

**Company Registration No. 00716304**

**Pig Improvement Company UK  
Limited**

**Report and Financial Statements**

**30 June 2014**



# **Pig Improvement Company UK Limited**

## **Report and financial statements 2014**

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# **Pig Improvement Company UK Limited**

## **Report and financial statements 2014**

### **Officers and professional advisers**

#### **Directors**

S Wilson  
D Noonan  
K Bitar

#### **Secretary**

C Crichton

#### **Registered office**

Belvedere House  
Basing View  
Basingstoke  
Hampshire  
RG21 4HG

#### **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  
London, United Kingdom

# Pig Improvement Company UK Limited

## STRATEGIC REPORT

The directors present their strategic report and the audited financial statements for the year ended 30 June 2014.

### 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 increased further (6%) vs last year and feed prices have been steady during the year resulting in favourable conditions for UK pig farmer profitability. This has facilitated increased pig sales during the year, whilst the overall strategy remains focused towards moving the business to a royalty model.

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 £7,736,000 (2013: £6,129,000) and the state of affairs of the Company to be satisfactory, given the economic climate. The Directors 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:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	27,103	24,850
Operating profit	7,913	5,867
Profit before taxation	7,736	6,129

Overall turnover increased by 9%, reflecting a 14% increase in royalties received from group undertakings and growth in external sales of 5% (UK based sales 7% and sales outside UK 4%).

The Company cost base started to see the benefit of the prior year re-structuring, and this cost reduction also contributed to the significantly increased Operating Profit, up 35% on 2013.

The company's balance sheet on page 12 shows that the company's financial position at the year end is strong in net asset terms due to the profit improvements and cash management.

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

- Turnover for the year to 30 June 2014 increase by 9%.
- Royalties for the year to 30 June 2014 increase by 14%.
- Profit on ordinary activities before taxation grew 26%, from £6,129,000 to £7,736,000.

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 risk 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. 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**

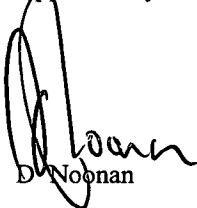
## **STRATEGIC REPORT (continued)**

### **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

19 December 2014

# **Pig Improvement Company UK Limited**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 2014.

### **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 do not recommend the payment of a final dividend (2013: £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 our 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.

### **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**

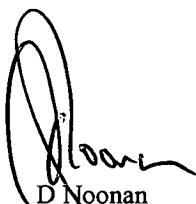
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 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 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



D Noonan  
Director

19 December 2014



# **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, 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 2014 which comprise the Profit and Loss Account, 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 Director's 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 2014 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**

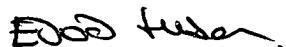
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **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.



**Edward Hanson (Senior Statutory Auditor)**  
**for and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

19 December 2014

# Pig Improvement Company UK Limited

## Profit and loss account Year ended 30 June 2014

	Notes	2014 £'000	2013 £'000
<b>Turnover</b>	2	27,103	24,850
Changes in stocks of finished goods and work in progress		232	37
Other operating income		752	672
Raw materials and consumables		(7,123)	(6,677)
Staff costs	5	(3,624)	(4,050)
Depreciation		(301)	(185)
Exceptional costs - restructuring		47	(1,419)
Other operating charges		(9,173)	(7,361)
<b>Operating profit</b>	3	7,913	5,867
Gain on disposal of fixed assets		1	2
Income from other fixed asset investments		35	29
Amounts written off investments		-	(130)
<b>Profit on ordinary activities before net finance income</b>		7,949	5,768
Net finance (expense)/income	4	(213)	361
<b>Profit on ordinary activities before taxation</b>		7,736	6,129
Tax charge on profit on ordinary activities	7	(1,840)	(1,429)
<b>Profit on ordinary activities after taxation</b>	17,18	5,896	4,700

The company had 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 are derived from continuing activities.

## **Pig Improvement Company UK Limited**

### **Note of historical cost profits and losses Year ended 30 June 2014**

	<b>2014 £'000</b>	<b>2013 £'000</b>
Reported profit on ordinary activities before taxation	7,736	6,129
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>7,740</u>	<u>6,133</u>
Historical cost profit retained after taxation	<u>5,900</u>	<u>4,704</u>


# Pig Improvement Company UK Limited

## Balance sheet 30 June 2014

	Notes	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Intangible assets	8	7,087	-
Tangible assets	9	887	727
Investments	10	10,847	2,096
		<u>18,821</u>	<u>2,823</u>
<b>Current assets</b>			
Stocks	11	245	180
Debtors	12	7,015	18,008
Cash at bank and in hand		812	530
		<u>8,072</u>	<u>18,718</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(5,531)</u>	<u>(4,401)</u>
<b>Net current assets</b>		<u>2,541</u>	<u>14,317</u>
<b>Creditors: amounts falling due after one year</b>	14	<u>-</u>	<u>(1,674)</u>
<b>Net assets</b>		<u>21,362</u>	<u>15,466</u>
<b>Capital and reserves</b>			
Called up share capital	16	186	186
Share premium account	17	8	8
Revaluation reserve	17	53	57
Other reserves	17	23	23
Profit and loss account	17	21,092	15,192
<b>Shareholder's funds</b>	18	<u>21,362</u>	<u>15,466</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 19 December 2014.

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 2014**

#### **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 2014

### 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 2014**

#### **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.

# Pig Improvement Company UK Limited

## Notes to the financial statements Year ended 30 June 2014

### 2. Turnover

	2014 £'000	2013 £'000
Royalties receivable from group undertakings	8,512	7,451
Sales to group undertakings	270	-
External sales	18,321	17,399
	<u>27,103</u>	<u>24,850</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:

	2014 £'000	2013 £'000
United Kingdom	9,343	8,764
Rest of Europe	2,962	3,220
Other	6,016	5,415
	<u>18,321</u>	<u>17,399</u>

### 3. Operating profit

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

	2014 £'000	2013 £'000
Auditor's remuneration		
Audit fees	29	31
Operating lease costs		
- plant and machinery	167	157
- other	256	262
Depreciation of fixed assets		
Owned tangible assets	301	185
Amortisation	308	-
Research and development	2,664	2,555
Group management charge income	(752)	(672)
	<u></u>	<u></u>

# Pig Improvement Company UK Limited

## Notes to the financial statements Year ended 30 June 2014

### 4. Net finance (expense)/income

	2014 £'000	2013 £'000
<b>Other interest receivable and similar income</b>		
Interest receivable from group undertakings	115	301
Other interest receivable and similar income	207	152
	<u>322</u>	<u>453</u>
<b>Interest payable and similar charges</b>		
Interest payable to group undertakings	(54)	(12)
Other interest payable and similar charges	(481)	(80)
	<u>(535)</u>	<u>(92)</u>
<b>Net finance (expense)/income</b>	<u>(213)</u>	<u>361</u>

Included in other interest receivable and similar income are exchange gains of £207,000 (2013: £152,000) 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 £363,000 (2013: £80,000) 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

	2014 £'000	2013 £'000
Wages and salaries	3,181	3,650
Social security costs	254	203
Pension costs	189	197
	<u>3,624</u>	<u>4,050</u>

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

	2014 No.	2013 No.
Production and service	36	42
Sales	18	14
Administration	3	4
	<u>57</u>	<u>60</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 (2013: £nil).

# Pig Improvement Company UK Limited

## Notes to the financial statements Year ended 30 June 2014

### 6. Directors

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

### 7. Tax charge on profit on ordinary activities

Taxation comprises:

	2014 £'000	2013 £'000
<b>Current tax</b>		
UK corporation tax	1,409	1,400
Overseas withholding tax	221	175
Adjustments in respect of prior years	102	5
Current tax charge for the year	1,732	1,580
<b>Deferred taxation</b>		
Origination and reversal of timing differences	110	(159)
Effect of change in tax rate	20	10
Adjustment in respect of prior years	(22)	(2)
Deferred tax charge/(credit) for the year	108	(151)
	1,840	1,429

#### Factors affecting current tax charge for the year

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	7,736	6,129
United Kingdom corporation tax at 22.50% (2013: 23.75%) on profit on ordinary activities	1,741	1,456
Effects of:		
- Permanent differences	(9)	(33)
- Timing differences	(102)	158
- Overseas withholding tax	-	(6)
- Adjustment in respect of prior year	102	5
Current tax charge for the year	1,732	1,580

# Pig Improvement Company UK Limited

## Notes to the financial statements Year ended 30 June 2014

### 8. Intangible fixed assets

	<b>Goodwill £'000</b>	<b>Intangible assets £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 July 2013	3,401	-	3,401
Additions	-	7,395	7,395
At 30 June 2014	3,401	7,395	10,796
<b>Accumulated depreciation</b>			
At 1 July 2013	3,401	-	3,401
During the year	-	308	308
At 30 June 2014	3,401	308	3,709
<b>Net book value</b>			
At 30 June 2014	-	7,087	7,087
At 30 June 2013	-	-	-

During the year the company purchased intellectual property rights from Génétiporc Inc.

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

### 9. Tangible fixed assets

	<b>Freehold land and buildings £'000</b>	<b>Plant and equipment £'000</b>	<b>Breeding stock £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 1 July 2013	674	2,600	448	3,722
Additions	16	227	411	654
Disposals	-	-	(430)	(430)
At 30 June 2014	690	2,827	429	3,946
<b>Accumulated depreciation</b>				
At 1 July 2013	566	2,164	265	2,995
Charge for the year	30	92	179	301
Disposals	-	-	(237)	(237)
At 30 June 2014	596	2,256	207	3,059
<b>Net book value</b>				
At 30 June 2014	94	571	222	887
At 30 June 2013	108	436	183	727

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 2014

### 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
<b>Cost</b>					
At 1 July 2013	23,278	-	-	159	23,437
Additions	205	3,654	5,299	-	9,158
Revaluation	-	-	(407)	-	(407)
At 30 June 2014	23,483	3,654	4,892	159	32,188
<b>Provision for impairment</b>					
At 1 July 2013	21,201	-	-	140	21,341
Provided during the year	-	-	-	-	-
At 30 June 2014	21,201	-	-	140	21,341
<b>Net book value</b>					
At 30 June 2014	2,282	3,654	4,892	19	10,847
At 30 June 2013	2,077	-	-	19	2,096

#### Shares in subsidiary undertakings

The company's subsidiary undertakings at 30 June 2014 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 2014 £'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	235	(14)
PIC Polska	Poland	Ordinary 22.130 million zlotys	100%	Supply of dairy and beef semen	539	(162)

#### Shares in joint ventures and associate undertakings

The company's joint venture and associate undertakings at 30 June 2014 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 2014

### 11. Stocks

	2014 £'000	2013 £'000
Livestock	160	89
Consumables	85	91
	<u>245</u>	<u>180</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 2014.

### 12. Debtors

	2014 £'000	2013 £'000
Trade debtors	2,547	2,001
Amounts owed by parent undertakings	1,502	13,321
Amounts owed by fellow subsidiary undertakings	1,447	1,186
Amounts owed by subsidiary undertakings	18	185
Deferred tax asset (see note 15)	115	223
Corporation tax recoverable	146	100
Other taxation including VAT	14	15
Other debtors	177	71
Prepayments and accrued income	732	906
Derivative financial asset (see note 20)	317	-
	<u>7,015</u>	<u>18,008</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

	2014 £'000	2013 £'000
Trade creditors	951	458
Amounts owed to parent undertakings	70	8
Amounts owing to fellow subsidiary undertakings	2,594	974
Amounts owing to subsidiary undertakings	1	52
Other taxation and social security	225	335
Other creditors	37	21
Accruals and deferred income	1,653	2,553
	<u>5,531</u>	<u>4,401</u>

# Pig Improvement Company UK Limited

## Notes to the financial statements Year ended 30 June 2014

### 14. Creditors: amounts falling due after one year

	2014 £'000	2013 £'000
Amounts owing to fellow subsidiary undertakings	-	119
Amounts owing to subsidiary undertakings	-	1,555
	<u>-</u>	<u>1,674</u>

On the amounts owing to group undertakings, interest is charged at one year LIBOR plus 1% or 2%, set at every quarter end date. The cumulative interest is rolled into principal every 30 June, unless otherwise settled.

### 15. Deferred taxation asset

	2014 £'000	2013 £'000
Accelerated capital allowances	63	53
Short term timing differences	52	170
	<u>115</u>	<u>223</u>
		£'000
Balance at 1 July 2013		223
Credited to profit and loss account		(130)
Prior year charge		22
		<u>115</u>
Balance at 30 June 2014		<u>115</u>

### 16. Share capital

	2014 £'000	2013 £'000
<b>Allotted, issued, called up and full paid:</b>		
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 2013	8	57	23	15,192
Profit for the financial year after taxation	-	-	-	5,896
Revaluation surplus	-	(4)	-	4
	<u>8</u>	<u>53</u>	<u>23</u>	<u>21,092</u>
At 30 June 2014	<u>8</u>	<u>53</u>	<u>23</u>	<u>21,092</u>



# Pig Improvement Company UK Limited

## Notes to the financial statements Year ended 30 June 2014

### 18. Reconciliation of movements in shareholder's funds

	2014 £'000	2013 £'000
Opening shareholder's funds	15,466	10,766
Profit for the financial year after taxation	5,896	4,700
Closing shareholder's funds	<u>21,362</u>	<u>15,466</u>

### 19. Operating lease commitments

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

	Land and buildings		Other	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Operating leases</b>				
Annual commitments which expire:				
Within one year	49	189	-	67
Between one and five years	122	-	68	43
	<u>171</u>	<u>189</u>	<u>68</u>	<u>110</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:

	2014 Carrying amounts £'000	Fair value £'000
Currency rate swap	<u>317</u>	<u>317</u>

There were no derivatives and other financial instruments held by the company in 2013.

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 2014**

#### **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:

Belvedere House  
Basing View  
Basingstoke  
Hampshire  
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.

#### **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 2014 the total contingent liability in respect of group borrowings was £82.7m (2013: £65.6m).