

Company Registration No. 00716304

**Pig Improvement Company UK
Limited**

Report and Financial Statements

30 June 2015

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Pig Improvement Company UK Limited

Report and financial statements 2015

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Pig Improvement Company UK Limited

Report and financial statements 2015

Officers and professional advisers

Directors

S Wilson
D Noonan
K Bitar

Secretary

C Crichton

Registered office

Matrix House
Basing View
Basingstoke
Hampshire
RG21 4DZ

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

Auditor

Deloitte LLP
Reading, United Kingdom
RG1 3BD

Pig Improvement Company UK Limited

STRATEGIC REPORT

The directors present their strategic report and the audited financial statements for the year ended 30 June 2015.

Business review and principal activities

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, trademarks and patents.

Average UK market pig prices have decreased sharply (-14%) vs last year and feed prices have been relatively steady during the year resulting in challenging conditions for UK pig farmer profitability. The overall strategy remains focused towards moving the business to a royalty model and this has resulted in a fall in pig sales to the UK market.

The Company is a part of the Genus plc group and operates with the support of the ultimate holding company in the group.

Review of the business

As shown in the Company's profit and loss account on page 10.

The directors consider the profit achieved on ordinary activities before taxation of £7,433,000 (2014: £7,736,000) and the state of affairs of the Company to be satisfactory, given the economic climate. The Director's remain confident about the group and individual company's future performances, which are further encouraged by the post year-end performance of the Company.

Activities

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, trademarks and patents.

A summary of the main performance indicators is given below:

	2015 £'000	2014 £'000
Turnover	23,549	27,103
Operating profit	7,468	7,913
Profit before taxation	7,433	7,736

Overall turnover decreased by 13%, reflecting a 17% increase in royalties received from group undertakings but a reduction in external sales of 27% (UK based sales 11% reduction and sales outside UK 44% reduction).

The Company cost base started to see the benefit of the previous year re-structuring, with operating profit down only 6% despite the larger decrease in turnover.

The Company's balance sheet on page 12 shows that the Company's financial position at the year end remains strong in net asset terms.

In the opinion of the Directors, the following are the Company's key performance indicators:

- Turnover for the year to 30 June 2015 decreased by 13%.
- Royalties for the year to 30 June 2015 increase by 17%.
- Profit on ordinary activities before taxation fell by 4%, from £7,736,000 to £7,433,000.

The directors are confident about future prospects and do not anticipate any change in the nature of the business carried out by the Company.

Pig Improvement Company UK Limited

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The Board is responsible for the total process of risk management throughout the Company as well as forming an opinion on the effectiveness of this process. The Board monitors risk management activities and actively participates in discussions around risk topics raised.

The Board regularly reviews their principal risks and uncertainties and follows a consistent approach by identifying and prioritising 'high risk' areas. Mitigating actions and associated monitoring and assurance activities are identified for each 'high risk' area. In addition, responsible executive level employees have been identified to monitor and manage specific areas on behalf of the Company on an ongoing basis. This allows the Board to get a better understanding in the context within which risks occurs and identify probable areas for risk mitigation and organisational control.

The risk management process has identified certain key risks faced by the Company. The risks identified below do not necessarily comprise all those affecting the Company and the risks listed are not set out in any particular order of priority. Additional risks and uncertainties not presently known to the Company or the Directors or that the Company or the Directors currently deem immaterial may also adversely affect the Company's business or operations.

Product development and competitive edge

Development programme fails to produce best genetics for customers. Increased competition in the market reduces market share and margins.

We have dedicated teams within the Genus Group who align our product development to customer requirements, while our technical services help customers to make best use of our products. We frequently measure our performance against competitors in customers' systems to ensure the value added by our genetics remains competitive.

Biosecurity and continuity of supply

Loss of key livestock, owing to disease outbreak. Loss of ability to move animals or semen freely (including across borders) due to disease outbreak, environmental incident or international trade sanctions. Industry-wide disease outbreaks affecting demand for Genus products.

We have stringent bio-security standards, with independent reviews throughout the year to ensure compliance. Within the Genus Group we continue to extend the geographical diversity of our production facilities, to avoid over-reliance on single sites.

Intellectual property protection

Genus-developed genetic material, methods and technology could become freely available to third parties. We have a global, cross-functional process to identify and protect our intellectual property ("IP"). Our customer contracts and our selection of multipliers and joint venture partners include appropriate measures to protect our IP.

Human Resources

Failure to attract or retain skills and experience within our executive, management and employee cohorts.

We manage our talent risk through comprehensive people plans, covering recruitment, performance management, reward, succession planning, communication and engagement.

Pig Improvement Company UK Limited

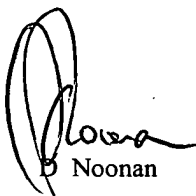
STRATEGIC REPORT (continued)

Going concern

The Company's business activities are detailed above. Liquidity is managed at group level using long term group bank facilities. The directors are confident that, if required, group support will be forthcoming.

Having considered the current uncertain economic environment as well as the group support available, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf by:



D Noonan
Director

17 December 2015

Pig Improvement Company UK Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2015.

Directors

The directors who served the Company during the year and to the date of signing of these accounts, except where noted otherwise, are as shown on page 1.

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.

Dividends

The directors recommend the payment of a final dividend of £10,000,000 (2014: £nil).

Research and development

The Company continues to invest in research and development programmes to maintain its market leading position.

Financial risk management objectives and policies

The Group's Corporate Treasury function provides services to the Company, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the Company's operations, through internal risk reports that analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

We seek to minimise the effects of these risks by hedging them using derivative financial instruments. Our use of financial derivatives is governed by policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Board of Directors regularly reviews our compliance with policies and exposure limits. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Key financial risks and exposures are monitored through a monthly report to the Board of Directors, together with an annual Board review of corporate treasury matters.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange contracts to manage and hedge these exposures.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables (including balances with related parties). The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mix of short term cash and intercompany debt finance.

Pig Improvement Company UK Limited

DIRECTORS' REPORT (continued)

Charitable and political donations

There were no contributions for political or charitable purposes. (2014: £nil).

Employment policies

The Company's policies respect the individual regardless of gender, race or religion. Full and fair consideration is given to applications for employment from disabled people. The services of employees who become disabled are retained wherever possible and training, career development and promotion opportunities are provided where appropriate.

The Genus group has a well-established structure to communicate with employees at every level and to encourage their involvement regarding the group's performance and future activities. A number of the company's employees hold options over Genus plc shares under the group's Saving Related Share Scheme.

Environmental policy

The directors recognise and accept that concern for the environment is an essential part of business strategy and seek to minimise risk to the environment by effective management of the company's activities.

Auditor


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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as the auditor. 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



B Noonan
Director

17 December 2015

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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 auditor's 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 2015 which comprise the Profit and Loss Account, the Statement of Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. 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 auditor's 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 the directors and the auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

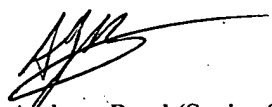
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Bond (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom

17 December 2015

Pig Improvement Company UK Limited

Profit and loss account Year ended 30 June 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	23,549	27,103
Changes in stocks of finished goods and work in progress		305	232
Other operating income		78	752
Raw materials and consumables		(4,682)	(7,123)
Staff costs	5	(2,675)	(3,624)
Depreciation		(287)	(301)
Exceptional costs - restructuring		(220)	47
Other operating charges		(8,600)	(9,173)
Operating profit	3	7,468	7,913
Gain on disposal of fixed assets		2	1
Income from other fixed asset investments		24	35
Profit on ordinary activities before net finance income		7,494	7,949
Net finance expense	4	(61)	(213)
Profit on ordinary activities before taxation		7,433	7,736
Tax charge on profit on ordinary activities	7	(1,192)	(1,840)
Profit on ordinary activities after taxation	17,18	6,241	5,896

All amounts are derived from continuing activities.

Statement of total recognised gains and losses

Year ended 30 June 2015

	Notes	2015 £'000	2014 £'000
Profit for the financial year		6,241	5,896
Actuarial and other gains relating to pension scheme (net of tax)	14	128	-
Total recognised gains since last annual report		6,369	5,896

Pig Improvement Company UK Limited

Note of historical cost profits and losses Year ended 30 June 2015

	2015 £'000	2014 £'000
Reported profit on ordinary activities before taxation	7,433	7,736
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	4	4
Historical cost profit on ordinary activities before taxation	<u>7,437</u>	<u>7,740</u>
Historical cost profit retained after taxation	<u>6,245</u>	<u>5,900</u>


Pig Improvement Company UK Limited

Balance sheet 30 June 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	8	6,721	7,087
Tangible assets	9	855	887
Investments	10	11,338	10,847
		<u>18,914</u>	<u>18,821</u>
Current assets			
Stocks	11	347	245
Debtors	12	3,937	7,015
Cash at bank and in hand		660	812
		<u>4,944</u>	<u>8,072</u>
Creditors: amounts falling due within one year	13	<u>(5,349)</u>	<u>(5,531)</u>
Net current (liabilities)/assets		<u>(405)</u>	<u>2,541</u>
Pension liabilities	14	<u>(778)</u>	<u>-</u>
Net assets		<u>17,731</u>	<u>21,362</u>
Capital and reserves			
Called up share capital	16	186	186
Share premium account	17	8	8
Revaluation reserve	17	49	53
Other reserves	17	23	23
Profit and loss account	17	17,465	21,092
Shareholder's funds	18	<u>17,731</u>	<u>21,362</u>

The financial statements of Pig Improvement Company UK Limited (registration number 0716304) were approved by the Board of Directors and authorised for issue on 17 December 2015.

Signed on behalf of the Board of Directors



D. Noonan
Director

Pig Improvement Company UK Limited

Notes to the financial statements **Year ended 30 June 2015**

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 assets and liabilities 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.

Going Concern

The company's business activities and principal risks and uncertainties are detailed in the Strategic Report. Liquidity is managed at group level using long term group bank facilities. Having considered these risks and the current uncertain economic environment, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing 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), which publishes consolidated accounts.

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 and any provision for impairment 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, some of which were revalued in 1996, without updating the valuations.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

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 straight-line 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 18 months.

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

1. Accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 10 years. Provision is made for any impairment.

Intangible assets

Intangible assets that we have acquired in a business combination since 1 April 2005 are identified and recognised separately from goodwill, where they meet the definition of an intangible asset and we can reliably measure their fair values. Their cost is their fair value at the acquisition date.

After their initial recognition, we report these intangible assets at cost less accumulated amortisation and accumulated impairment losses. This is the same basis as for intangible assets acquired separately.

The estimated useful lives for intangible assets are as follows:

Porcine genetics technology	20 years
Multiplier contracts	15 years
Customer relationships	15 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.

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 company'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.

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

1. Accounting policies (continued)

Taxation (continued)

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 is 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.

Derivative financial instruments

The company uses forward exchange contracts to manage foreign exchange risk.

The fair values of forward exchange contracts are their quoted market price at the balance sheet date, which is the present value of the quoted forward price, any movement in the valuation is recognised immediately in the profit or loss account.

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.

Pensions

In respect of the defined benefit scheme, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the year until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

2. Turnover

	2015 £'000	2014 £'000
Royalties receivable from group undertakings	9,925	8,512
Sales to group undertakings	203	270
External sales	13,421	18,321
	<u>23,549</u>	<u>27,103</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 activities. External sales are split by geographical destination as follows:

	2015 £'000	2014 £'000
United Kingdom	8,357	9,343
Rest of Europe	2,310	2,962
Other	2,754	6,016
	<u>13,421</u>	<u>18,321</u>

3. Operating profit

The following have been charged/(credited) before arriving at operating profit:

	2015 £'000	2014 £'000
Auditor's remuneration		
Audit fees	28	29
Operating lease costs		
- plant and machinery	156	167
- other	254	256
Depreciation of fixed assets		
Owned tangible assets	286	301
Amortisation	366	308
Research and development	2,983	2,664
Group management charge income	(78)	(752)
	<u></u>	<u></u>

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

4. Net finance expense

	2015 £'000	2014 £'000
Other interest receivable and similar income		
Net interest income in respect of pension scheme	50	-
Interest receivable from group undertakings	-	115
Other interest receivable and similar income	261	207
	<u>311</u>	<u>322</u>
Interest payable and similar charges		
Interest payable to group undertakings	(1)	(54)
Other interest payable and similar charges	(371)	(481)
	<u>(372)</u>	<u>(535)</u>
Net finance expense	<u>(61)</u>	<u>(213)</u>

Included in other interest receivable and similar income are exchange gains of £143,000 (2014: £207,000) 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 (2014: £363,000) 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.

5. Employees

	2015 £'000	2014 £'000
Wages and salaries	2,348	3,181
Social security costs	196	254
Pension costs	131	189
	<u>2,675</u>	<u>3,624</u>

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

	2015 No.	2014 No.
Production and service	30	36
Sales	15	18
Administration	4	3
	<u>49</u>	<u>57</u>

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the defined contribution scheme are administered by trustees in a fund independent from those of the company. The unpaid contributions outstanding at year end are £nil (2014: £nil).

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

6. Directors

The directors have been remunerated for their services by another group company in both the current and preceding year and no amounts have been recharged to this company.

7. Tax charge on profit on ordinary activities

Taxation comprises:

	2015 £'000	2014 £'000
Current tax		
UK corporation tax	1,285	1,409
Overseas withholding tax	249	221
Adjustments in respect of prior years	(2)	102
	<hr/>	<hr/>
Current tax charge for the year	1,532	1,732
Deferred taxation		
Origination and reversal of timing differences	(262)	110
Effect of change in tax rate	-	20
Adjustment in respect of prior years	(78)	(22)
	<hr/>	<hr/>
Deferred tax (credit)/charge for the year	(340)	108
	<hr/>	<hr/>
	1,192	1,840
	<hr/>	<hr/>

Factors affecting current tax charge for the year

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	7,433	7,736
	<hr/>	<hr/>
United Kingdom corporation tax at 20.75% (2014: 22.5%) on profit on ordinary activities	1,542	1,741
Effects of:		
- Permanent differences	(34)	(9)
- Timing differences	22	(102)
- Overseas withholding tax	4	-
- Adjustment in respect of prior year	(2)	102
	<hr/>	<hr/>
Current tax charge for the year	1,532	1,732
	<hr/>	<hr/>

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

8. Intangible fixed assets

	Goodwill £'000	Intangible assets £'000	Total £'000
Cost			
At 1 July 2014 and 30 June 2015	3,401	7,395	10,796
Accumulated depreciation			
At 1 July 2014	3,401	308	3,709
During the year	-	366	366
At 30 June 2015	3,401	674	4,075
Net book value			
At 30 June 2015	-	6,721	6,721
At 30 June 2014	-	7,087	7,087

The intangible asset relates to intellectual property rights acquired from Génétiporc Inc.

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

9. Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Breeding stock £'000	Total £'000
Cost or valuation				
At 1 July 2014	690	2,827	429	3,946
Additions	15	44	298	357
Disposals	-	(1)	(278)	(279)
At 30 June 2015	705	2,870	449	4,024
Accumulated depreciation				
At 1 July 2014	596	2,256	207	3,059
Charge for the year	8	100	179	287
Disposals	-	-	(177)	(177)
At 30 June 2015	604	2,356	209	3,169
Net book value				
At 30 June 2015	101	514	240	855
At 30 June 2014	94	571	222	887

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 Year ended 30 June 2015

10. Fixed asset investments

	Shares in subsidiary undertakings £'000	Shares in joint venture and associate undertaking £'000	Loan to joint venture and associate undertaking £'000	Other investments £'000	Total £'000
Cost					
At 1 July 2014	23,483	3,654	4,892	159	32,188
Additions	63	-	-	-	63
Revaluation	-	-	428	-	428
At 30 June 2015	23,546	3,654	5,320	159	32,679
Provision for impairment					
At 1 July 2014 and 30 June 2015	21,201	-	-	140	21,341
Net book value					
At 30 June 2015	2,345	3,654	5,320	19	11,338
At 30 June 2014	2,282	3,654	4,892	19	10,847

Shares in subsidiary undertakings

The company's subsidiary undertakings at 30 June 2015 are as follows:

	Country of incorporation	Class of shares and nominal value	Percentage of nominal value of issued shares held	Nature of business	Net assets at 30 June 2015 £'000	Retained Profit/(loss) for the year £'000
National Pig Development Company Limited	United Kingdom	Ordinary £31,768 Non-voting ordinary £11,034	100% 100%	Non trading	301	5
PIC Polska	Poland	Ordinary 22.130 million zlotys	100%	Supply of dairy and beef semen	268	(44)

Shares in joint ventures and associate undertakings

The company's joint venture and associate undertakings at 30 June 2015 are as follows:

	Country of incorporation	Class of shares and nominal value	Percentage of nominal value of issued shares held	Nature of business
Xianyang Yongxiang Agriculture Technology Co. Ltd	China	Registered capital RMB 70,588,000 yuan	49%	Pig breeding

Other investments

The company holds various trade investments in agricultural and research companies.

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

11. Stocks

	2015 £'000	2014 £'000
Livestock	202	160
Consumables	145	85
	<u>347</u>	<u>245</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 2015

12. Debtors

	2015 £'000	2014 £'000
Trade debtors	1,300	2,547
Amounts owed by parent undertakings	32	1,502
Amounts owed by fellow subsidiary undertakings	1,644	1,447
Amounts owed by subsidiary undertakings	13	18
Deferred tax asset (see note 15)	210	115
Corporation tax recoverable	-	146
Other taxation including VAT	40	14
Other debtors	164	177
Prepayments and accrued income	534	732
Derivative financial asset (see note 20)	-	317
	<u>3,937</u>	<u>7,015</u>

On the amounts owed by parent undertakings, interest is charged at 3 month LIBOR plus 2.5%, set at every quarter end date. The cumulative interest is rolled into principal every 30 June, unless otherwise settled.

13. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	405	951
Amounts owed to parent undertakings	1,652	70
Amounts owing to fellow subsidiary undertakings	1,024	2,594
Amounts owing to subsidiary undertakings	313	1
Corporation tax	285	-
Other taxation and social security	154	225
Other creditors	34	37
Accruals and deferred income	1,480	1,653
Derivative financial liability (see note 20)	2	-
	<u>5,349</u>	<u>5,531</u>

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

14. Pensions

On the 20 March 2015, the company became the sponsoring employer of the National Pig Development Company Limited Retirement Benefits Scheme, which is a defined benefit pension scheme being run as a closed and paid up scheme. The scheme has no active members.

An actuarial valuation of the scheme was last carried out as at 30 June 2014 by the scheme's actuary Xafinity. The contribution rate increased to £210,000 per annum, payable by equal monthly installments with effect from 1 July 2015.

The results of that valuation have been updated under the requirements of FRS 17 to assess the liabilities of the scheme at 30 June 2015.

The financial assumptions used to calculate the scheme liabilities under FRS 17 are:

	2015	2014	2013	2012
Increases for pensions in payment	3.1%	3.2%	3.4%	2.8%
Liability discount rate	3.8%	4.2%	4.6%	4.5%
Inflation assumption	3.1%	3.2%	3.4%	2.8%
Revaluation of deferred pensions	2.0%	2.2%	3.4%	2.8%

The assets in the scheme and the expected rate of return were:

	Value at 30 June 2015 £'000	Long term rate of return expected at 30 June 2015	Value at 30 June 2014 £'000	Long term rate of return expected at 30 June 2014	Value at 30 June 2013 £'000	Long term rate of return expected at 30 June 2013
Equities	-	8.20%	2,462	8.20%	2,199	8.40%
Bonds	1,605	3.30%	1,647	3.20%	1,622	3.20%
Diversified growth funds	3,145	3.80%	-	-	-	-
Property	-	8.20%	82	8.20%	60	8.40%
Cash	217	0.50%	328	0.50%	378	0.50%
Total assets	<u>4,967</u>		<u>4,519</u>		<u>4,259</u>	

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

14. Pensions (continued)

	2015 £'000
Balance sheet reconciliation	
Total market value of assets	4,967
Present value of scheme liabilities	(5,939)
	<hr/>
Deficit in the scheme	(972)
Related deferred tax assets	194
	<hr/>
	(778)
	<hr/>

An analysis of the amount that has been charged to other finance income is as follows:

	2015 £'000
Expected return on pension scheme assets	264
Interest on pension scheme liabilities	(214)
	<hr/>
Net credit	50
	<hr/>

Amounts recognised in the statement of total recognised gains and losses (STRGL):

	2015 £'000
Actual return less expected return on pension scheme assets	198
Experience gains and losses arising on the scheme liabilities	(20)
	<hr/>
Actuarial gain recognised in the STRGL	178
	<hr/>

Movements in deficit during the year:

	2015 £'000
Deficit at 20 March 2015	(1,329)
Movement in year:	
Contributions	129
Other finance income	50
Actuarial gain	178
	<hr/>
Deficit in scheme at end of year	(972)
	<hr/>

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

14. Pensions (continued)

Reconciliation of opening fair value of plan assets to closing fair value of plan assets:

	2015 £'000
Fair value of plan assets at 20 March 2015	4,519
Movement in year:	
Expected return on plan assets	264
Contributions by the company	129
Benefits paid	(143)
Actuarial gain	198
	<hr/>
Fair value of plan assets at end of year	<u>4,967</u>

Reconciliation of opening present value of benefit obligations to closing present value of benefit obligations:

	2015 £'000
Present value of plan obligations at 20 March 2015	(5,848)
Movement in year:	
Interest cost	(214)
Actuarial losses	(20)
Benefits paid	143
	<hr/>
Present value of plan obligations at end of year	<u>(5,939)</u>

	2015
History of experience gains and losses:	
Difference between the expected and actual return on scheme assets £000's:	198
<i>Percentage of the scheme assets</i>	<i>4%</i>
Experience gains and losses arising on the scheme liabilities £000's:	(20)
<i>Percentage of the present value of the scheme liabilities</i>	<i>(-%)</i>
Total actuarial amount recognised in the statement of total recognised gains and losses £000's:	178
<i>Percentage of the present value of the scheme liabilities</i>	<i>3%</i>

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

15. Deferred taxation asset

	2015 £'000	2014 £'000
Accelerated capital allowances	145	63
Short term timing differences	65	52
	<u>210</u>	<u>115</u>
		£'000
Balance at 1 July 2014		115
Credited to profit and loss account		262
Prior year credit		78
Charged to reserves		(51)
Pension related		(194)
		<u>210</u>
Balance at 30 June 2015		

16. Share capital

	2015 £'000	2014 £'000
Allotted, issued, called up and full paid:		
1,857,164 ordinary shares of 10p each	<u>186</u>	<u>186</u>

17. Movement on reserves

	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000
At 1 July 2014	8	53	23	21,092
Profit for the financial year after taxation	-	-	-	6,241
Revaluation surplus	-	(4)	-	4
Other movement	-	-	-	128
Dividend paid	-	-	-	(10,000)
	<u>8</u>	<u>49</u>	<u>23</u>	<u>17,465</u>
At 30 June 2015				

Final dividend for the year ended 30 June 2015 of £5.38 per ordinary share

Pig Improvement Company UK Limited

Notes to the financial statements Year ended 30 June 2015

18. Reconciliation of movements in shareholder's funds

	2015 £'000	2014 £'000
Opening shareholder's funds	21,362	15,466
Profit for the financial year after taxation	6,241	5,896
Other movement	128	-
Dividend paid	(10,000)	-
Closing shareholder's funds	<u>17,731</u>	<u>21,362</u>

19. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Operating leases				
Annual commitments which expire:				
Within one year	45	49	12	-
Between one and five years	122	122	80	68
	<u>167</u>	<u>171</u>	<u>92</u>	<u>68</u>

20. Derivatives and other financial instruments

Fair values

The fair market values of financial assets which have been calculated by the relevant financial institution, together with the carrying amounts shown in the balance sheet, are as follows:

	2015		2014	
	Carrying amounts £'000	Carrying amounts £'000	Fair value £'000	Fair value £'000
Currency rate swap - (liability)/asset	<u>(2)</u>	<u>(2)</u>	<u>317</u>	<u>317</u>

Details of the significant accounting policies and methods adopted are disclosed in note 1 to the financial statements.

We have categorised financial instruments held at valuation into a three-level fair value hierarchy, based on the priority of the inputs to the valuation technique in accordance with FRS 26. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, we base the category level on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. We have estimated the fair values of the Company's outstanding interest rate swaps by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by FRS 26. We have not categorised any financial instruments as Level 1 or Level 3.

Pig Improvement Company UK Limited

Notes to the financial statements

Year ended 30 June 2015

21. Parent undertaking

The company's ultimate controlling party and parent undertaking is Genus plc, a company registered in England and Wales. 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:

Matrix House
Basing View
Basingstoke
Hampshire
RG21 4DZ

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.

23. Contingent liabilities

The company has entered into cross guarantees to the group's bank in respect of the borrowings of its parent. At 30 June 2015 the total contingent liability in respect of group borrowings was £81.1m (2014: £82.7m).