contribution. A provision against the company's fixed asset investments of £225,000 has been reclassified in the comparative year from provisions against debtors to provisions against fixed asset investments. Full details of the prior year adjustments and their effects on the comparative figures are disclosed in note 19.

Fixed assets

In the opinion of the directors, the current open market value of the company's land and buildings exceeds the book value by approximately £248,000.

Directors and their interests

The directors who served on the Board during the year and to the date of this report were as shown on page 1.

The undermentioned directors hold options to subscribe for ordinary shares in the company's ultimate parent undertaking, Genus plc under the Senior Executive Share Option Scheme as follows:

| | 30 June 2006 | 30 June 2005 |
|------------------|-----------------|-----------------|
| S A R P Crichton | 20,300 | - |
| B Verret | 36,300 | - |

Pig Improvement Company UK Limited

Directors' report

Directors and their interests (continued)

Options outstanding by S A R P Crichton and B Verret are exercisable at anytime between 21 June 2009 and 20 June 2016, at a price of 439 75p

The options can only be exercised if over a three year period the average annual percentage growth in Genus plc's EPS exceeds either 6% or a minimum of 3% above RPI for the same period, unless the provisions for "good leavers" have been met when members retire or are made redundant

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

During the year and up to the date of these financial statements, the company had in place qualifying third party indemnity insurance for the benefit of all directors

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

Payments to suppliers

The company has a variety of payment terms with its suppliers For the year ending 30 June 2006, 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 24 (2005 24)

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

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

(2) the 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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP were appointed as auditors during the year Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



M Boden
on behalf of Pigtales Limited, Director
26 July 2007

Pig Improvement Company UK Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Pig Improvement Company UK Limited

We have audited the financial statements of Pig Improvement Company UK Limited for the year ended 30 June 2006 which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet, and the related notes 1 to 22. 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 in the statement of directors' responsibilities the company's directors are responsible for the preparation of the 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 United Kingdom 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, in accordance with the relevant financial reporting framework, 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 directors' report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.


We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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.

Independent auditors' report to the members of Pig Improvement Company UK Limited (continued)

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 loss 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 Directors' Report is consistent with the financial statements



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
26 July 2007

Pig Improvement Company UK Limited

Profit and loss account Year ended 30 June 2006

| | | 2006 | 2005 (restated note 19) |
|---|-------|---------|-------------------------------|
| | Note | £'000 | £'000 |
| Turnover | 2 | 17,089 | 14,072 |
| Changes in stocks of finished goods and work in progress | | 524 | 10 |
| Other operating income | | 232 | 232 |
| Raw materials and consumables | | (4,415) | (3,567) |
| Staff costs | 5 | (6,363) | (3,291) |
| Depreciation and other amounts written off tangible and intangible fixed assets | | (677) | (672) |
| Other operating charges | | (9,794) | (9,057) |
| Operating loss | 3 | (3,404) | (2,273) |
| Profit on disposal of fixed assets and investments | | 133 | 94 |
| Income from other fixed asset investments | | 5 | 23 |
| Amounts written off investments | 10 | (2,796) | - |
| Other interest receivable and similar income | 4 | 194 | 226 |
| Interest payable and similar charges | 4 | (246) | (145) |
| Loss on ordinary activities before taxation | | (6,114) | (2,075) |
| Tax credit on loss on ordinary activities | 7 | 726 | 1,767 |
| Loss on ordinary activities after taxation and loss for the financial year | 17,18 | (5,388) | (308) |

The company has no recognised gains or losses, other than those in the profit and loss account shown above, in either the current or preceding financial year. Accordingly, no statement of total recognised gains and losses is presented.

All amounts derive from continuing operations.

Pig Improvement Company UK Limited

Note of historical cost profits and losses Year ended 30 June 2006

| | 2006 | 2005 (restated note 19) |
|---|----------------|-------------------------------|
| | £'000 | £'000 |
| Reported loss on ordinary activities before taxation | (6,114) | (2,075) |
| Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount | 4 | 4 |
| Historical cost loss on ordinary activities before taxation | <u>(6,110)</u> | <u>(2,071)</u> |
| Historical cost loss retained after taxation, minority interests and dividends | <u>(5,384)</u> | <u>(304)</u> |

Pig Improvement Company UK Limited

Balance sheet 30 June 2006

| | Note | 2006 £'000 | 2005 (restated note 19) £'000 |
|--|------|---------------------|--|
| Fixed assets | | | |
| Intangible assets | 8 | 1,083 | 1,315 |
| Tangible assets | 9 | 837 | 893 |
| Investments | 10 | 2,199 | 5,120 |
| | | <u>4,119</u> | <u>7,328</u> |
| Current assets | | | |
| Stocks | 11 | 182 | 128 |
| Debtors | 12 | 7,090 | 33,482 |
| Cash at bank and in hand | | 836 | 400 |
| | | <u>8,108</u> | <u>34,010</u> |
| Creditors: amounts falling due within one year | 13 | <u>(8,641)</u> | <u>(8,349)</u> |
| Net current (liabilities)/assets | | <u>(533)</u> | <u>25,661</u> |
| Total assets less current liabilities | | <u>3,586</u> | <u>32,989</u> |
| Creditors: amounts falling due after more than one year | 14 | <u>(25)</u> | <u>(24,040)</u> |
| Net assets | | <u><u>3,561</u></u> | <u><u>8,949</u></u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 186 | 186 |
| Share premium account | 17 | 8 | 8 |
| Revaluation reserve | 17 | 85 | 85 |
| Other reserves | 17 | 23 | 23 |
| Capital contribution reserve | 17 | 25,000 | 25,000 |
| Profit and loss account | 17 | <u>(21,741)</u> | <u>(16,353)</u> |
| Total shareholders' funds | 18 | <u><u>3,561</u></u> | <u><u>8,949</u></u> |

These financial statements were approved by the Board of Directors on 26 July 2007

Signed on behalf of the Board of Directors



B Verret
Director

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom accounting standards.

The following accounting policies have been applied consistently in the current and preceding years in dealing with items which are considered material in relation to the financial statements.

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 Genus plc, a company incorporated in the United Kingdom (see note 21).

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. Turnover also includes royalty income which is recognised on an accruals basis having regard to the terms of the company's royalty contracts and licence agreements.

Tangible fixed assets excluding breeding stock

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. The company has followed the transitional provisions in FRS 15, Tangible Fixed Assets, to retain the book value of land and buildings, certain of which were revalued in 1996, without updating the valuations.

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

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 the company's farms. These breeding animals are classified as fixed assets and are depreciated over their estimated lives of up to 2 years.

Intangible fixed assets

During the year ended 30 June 2001, the company acquired the trademarks, intellectual property and contract rights of Agricola Genetico Porcina Ltda, the former PIC franchisee in Chile. This intangible asset is being amortised over the directors' estimate of useful life of 10 years.

Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment.

Operating leases

Assets held under operating leases are not capitalised. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease term.

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

1. Accounting policies (continued)

Interest

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events 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 group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate

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

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, costs include direct costs and certain attributable overheads

Net realisable value was based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving and defective items where appropriate

Research and development

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

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Profit and loss items in overseas currencies are translated at average exchange rates. Foreign currency denominated monetary assets and liabilities are translated at rates ruling at the balance sheet date. Monetary exchange gains and losses are taken to the profit and loss account

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

1. Accounting policies (continued)

Pension costs

The company is a member of the multi-employer Dalgety Pension Fund which provides benefits based on final pensionable salary. The company is unable to identify its share of the scheme's underlying assets and liabilities, and accordingly accounts for contributions as though the scheme was a defined contribution scheme.

Details of the Dalgety Pension Fund are fully described in the accounts of Genus plc.

Cash flow statement

Under the provisions of FRS 1 (Revised), the company has not produced a cash flow statement on the grounds that its ultimate parent company, Genus plc, has produced group financial statements including a consolidated cash flow statement.

2. Turnover

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Royalties receivable from group undertakings | 6,096 | 7,044 |
| External sales | 10,993 | 7,028 |
| | <u>17,089</u> | <u>14,072</u> |

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

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

| | 2006 £'000 | 2005 £'000 |
|----------------|---------------|---------------|
| United Kingdom | 7,032 | 5,780 |
| Rest of Europe | 2,771 | 282 |
| Other | 1,190 | 966 |
| | <u>10,993</u> | <u>7,028</u> |

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

3. Operating loss

The following have been charged before arriving at operating loss

| | 2006 £'000 | 2005 £'000 |
|---|-------------------|-------------------|
| Auditors' remuneration | | |
| Audit fees | 29 | 28 |
| Non audit fees | 10 | 3 |
| Operating lease costs- other | 488 | 443 |
| Depreciation of fixed assets | | |
| Owned tangible assets | 445 | 440 |
| Amortisation of intangible fixed assets | 232 | 232 |
| Research and development | 4,237 | 4,071 |
| Group management charges | 2,287 | 2,725 |
| | <u> </u> | <u> </u> |

4. Interest receivable / (payable) and similar income / (charges)

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Other interest receivable and similar income | | |
| Interest receivable from group undertakings | 74 | 133 |
| Other interest receivable and similar income | 120 | 93 |
| | <u>194</u> | <u>226</u> |
| Interest payable and similar charges | | |
| Interest payable to group undertakings | - | (115) |
| Other interest payable and similar charges | (246) | (30) |
| | <u>(246)</u> | <u>(145)</u> |

Included in other interest receivable and similar income are exchange gains of £90,000 (2005 £82,000) arising on the translation at year end of monetary assets and liabilities denominated in foreign currency and crystallised foreign currency denominated transactions during the year

Included in other interest payable and similar charges are exchange losses of £210,000 (2005 £30,000) arising on the translation at year end of monetary assets and liabilities denominated in foreign currency and crystallised foreign exchange losses on foreign currency denominated transactions during the year

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

5. Employees

| | 2006 £'000 | 2005 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 3,756 | 2,375 |
| Social security costs | 367 | 253 |
| Pension costs | 2,240 | 663 |
| | <u>6,363</u> | <u>3,291</u> |

The average number of persons employed by the company throughout the year was 74 (2005 79) Included in the employee costs for the year are redundancy payments of £896,000 and a one-off recharge from PIC Fyfield Limited of £1,357,000 relating to the company's share of an additional contribution of £1,500,000 made by PIC Fyfield Limited to the Dalgety Pension Fund following the acquisition of the Sygen group of companies by Genus plc (see note 21)

6. Directors

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

| | 2006 £'000 | 2005 £'000 |
|--------------------------------------|---------------|---------------|
| Remuneration for managerial services | <u>278</u> | <u>275</u> |

The emoluments (excluding pension contributions) of the highest paid director were £175,190 (2005 £175,000) and the amount of his accrued pension at the end of the year was £35,819 (2005 £31,865)

There are two directors (2005 2) for whom retirement benefits are accruing under the Dalgety Pension Fund

7. Tax credit on loss on ordinary activities

Taxation comprises

| | 2006 £'000 | 2005 £'000 |
|---------------------------------------|---------------|----------------|
| UK corporation tax | - | (724) |
| Overseas withholding tax | 115 | 139 |
| Adjustments in respect of prior years | - | (1,101) |
| Current tax for the year | <u>115</u> | <u>(1,686)</u> |
| Deferred taxation | (841) | (81) |
| | <u>(726)</u> | <u>(1,767)</u> |

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

7. Tax credit on loss on ordinary activities (continued)

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Factors affecting tax charge for the year | | |
| Loss on ordinary activities before taxation | (6,114) | (2,075) |
| United Kingdom corporation tax at 30 % (2005 30%) on loss on ordinary activities | (1,834) | (622) |
| Effects of | | |
| - Permanent differences | 1,348 | (225) |
| - Timing differences | 486 | 81 |
| - Benefits of tax losses not recognised | - | 548 |
| - Group losses surrendered at other than 30% tax rate | - | (506) |
| - Overseas withholding tax | 115 | 139 |
| - Adjustment in respect of prior year | - | (1,101) |
| Current tax for the year | 115 | (1,686) |

8. Intangible fixed assets

| | Goodwill £ |
|---------------------------------|---------------|
| Cost | |
| At 1 July 2005 and 30 June 2006 | 2,318 |
| Accumulated depreciation | |
| At 1 July 2005 | 1,003 |
| Charge for the year | 232 |
| At 30 June 2006 | 1,235 |
| Net book value | |
| At 30 June 2006 | 1,083 |
| At 30 June 2005 | 1,315 |

This goodwill related to the acquisition of the trademarks, intellectual property and contract rights of Agrícola Genetico Porcina Ltda, the former PIC franchisee in Chile

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

9. Tangible fixed assets

| | Freehold land and buildings £'000 | Plant and equipment £'000 | Breeding stock £'000 | Total £'000 |
|---------------------------------|--|---------------------------------|----------------------------|----------------|
| Cost | | | | |
| At 1 July 2005 | 640 | 2,392 | 491 | 3,523 |
| Additions | - | 22 | 448 | 470 |
| Disposals | - | (264) | (223) | (487) |
| At 30 June 2006 | 640 | 2,150 | 716 | 3,506 |
| Accumulated depreciation | | | | |
| At 1 July 2005 | 268 | 2,036 | 326 | 2,630 |
| Charge for the year | 40 | 88 | 317 | 445 |
| Disposals | - | (194) | (212) | (406) |
| At 30 June 2006 | 308 | 1,930 | 431 | 2,669 |
| Net book value | | | | |
| At 30 June 2006 | 332 | 220 | 285 | 837 |
| At 30 June 2005 | 372 | 356 | 165 | 893 |

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 accounts Year ended 30 June 2006

10. Fixed asset investments

| | Shares in subsidiary undertakings £'000 | Other investments £'000 | Total £'000 |
|--|--|-------------------------------|-----------------|
| Cost | | | |
| At 1 July 2005 | 20,224 | 510 | 20,734 |
| Disposals | - | (350) | (350) |
| At 30 June 2006 | <u>20,224</u> | <u>160</u> | <u>20,384</u> |
| Provisions | | | |
| At 1 July 2005 as previously reported | (15,249) | (140) | (15,389) |
| Prior year adjustment provision reclassification (note 19) | - | (225) | (225) |
| At 1 July 2005 as restated | (15,249) | (365) | (15,614) |
| Amounts written off investments | (2,796) | - | (2,796) |
| Disposals | - | 225 | 225 |
| At 30 June 2006 | <u>(18,045)</u> | <u>(140)</u> | <u>(18,185)</u> |
| Net book value | | | |
| At 30 June 2006 | <u>2,179</u> | <u>20</u> | <u>2,199</u> |
| At 30 June 2005 (as restated) | <u>4,975</u> | <u>145</u> | <u>5,120</u> |

Share in subsidiary undertakings

The company's subsidiary undertakings at 30 June 2006 are as follows

| | Country of incorporation | Class of shares and nominal value | Percentage of nominal value of issued shares held | Nature of business |
|---|-----------------------------|---|--|-----------------------------|
| National Pig Development Company Limited | United Kingdom | Ordinary £31,768 Non-voting ordinary £11,034 | 100% 100% | Receipt of rental income |
| PIC Polska | Poland | Ordinary 13 748 million zlotys | 100% | Pig breeding |

Other investments

The company holds various trade investments in agricultural and research companies

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

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

11 Stock

| | 2006 £'000 | 2005 £'000 |
|-------------|---------------|---------------|
| Livestock | 87 | 25 |
| Consumables | 95 | 103 |
| | <u>182</u> | <u>128</u> |

In the opinion of the directors, there is no material difference between the book value of stocks and their replacement cost at 30 June 2006

12. Debtors

| | 2006 £'000 | 2005 (restated note 19) £'000 |
|--|---------------|--|
| Trade debtors | 952 | 713 |
| Amounts owed by parent undertakings | 1,816 | 3,407 |
| Amounts owed by fellow subsidiary undertakings | 1,524 | 27,838 |
| Amounts owed by subsidiary undertakings | 251 | 91 |
| Deferred tax asset (see note 15) | 1,166 | 325 |
| Other taxation including VAT | 1,011 | 745 |
| Other debtors | 60 | 58 |
| Prepayments and accrued income | 310 | 305 |
| | <u>7,090</u> | <u>33,482</u> |

13. Creditors: amounts falling due within one year

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Trade creditors | 354 | 429 |
| Amounts owing to parent undertakings | - | 1,547 |
| Amounts owing to fellow subsidiary undertakings | 4,527 | 3,428 |
| Amounts owing to subsidiary undertakings | 1,248 | 1,252 |
| Other taxation and social security | 580 | 328 |
| Other creditors | 52 | 97 |
| Accruals and deferred income | 1,880 | 1,268 |
| | <u>8,641</u> | <u>8,349</u> |

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

14. Creditors: amounts falling due after more than one year

| | 2006 £'000 | 2005 £'000 |
|-------------------------------------|---------------|---------------|
| Amounts owed to parent undertakings | - | 24,006 |
| Deferred operating lease credit | 25 | 34 |
| | <u>25</u> | <u>24,040</u> |

15. Deferred taxation asset

| | 2006 £'000 | 2005 £'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | 126 | 270 |
| Short term timing differences | 330 | 55 |
| Losses carried forward | 710 | - |
| | <u>1,166</u> | <u>325</u> |

| | £'000 |
|-----------------------------------|--------------|
| Balance at 1 July 2005 | 325 |
| Credit to profit and loss account | 841 |
| Balance at 30 June 2006 | <u>1,166</u> |

16. Share capital

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Authorised: | | |
| 2,000,000 ordinary shares of 10p each | <u>200</u> | <u>200</u> |
| Allotted, issued, called up and full paid: | | |
| 1,857,164 ordinary shares of 10p each | <u>186</u> | <u>186</u> |

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

17. Movement on reserves

| | Share premium £'000 | Revaluation reserve £'000 | Other reserves £'000 | Capital contribution reserve £'000 | Profit and loss account £'000 |
|---------------------------------------|---------------------------|---------------------------------|----------------------------|---|--|
| At 1 July 2005 as previously reported | 8 | 85 | 23 | - | 8,647 |
| Prior year adjustment | | | | | |
| Capital contribution | - | - | - | 25,000 | (25,000) |
| At 1 July 2005 as restated | 8 | 85 | 23 | 25,000 | (16,353) |
| Retained loss for the year | - | - | - | - | (5,388) |
| At 30 June 2006 | 8 | 85 | 23 | 25,000 | (21,741) |

18 Reconciliation of movements in shareholders' funds

| | 2006 £'000 | 2005 (restated note 19) £'000 |
|---|---------------|--|
| Loss for the financial year after taxation and net decrease in shareholders' funds | (5,388) | (308) |
| Capital contribution | - | 25,000 |
| Opening shareholders' funds | 8,949 | (15,743) |
| Closing shareholders' funds | 3,561 | 8,949 |

As described in note 19, the prior year adjustments had no impact on opening shareholders' funds

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

19. Prior year adjustments

Restatement of loan waived by group company

The company was previously funded by a long term loan from its immediate parent undertaking, PIC Fyfield Limited, totalling £25,000,000. The funding was a long term financing arrangement that did not arise as part of the company's normal trading. No repayments had ever been made by the company in respect of this loan and in 2005 the loan was waived by PIC Fyfield Limited. The waiver of this loan was shown in the accounts of the company for the prior year as a credit to the profit and loss account. In the current year's accounts this transaction has been restated as a capital contribution by the parent undertaking and shown as a direct addition to reserves in a separate capital reserve.

The effect on the profit and loss account and net assets is as follows

| | 2005 £'000 |
|---------------------------------|---------------|
| Profit and loss account | |
| Loan waived by group company | (25,000) |
| | <hr/> |
| Decrease for the year | (25,000) |
| | <hr/> |
| Balance sheet | |
| Capital contribution reserve | 25,000 |
| Profit and loss account reserve | (25,000) |
| | <hr/> |
| Increase in net assets | - |
| | <hr/> |

Reclassification of investment

The company purchased non-voting preference shares from Greenway Farm in 1996 for £350,000. In 1999, this investment was impaired by £225,000. In the accounts of the company for the prior year this investment provision was aggregated with bad debt provisions and credited against trade debtors. In the current year's accounts the provision has been reclassified as a deduction against fixed asset investments as follows

| | 2005 £'000 |
|------------------------|---------------|
| Balance sheet | |
| Debtors | 225 |
| Investments | (225) |
| | <hr/> |
| Increase in net assets | - |
| | <hr/> |

Pig Improvement Company UK Limited

Notes to the accounts Year ended 30 June 2006

20 Lease obligations

| | Land and buildings | | Other | |
|---------------------------------|--------------------|------------|------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £'000 | £'000 | £'000 | £'000 |
| Operating leases | | | | |
| Annual commitments which expire | | | | |
| Within one year | 132 | 21 | 193 | 21 |
| Between one and five years | 426 | 10 | 58 | 185 |
| After five years | 216 | 103 | - | - |
| | <u>774</u> | <u>134</u> | <u>251</u> | <u>206</u> |

21. Parent undertaking

The company's immediate parent undertaking is PIC Fyfield Limited, which is registered in England

The company's ultimate controlling party and parent undertaking as at 30 June 2005 was Sygen International Limited (name changed from Sygen International plc on 23 February 2006)

On 31 October 2005, an offer was made on behalf of Genus plc to acquire all of the existing Sygen International plc share capital for cash consideration. On 2 December 2005, the offer was declared unconditional in all respects and control of Sygen International plc therefore passed to Genus plc. Accordingly as of 2 December 2005, the company's ultimate controlling party and parent undertaking is Genus plc, a company registered in the UK. Genus plc is the largest and smallest group, of which the company is a member, for which consolidated accounts are prepared. Copies of the financial statements of Genus plc are available from its registered office whose address is as follows:

Belvedere House
Basing View
Basingstoke
Hants
RG 21 4HG

22. Related party transactions

The company is a member of the Genus plc group of companies. In accordance with exemptions conferred by FRS 8, the company has not disclosed transactions with other group companies.