

Aviagen International Finance Limited

**Directors' report and consolidated
financial statements**

Registered Number - 04768827

30 June 2015

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Directors and advisers

Directors	CP Hill J Schlaman
Secretary	CP Hill
Auditor	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Solicitors	Freshfields 65 Fleet Street London EC4Y 1HS
Registered office	Stratford Hatchery, Alscott Industrial Estate Atherstone on Stour Stratford-Upon -Avon Warwickshire CV37 8BH

Strategic report

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

Principal activities

The company is a holding company. The principal activities of the group are the selective breeding of poultry and the production and distribution of poultry breeding stock world-wide.

Business review

The group achieved another good result for the year to 30 June 2015. Operating profit increased from \$100,634,000 in the previous year to \$120,874,000 due to generally good product performance and business conditions throughout the group. Profit before tax increased to \$124,124,000 from \$99,904,000. Turnover at \$557,858,000 was up \$12,353,000 (2.3%) on the previous fiscal year.

The principal risks and uncertainties affecting the business include the following:

- Disease - the group abides by strict bio-security procedures to maintain disease free production facilities. These facilities are strategically located worldwide to minimize the impact of import/export restrictions on deliveries to customers.
- Feed costs - the worldwide change in demand for corn, soy and wheat may impact feed costs in the current year.
- Energy costs – any increases in the cost of energy may negatively impact production and other costs.
- Foreign currency exchange – the group closely monitors short and medium term exchange rates and hedges against currency fluctuations relating to transactions as it deems necessary.
- Environmental risks - the group places considerable emphasis upon environmental compliance within the business and not only seeks to ensure ongoing compliance with relevant legislation, but also strives to ensure that environmental best practices are incorporated into its practices.
- Government regulation - the group regularly monitors forthcoming and current legislation and other regulatory activities to minimise any negative impact to the business.
- Pension funding risk - the group operates significant pension plans as detailed in note 17. The funding of the UK pensions at 30 June 2015 was 62% in equities and 38% in other assets. The group is subject to funding risks, principally poor performance of the equity investments and increased longevity of the members. Such risks could result in increased contributions by the group to the pension schemes.
- New product, project and technology risk - the group develops new technologies and introduces new products for production. All new technologies and products involve business risk both in terms of possible abortive expenditure, risk to reputation and potentially customer claims or onerous contracts. Such risks may materially impact on the group. All appropriate measures are taken to protect the group's intellectual property rights and to minimise the risk of infringement of third party rights.
- Competitive risk - the group operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the group. The diversity of operations reduces the possible effect of action by any single competitor. The group invests in research and development in order to sustain competitive advantage, and also works continually to ensure that its cost base is competitive.

Strategic report *(continued)*

Key areas of strategic development and performance of the business include:

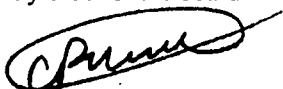
- Sales and marketing - new and replacement business is being won continually; new markets have been developed in line with the group's strategy. Key customer relationships are monitored on a regular basis.
- Production - new products continue to be developed for both existing and development markets; production efficiencies have been gained and new initiatives for process and efficiency improvements are constantly being developed.
- Health and Safety - accident and absenteeism rates have fallen and the group continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.
- Environment - new methods of achieving greater environmental effectiveness are continually being examined.

Key financial performance indicators include the monitoring and management of profitability and working capital.

Key non-financial performance indicators include the monitoring of our employees' health and safety in addition to the group's environmental impact and energy consumption.

	Year ended 30 June 2015	Year ended 30 June 2014	Measure
Financial			
Return on capital	21.94%	19.45%	Profit after tax/total assets less current liabilities
Current ratio	1.3:1	1.2:1	Current assets: current liabilities
Stock turnover	6.7	5.8	Turnover/stock
Creditor days	37	24	Trade creditors/cost of sales x 365
Sales per employee (\$000)	224	227	Turnover/average number of employees

By order of the board



CP Hill
Company Secretary

Stratford Hatchery
Atherstone on Stour
Stratford-Upon-Avon
Warwickshire
CV37 8BH

30 September 2015

Directors' report

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

Proposed dividend

The directors do not recommend the payment of a dividend.

Research and development

The group is involved in research and development in respect of the selective breeding of poultry.

Directors

The directors who held office during the year, and to the date of this report, were as follows:

CP Hill
J Schlaman

Employees

Disabled employees

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various matters affecting the performance of the group.

Political and charitable contributions

The group made no political contributions during the year. Donations to UK charities amounted to \$nil (2014: \$nil).

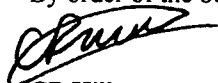
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



CP Hill
Company Secretary

Stratford Hatchery
Atherstone on Stour
Stratford-Upon-Avon
Warwickshire
CV37 8BH

30 September 2015

Statement of directors' responsibilities in respect of the Strategic report and the Directors' Report and the financial statements

The directors are responsible for preparing the strategic report, the Directors' 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Aviagen International Finance Limited

We have audited the financial statements of Aviagen International Finance Limited for the year ended 30 June 2015 set out on pages 7 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG

30 September 2015

Consolidated profit and loss account
for the year ended 30 June 2015

	<i>Note</i>	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
Turnover:			
Group and share of joint ventures		563,790	550,837
Less: share of joint ventures		(5,932)	(5,332)
Group turnover	2	<u>557,858</u>	<u>545,505</u>
Cost of sales		(380,689)	(392,011)
Gross profit		<u>177,169</u>	<u>153,494</u>
Distribution costs		(24,588)	(21,432)
Administrative expenses		(27,533)	(36,638)
Other operating income		2,705	6,939
Other operating expenses		(7,516)	(2,039)
Group operating profit		<u>120,237</u>	<u>100,324</u>
Share of operating profit in joint ventures		637	310
Total operating profit		<u>120,874</u>	<u>100,634</u>
Profit on sale of tangible fixed assets		1,669	1,642
Interest receivable and similar income	6	9,551	8,641
Interest payable and similar charges	7	(7,970)	(11,013)
Profit on ordinary activities before taxation	3	<u>124,124</u>	<u>99,904</u>
Tax on profit on ordinary activities	8	<u>(26,518)</u>	<u>(16,721)</u>
Profit on ordinary activities after taxation		<u>97,606</u>	<u>83,183</u>
Income attributable to minority interest		<u>(5,352)</u>	<u>(3,328)</u>
Profit for the financial period		<u><u>92,254</u></u>	<u><u>79,855</u></u>

Consolidated balance sheet
at 30 June 2015

	<i>Note</i>	June 2015 \$000	June 2015 \$000	June 2014 \$000	June 2014 \$000
Fixed assets					
Intangible assets: Goodwill	9		163,917		163,372
Tangible assets	10		187,487		196,033
Investments:					
Investments in joint ventures		12,301		9,758	
Share of gross assets		(4,666)		(2,236)	
Share of gross liabilities	11	7,635		7,522	
Other investments	11	60		793	
			7,695		8,315
			<u>359,099</u>		<u>367,720</u>
Current assets					
Stocks	12	83,052		94,085	
Debtors	13	177,736		186,238	
Cash at bank and in hand		44,227		47,191	
		<u>305,015</u>		<u>327,514</u>	
Creditors: amounts falling due within one year	14	(243,594)		(284,628)	
Net current assets			61,421		42,886
Total assets less current liabilities			<u>420,520</u>		<u>410,606</u>
Creditors: amounts falling due after more than one year	15	(7,519)		(8,386)	
Provisions for liabilities and charges	16	(2,588)		(2,209)	
Net assets excluding post retirement liabilities			<u>410,413</u>		<u>400,011</u>
Post retirement liabilities	17	(14,525)		(12,293)	
Net assets including post retirement liabilities			<u>395,888</u>		<u>387,718</u>
Capital and reserves					
Called up share capital	18	24,667		24,667	
Capital contribution	19	73,508		73,508	
Profit and loss account	19	288,793		285,975	
Equity shareholders' funds			<u>386,968</u>		<u>384,150</u>
Minority Interests	20	8,920		3,568	
Total equity			<u>395,888</u>		<u>387,718</u>

These financial statements were approved by the board of directors on 30 September 2015 and were signed on its behalf by:

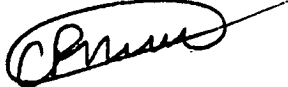


CP Hill
Director

Company balance sheet
at 30 June 2015

	<i>Note</i>	June 2015 \$000	June 2014 \$000
Fixed assets			
Investments:	<i>11</i>		
Investments in subsidiary undertakings		<u>117,083</u>	<u>117,083</u>
Current assets			
Cash at bank and in hand		52	94
Creditors: amounts falling due within one year	<i>14</i>	(3)	(67)
Net assets		<u>117,132</u>	<u>117,110</u>
Capital and reserves			
Called up share capital	<i>18</i>	24,667	24,667
Capital contribution	<i>19</i>	38,585	38,585
Profit and loss account	<i>19</i>	53,880	53,858
Equity shareholders' funds		<u>117,132</u>	<u>117,110</u>

These financial statements were approved by the board of directors on 30 September 2015 and were signed on its behalf by:



CP Hill
Director

Consolidated cash flow statement
for the year ended 30 June 2015

		Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
	<i>Note</i>		
Cash flow statement			
Cash flow from operating activities	23	158,241	107,033
Returns on investments and servicing of finance	24	4,364	2,347
Taxation		(24,187)	(20,478)
Capital expenditure and financial investment	24	(44,892)	(33,757)
Acquisitions and disposals	24	(580)	59,293
Translation differences		(21,139)	(15,566)
Cash inflow before management of liquid resources and financing		71,807	98,872
Financing	24	(74,771)	(75,439)
(Decrease) / increase in cash in the year		(2,964)	23,433

		Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
Reconciliation of net cash flow to movement in net debt			
(Decrease) / increase in cash in the year		(2,964)	23,433
Cash flow from changes in debt financing		(42,458)	193,846
Change in net debt resulting from cash flows	25	(45,422)	217,279
Translation differences		395	(20,641)
Movement in net debt in the year		(45,027)	196,638
Net debt at the start of the year	25	45,018	(151,620)
Net debt at the end of the year	25	(9)	45,018

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2015

	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
Profit for the financial period		
Group	97,198	82,602
Share of joint ventures	408	581
Income attributable to minority interest	(5,352)	(3,328)
	<u>92,254</u>	<u>79,855</u>
Net exchange differences on the retranslation of net investments and related borrowings	(53,741)	1,155
Actuarial loss recognised in the post retirement benefit schemes	(7,809)	(4,767)
Deferred tax arising on the loss in the post retirement benefit schemes	1,620	1,073
Total recognised gains and losses relating to the financial period	<u><u>32,324</u></u>	<u><u>77,316</u></u>

Reconciliations of movements in shareholders' funds
for the year ended 30 June 2015

	Group Year ended 30 June 2015 \$000	Group Year ended 30 June 2014 \$000	Company Year ended 30 June 2015 \$000	Company Year ended 30 June 2014 \$000
Profit/(loss) for the financial period	92,254	79,855	17,833	(57)
Other recognised gains and losses relating to the period (net)	(59,930)	(2,539)	—	—
Net addition to/(reduction in) shareholders' funds	<u>32,324</u>	<u>77,316</u>	<u>17,833</u>	<u>(57)</u>
Opening shareholders' funds	387,718	312,205	117,110	117,167
Capital contribution from parent undertaking	—	14,650	—	—
Dividends paid	(29,506)	(19,781)	(17,811)	—
Increase in minority interest	5,352	3,328	—	—
Closing shareholders' funds	<u><u>395,888</u></u>	<u><u>387,718</u></u>	<u><u>117,132</u></u>	<u><u>117,110</u></u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2015. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of associates and joint ventures is included in the consolidated profit and loss account and its interest in their net assets, is included in investments in the consolidated balance sheet.

Under section 408 Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised. The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises.

Goodwill is amortized to nil by equal annual instalments over its estimated useful life unless it is considered to have an indefinite useful life, in which case it is not amortised but is subject to annual review for impairment. The latter is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the period and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. Any impairment charge is included within operating profits. The reasons why, in the case of particular acquisitions, goodwill is considered to have an indefinite life are set out in note 9.

Investments

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	10-50 years
Leasehold land and buildings	-	life of lease
Plant and machinery	-	3-10 years

No depreciation is provided on freehold land.

Stocks

Stocks are stated at the lower of cost and net realisable value. For livestock, cost is taken as farm costs during the rearing period, which includes an appropriate proportion of attributable overheads, and is amortised over the laying period.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings and associated undertakings and joint ventures are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the period. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Payments under operating leases are charged wholly to the profit and loss account in the year in which they are incurred.

Post retirement benefits

In the United Kingdom the group operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the group. Pension scheme assets are measured using market values. For quoted securities current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension schemes surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

In the United Kingdom group companies sponsor retirement plans that are defined contribution schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

In addition, the group operates defined contribution schemes in other countries in accordance with local regulations.

Notes (continued)

1 Accounting policies (continued)

Research and development expenditure

Expenditure on research and development is written off against profits in the period in which it is incurred.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to third party customers.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 Segmental information

The table below provides geographical analysis of turnover by destination:

	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
UK	47,404	43,541
Rest of Europe	338,398	300,034
Rest of World	172,056	201,930
	<u>557,858</u>	<u>545,505</u>

The directors are of the opinion that disclosing segmental information required by Statement of Standard Accounting Practice No 25 'Segmental Reporting' would be prejudicial to the interests of the group.

Notes (continued)

3 Profit on ordinary activities before taxation

	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Amounts receivable by auditors and their associates in respect of:		
Audit of these financial statements	86	86
Audit of financial statements of subsidiaries pursuant to legislation	349	393
Other services relating to taxation	186	159
Depreciation and other amounts written off tangible fixed assets	18,205	19,367
Rentals payable under operating leases:		
Hire of plant and machinery	3,474	3,191
Hire of other assets	11,437	11,387
Research and development expenditure	24,260	23,540
Redundancy payments	<u>415</u>	<u>37</u>

4 Remuneration of directors

The emoluments of the directors are borne by a fellow subsidiary company, Aviagen Inc.

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Group Year ended 30 June 2015 Number	Group Year ended 30 June 2014 Number
Production and distribution	1,872	1,784
Administration	316	295
Other	301	324
	<u>2,489</u>	<u>2,403</u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Group Year ended 30 June 2015 \$000	Group Year ended 30 June 2014 \$000
Wages and salaries	80,215	84,845
Social security costs	8,683	9,161
Other pension costs - defined contribution schemes	2,857	3,255
Other benefits	5,526	6,193
	<u>97,281</u>	<u>103,454</u>

6 Interest receivable and similar income

	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
Group		
Bank interest receivable	399	284
Group interest receivable	2,551	3,402
Receivable from parent undertaking	1,737	—
Expected return on defined benefit scheme pensions assets	<u>4,863</u>	<u>4,597</u>
	9,550	8,283
Joint ventures		
- Interest income	1	331
- exchange gains	—	27
	<u>9,551</u>	<u>8,641</u>

7 Interest payable and similar charges

	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
Group		
Other interest payable	166	124
Payable to parent and fellow subsidiary undertakings	65	37
Finance charges on finance leases	217	1,213
Net exchange losses	3,337	5,474
On defined benefit scheme obligation	<u>3,973</u>	<u>4,165</u>
	7,758	11,013
Joint ventures		
- bank interest payable	18	—
- exchange losses	194	—
	<u>7,970</u>	<u>11,013</u>

Notes *(continued)*

8 Taxation

Analysis of charge in year

	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
<i>UK corporation tax</i>		
Current tax on income for the year	10,947	7,669
Adjustment in respect of previous periods	(21)	(1,053)
<i>Foreign tax</i>		
Current tax on income for the year	18,166	8,783
Adjustment in respect of previous period	(2,384)	(376)
Total current tax charge	26,708	15,023
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences	(1,940)	—
Adjustment in respect of previous periods	925	430
Tax effect of pension contributions in excess of service and finance costs	809	1,181
Share of joint ventures' tax	16	87
Tax on profit on ordinary activities	26,518	16,721

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2014, higher) than the standard rate of corporation tax in the UK of 20.75% (2014: 22.5%). The differences are explained below.

	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	124,124	99,904
Current tax at 20.75% (2014: 22.5%)	25,756	22,478
<i>Effects of:</i>		
Expenses not deductible for tax purposes	230	130
Non-taxable dividends received	—	(1,873)
Deemed distribution income	684	—
Higher tax rates on overseas earnings	1,810	286
Research and development tax credits	(212)	(1,621)
Depreciation on non qualifying assets	491	567
Exclusion of profits on joint ventures	(186)	(322)
Differences between capital allowances and depreciation	(513)	158
Other timing differences	2,453	(156)
Losses carried forward	1,431	—
Losses utilised on overseas profits	(189)	(1,823)
Pension contributions in excess of service and finance costs	(809)	(1,181)
Adjustments in respect of prior years	(2,405)	(1,429)
Rate difference on deferred tax	3	30
Other	(1,836)	(221)
Total current tax charge (see above)	26,708	15,023

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014 and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly.

The deferred tax asset at 30 June 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

A deferred tax asset has not been recognised in respect of non trading losses arising in certain subsidiary companies where it is considered unlikely that there will ever be suitable taxable profits generated to utilise these losses.

Notes (continued)

9 Intangible fixed assets - Group

	Goodwill
	\$000
<i>Net book value</i>	
At 30 June 2014	163,372
Additions during the year	653
Foreign currency exchange differences	(108)
At 30 June 2015	<u>163,917</u>

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. In accordance with FRS 10 the Group has concluded that goodwill arising on the acquisitions of Aviagen Group Limited, Aviagen EPI NV, Aviagen Turkeys France s.a.r.l., Aviagen America Latina Ltda Aviagen SAU, Aviagen France SAS, Aviagen SweChick AB, Aviagen LLC, Aviagen Anadolu and Holly Berry Hatcheries, Ltd should not be amortised as it has an indefinite useful economic life. The investments are considered to have indefinite durability that can be demonstrated, and the value of the acquisitions can be readily measured.

Each of the investments operates in a longstanding and profitable sector. The sector has high entry barriers due to the nature of the business involving high levels of research and development expenditure along with the recruitment of a highly skilled workforce.

The group has not amortised the goodwill, a departure from Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, for the over-riding purpose of giving a true and fair view of the Group's results, for the reasons outlined above. If the goodwill arising on the investments had been amortised over a period of 20 years the operating profit would have been decreased by \$8,163,000 (2014: \$8,929,000); goodwill would have been decreased by \$83,757,000 (2014: \$75,594,000); and profit and loss reserve would have been decreased by \$83,757,000 (2014: \$75,594,000).

Notes (continued)

10 Tangible fixed assets

	Land and buildings \$000	Plant and machinery \$000	Vehicles \$000	Total \$000
Group				
Cost				
At 1 July 2014	170,897	109,690	11,067	291,654
Additions	17,852	27,469	2,171	47,492
Disposals	(138)	(1,544)	(1,278)	(2,960)
Reclassification	(2,523)	2,503	20	—
Foreign currency exchange differences	(30,872)	(21,159)	(1,930)	(53,961)
At 30 June 2015	155,216	116,959	10,050	282,225
Depreciation				
At 1 July 2014	39,650	51,046	4,925	95,621
Charge for the year	7,178	9,554	1,473	18,205
Disposals	(20)	(951)	(1,058)	(2,029)
Foreign currency exchange differences	(6,445)	(9,678)	(936)	(17,059)
At 30 June 2015	40,363	49,971	4,404	94,738
Net book value				
At 30 June 2015	114,853	66,988	5,646	187,487
At 30 June 2014	131,247	58,644	6,142	196,033

Included in the total net book value of land and buildings and plant and machinery is \$4,669,000 (2014: \$5,712,000) and \$557,000 (2014: \$1,832,000), respectively in respect of assets held under finance leases. Depreciation for the year on these assets was \$520,000 (2014: \$1,310,000).

The net book value of land and buildings comprises:

	2015 \$000	2014 \$000
Freehold	110,184	125,535
Short leasehold	4,669	5,712
	114,853	131,247

The gross book value of land and buildings includes \$138,098,000 (2014: \$152,567,000) of depreciable assets.

Notes (continued)

11 Fixed asset investments

	Interests in joint ventures \$000	Other investments other than loans \$000	Total \$000
Group			
Shares			
At 1 July 2014	8,082	793	8,875
Additions	710	25	735
Disposals	(808)	—	(808)
Reclassification	689	(689)	—
Foreign currency exchange differences	(599)	(69)	(668)
At 30 June 2015	8,074	60	8,134
Share of post acquisition reserves			
At 1 July 2014	(560)		(560)
Retained profits less losses for the year	408		408
Foreign currency exchange differences	(287)		(287)
At 30 June 2015	(439)		(439)
Net book value			
At 30 June 2015	7,635	60	7,695
 At 30 June 2014	 7,522	 793	 8,315
 Company			
Cost and net book value			
At 1 July 2014 and 30 June 2015			117,083

Shares
in subsidiary
undertakings
\$000

Notes (continued)

11 Fixed asset investments (continued)

The principal trading undertakings in which the group's interest at the year end is more than 20% are as follows:

	Country of Incorporation	Principal Activity	Class and percentage of shares held	
			Group	Company
<i>Subsidiary undertakings</i>				
Aviagen International Finance One Limited	UK	Holding Company	—	100%
Aviagen International Finance Two Limited*	UK	Holding Company	100%	—
Aviagen International Finance Four Limited*	UK	Holding Company	100%	—
Aviagen International Holdings Limited*	UK	Holding Company	100%	—
EW UK Holdings 2 Limited*	UK	Holding Company	100%	—
Aviagen International Finance Five Limited*	UK	Holding Company	100%	—
Aviagen European Holdings Limited*	UK	Holding Company	100%	—
Aviagen Turkeys Holdings Limited*	UK	Holding Company	100%	—
Aviagen Limited*	UK	Poultry breeding	100%	—
Aviagen UK Limited*	UK	Poultry breeding	100%	—
Aviagen EPI NV*	Belgium	Poultry breeding	100%	—
Aviagen Kft*	Hungary	Poultry breeding	100%	—
Aviagen Turkeys Limited**	UK	Poultry breeding	100%	—
Aviagen Turkeys France s.a.r.l.*	France	Poultry breeding	100%	—
Aviagen America Latina Ltda*	Brazil	Poultry breeding	100%	—
Aviagen Australia Pty Ltd*	Australia	Poultry breeding	100%	—
Aviagen New Zealand Ltd*	New Zealand	Poultry breeding	100%	—
Aviagen India Poultry Breeding Company Pvt, Ltd*	India	Poultry breeding	100%	—
Aviagen Italia Srl*	Italy	Poultry breeding	100%	—
Aviagen GmbH*	Germany	Poultry breeding	100%	—
Aviagen South Africa (Proprietary) Limited*	South Africa	Poultry breeding	100%	—
Aviagen SAU*	Spain	Poultry breeding	100%	—
Aviagen France SAS*	France	Poultry breeding	100%	—
Aviagen SweChick AB*	Sweden	Poultry breeding	100%	—
Aviagen LLC**	Russia	Poultry breeding	100%	—
Aviagen ApS*	Denmark	Poultry breeding	100%	—
Aviagen EPI BV*	The Netherlands	Poultry breeding	100%	—
Aviagen EPI GmbH*	Germany	Poultry breeding	100%	—
Aviagen EPI Polska Zoo*	Poland	Poultry breeding	100%	—
Aviagen Anadolu Ana Damizlik Tavukculuk Sanayi Veticaret Anonim Sirketi*	Turkey	Poultry breeding	100%	—
Ross Haymana ana Damizlik Tavukculuk Sanayi ve Ticaret A.S.*	Turkey	Poultry breeding	80%	—
Hockenhull Turkeys Ltd*	UK	Poultry breeding	100%	—

Notes (continued)

11 Fixed asset investments (continued)

	Country of Incorporation	Principal Activity	Class and percentage of shares held	
			Group	Company
Subsidiary undertakings				
Dormant				
Dorana Fünfundfünfzigste Verwaltungs GmbH*	Germany	Poultry breeding	100%	—
Lohmann Indian River Beteiligungs GmbH*	Germany	Poultry breeding	100%	—
Lohmann Indian River GmbH & Co KG**	Germany	Poultry breeding	100%	—
Aviagen Pension Trustees Limited*	UK	Pension trustee	100%	—
Joint ventures				
Ross Ankara Damizlik Tavukculuk Sanayi Veticaret Anonim Sirketi*	Turkey	Poultry breeding	49%	—
Central India Poultry Breeders Pvt Ltd*	India	Poultry breeding	50%	—
Aviagen Properties LLC*	Russia	Poultry breeding	49%	—

* held by a subsidiary undertaking

** held by various subsidiary undertakings

12 Stocks

	Group 2015 \$000	Group 2014 \$000
Livestock	49,828	54,834
Work in progress	26,150	31,041
Consumables	7,074	8,210
	<u>83,052</u>	<u>94,085</u>

13 Debtors

	Group 2015 \$000	Group 2014 \$000
Trade debtors	87,061	84,749
Amounts owed by parent and fellow subsidiary undertakings	78,312	83,939
Other debtors	8,327	14,234
Prepayments and accrued income	1,870	2,229
Deferred tax	2,166	1,087
	<u>177,736</u>	<u>186,238</u>

Notes (continued)

13 Debtors (continued)

Total group debtors include the following amounts due after more than one year:

	Group 2015 \$000	Group 2014 \$000
Other debtors	<u>500</u>	<u>889</u>

The elements of the deferred tax asset are as follows:

	2015 \$000	2014 \$000
Accelerated capital allowances	(5,653)	(5,086)
Losses	843	1,022
Other timing differences	<u>6,976</u>	<u>5,151</u>
Deferred tax asset	<u>2,166</u>	<u>1,087</u>

14 Creditors: amounts falling due within one year

	Group 2015 \$000	Group 2014 \$000	Company 2015 \$000	Company 2014 \$000
Bank loans secured (see note 15)	42,500	—	—	—
Finance leases	19	51	—	—
Trade creditors	38,344	25,905	—	—
Amounts owed to parent undertakings	85,603	174,776	—	—
Amounts owed to fellow subsidiary undertakings	9,889	13,942	—	—
Corporation tax	13,379	12,299	—	—
Other taxation and social security	5,053	6,551	—	—
Payments received in advance	1,871	3,249	—	—
Other creditors	18,754	20,107	3	67
Accruals and deferred income	28,182	27,748	—	—
	<u>243,594</u>	<u>284,628</u>	<u>3</u>	<u>67</u>

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	Group	Group	Company	Company
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Finance leases	1,717	2,122	—	—
Other creditors	5,399	5,805	—	—
Accruals and deferred income	403	459	—	—
	<u>7,519</u>	<u>8,386</u>	<u>—</u>	<u>—</u>

Analysis of debt:

	Group	Group
	2015	2014
	\$000	\$000
In one year or less, or on demand	<u>42,500</u>	<u>—</u>
	<u>42,500</u>	<u>—</u>

The maturity of obligations under finance leases is:

	2015	2014
	\$000	\$000
Within one year	249	334
In the second to fifth years	1,058	1,264
Over five years	<u>2,635</u>	<u>3,537</u>
	<u>3,942</u>	<u>5,135</u>
Less future finance charges	<u>(2,206)</u>	<u>(2,962)</u>
	<u>1,736</u>	<u>2,173</u>

Notes (continued)

16 Provisions for liabilities and charges

	Other provisions \$000
<i>Group</i>	
At 30 June 2014	2,209
Charge to profit and loss for the year	379
At 30 June 2015	<u>2,588</u>

17 Post retirement liabilities

	2015 \$000	2014 \$000
UK defined benefit pension schemes net liability	<u>14,525</u>	<u>12,293</u>

Defined contribution pension schemes

The Group operates a number of defined benefit contribution pension schemes. The pension cost charge for the period represents contributions payable by the group to the schemes and amounted to \$2,857,000 (2014: \$3,255,000).

Contributions amounting to nil (2014: nil) were payable to the schemes at the year end and are included within creditors.

Notes (continued)

17 Post retirement liabilities (continued)

UK defined benefit schemes

The Group operates two defined benefit schemes in the United Kingdom providing benefits based on final pensionable pay. The most recent full actuarial valuations were at 30 June 2011 and 1 October 2012. The valuations were updated for FRS17 purposes by independent qualified actuaries as at 30 June 2015 and 30 June 2014. Both schemes are closed to future pensions accrual.

	Group 2015 \$000	Group 2014 \$000
Present value of funded defined benefit obligations	(102,897)	(101,245)
Fair value of plan assets	<u>84,741</u>	<u>85,877</u>
Deficit	(18,156)	(15,368)
Related deferred tax asset	<u>3,631</u>	<u>3,075</u>
Net liability	<u>(14,525)</u>	<u>(12,293)</u>

Movements in present value of defined benefit obligation

	Group 2015 \$000	Group 2014 \$000
At 1 July	(101,245)	(81,825)
Interest cost	(3,973)	(4,165)
Actuarial losses	(9,091)	(7,491)
Benefits paid	3,047	2,825
Exchange adjustments	<u>8,365</u>	<u>(10,589)</u>
At 30 June	<u>(102,897)</u>	<u>(101,245)</u>

Movements in fair value of plan assets

	Group 2015 \$000	Group 2014 \$000
At 1 July	85,877	69,501
Expected return on plan assets	4,863	4,597
Actuarial gains	1,282	2,724
Contributions by employer	2,857	2,888
Benefits paid	(3,047)	(2,825)
Exchange adjustments	<u>(7,091)</u>	<u>8,992</u>
At 30 June	<u>84,741</u>	<u>85,877</u>

Notes (continued)

17 Post retirement liabilities (continued)

Income recognised in the profit and loss account

	Group 2015 \$000	Group 2014 \$000
Interest on defined benefit pension plan obligation	(3,973)	(4,165)
Expected return on defined benefit pension plan assets	<u>4,863</u>	<u>4,597</u>
Total income	<u>890</u>	<u>432</u>

The income is recognised in the following line items in the profit and loss account:

	Group 2015 \$000	Group 2014 \$000
Other interest receivable and similar income	4,863	4,597
Interest payable and similar charges	<u>(3,973)</u>	<u>(4,165)</u>
	<u>890</u>	<u>432</u>

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of \$7,809,000 (2014: loss of \$4,767,000).

Cumulative actuarial gains/losses reported in the consolidated statement of total recognised gains and losses for accounting periods ending on or after 31 December 2003 (first accounting period), are a loss of \$29,702,000 (2014: loss of \$21,893,000).

The fair value of the plan assets and the return on those assets were as follows:

	Group 2015 \$000	Group 2014 \$000
Equities	52,770	54,722
Government debt	15,165	14,600
Property	8,330	4,682
Corporate bonds	7,755	11,146
Other	<u>721</u>	<u>727</u>
Total	<u>84,741</u>	<u>85,877</u>
Actual return on plan assets	<u>6,145</u>	<u>7,321</u>

Notes (continued)

17 Post retirement liabilities (continued)

The expected rates of return on plan assets are determined by reference to the historical returns, without adjustment, of the portfolio as a whole and not on the sum of the returns on individual asset categories

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	Group 2015 %	Group 2014 %
Discount rate	3.79	4.33
Expected rate of return on plan assets	3.98	6.17
Future salary increases	n/a	n/a
Increases in pensions in payment	2.70	2.63
Inflation	<u>3.30</u>	<u>3.33</u>

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 25.1 years (male), 27.7 years (female).
- Future retiree upon reaching 65: 29.6 years (male), 31.1 years (female).

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2015 \$000	2014 \$000	2013 \$000	2012 \$000	2011 \$000
Present value of scheme liabilities	(102,897)	(101,245)	(81,825)	(89,923)	(77,815)
Fair value of scheme assets	84,741	85,877	69,501	71,586	72,185
Irrecoverable surplus	—	—	—	—	(253)
Deficit	<u>(18,156)</u>	<u>(15,368)</u>	<u>(12,324)</u>	<u>(18,337)</u>	<u>(5,883)</u>

Notes (continued)

17 Post retirement liabilities (continued)

Experience adjustments

	2015 \$000	2014 \$000	2013 \$000	2012 \$000	2011 \$000
Experience adjustments on scheme liabilities	(5,969)	(4,485)	(1,062)	(2,453)	7,725
Experience adjustments on scheme assets	<u>1,279</u>	<u>2,846</u>	<u>4,202</u>	<u>(4,159)</u>	<u>4,850</u>
	<u>(4,690)</u>	<u>(1,639)</u>	<u>3,140</u>	<u>(6,612)</u>	<u>12,575</u>

The Group expects to contribute approximately \$2,943,000 to its defined benefit plans in the next financial year.

18 Called up share capital

	Number of shares	2015 \$000	Number of shares	2014 \$000
<i>Allotted, called up and fully paid Equity</i>				
Ordinary shares of £1 each	<u>15,170,306</u>	<u>24,667</u>	<u>15,170,306</u>	<u>24,667</u>

19 Reserves

Group	Capital contribution \$000	Profit and loss account \$000
At 30 June 2014	73,508	285,975
Retained profit for the year	—	92,254
Foreign exchange adjustments	—	(53,741)
Actuarial losses recognised in the pension schemes	—	(7,809)
Deferred tax arising on losses in the pension schemes	—	1,620
Dividends paid	—	(29,506)
At 30 June 2015	<u>73,508</u>	<u>288,793</u>

Company	Capital contribution \$000	Profit and loss account \$000
At 30 June 2014	38,585	53,858
Retained earnings for the year	—	17,833
Dividends paid	—	(17,811)
At 30 June 2015	<u>38,585</u>	<u>53,880</u>

Notes (continued)

20 Minority Interests

	Group 2015 \$000	Group 2014 \$000
At beginning of year	3,568	240
Retained profit for the year	<u>5,352</u>	<u>3,328</u>
At end of year	<u><u>8,920</u></u>	<u><u>3,568</u></u>

21 Contingent liabilities

Certain of the companies within the group have issued a guarantee for the purposes of securing bank loans provided to a group company and certain of its subsidiaries under three separate loan agreements. The guarantees of companies incorporated outside the United States are limited guarantees, in that they do not guarantee loans made available to a borrower incorporated within the United States. Furthermore, a charge over shares of one subsidiary of the Company over its investments has been granted as additional security for the obligations under the three loan agreements.

22 Commitments

There are no capital commitments at the end of the year (2014, \$nil).

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

	2015 Land and Buildings \$000	2015 Other \$000	2014 Land and Buildings \$000	2014 Other \$000
Group				
Operating leases which expire:				
Within one year	3,289	2,056	4,979	2,545
In the second to fifth years inclusive	7,924	3,120	11,468	5,827
Over five years	<u>15,822</u>	<u>274</u>	<u>18,469</u>	<u>867</u>
	<u><u>27,035</u></u>	<u><u>5,450</u></u>	<u><u>34,916</u></u>	<u><u>9,239</u></u>

23 Reconciliation of operating profit to operating cash flows

	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
Group operating profit	120,237	100,324
Depreciation charges	18,205	19,367
Decrease/(increase) in stocks	11,033	(12,787)
Decrease/(increase) in debtors	3,954	(14,317)
Increase in creditors	8,180	17,050
Pension charges less contributions paid	(3,747)	(3,320)
Provisions	379	716
Net cash inflow from operating activities	<u><u>158,241</u></u>	<u><u>107,033</u></u>

Notes (continued)

24 Analysis of cash flows

	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
Returns on investment and servicing of finance		
Interest received	4,688	3,686
Interest paid	(107)	(126)
Interest element of finance lease rental payments	(217)	(1,213)
	<u>4,364</u>	<u>2,347</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(47,492)	(45,557)
Sale of tangible fixed assets	2,600	11,800
	<u>(44,892)</u>	<u>(33,757)</u>
Acquisitions and disposals		
Purchase of interests in joint ventures	(653)	(3,957)
Additions to investments in subsidiaries	(735)	(499)
Disposal of other investments	808	63,749
	<u>(580)</u>	<u>59,293</u>
Financing		
Debt due within one year:		
Payment of debt	—	(3)
Increase in short term borrowings	42,500	—
Debt due after more than one year:		
Eurobonds paid	—	(162,435)
Capital element of finance lease rental payments	(42)	(11,172)
	<u>42,458</u>	<u>(173,610)</u>
Capital contributions	—	14,650
Amounts (due from)/owed to parent undertakings	(87,723)	103,302
Dividends paid	(29,506)	(19,781)
	<u>(74,771)</u>	<u>(75,439)</u>

25 Analysis of net debt

	At start of year \$000	Cash flow \$000	Exchange movements \$000	End of year \$000
Cash in hand, at bank	47,191	(2,964)	—	44,227
Debt due within one year	—	(42,500)	—	(42,500)
Finance leases	(2,173)	42	395	(1,736)
Total	<u>45,018</u>	<u>(45,422)</u>	<u>395</u>	<u>(9)</u>

Notes *(continued)*

26 Related party disclosures

	Year ended 30 June 2015 \$000	Year ended 30 June 2014 \$000
Sales to joint ventures on normal commercial terms	<u>—</u>	<u>430</u>

27 Parent company

The company's immediate parent company is Aviagen Group Holding Inc. Aviagen Group Holding Inc is incorporated in the United States. The ultimate parent undertaking and the largest group in which the results of the company are consolidated is that headed by EW Group GmbH, a company incorporated in Germany. The accounts of this group are not available to the public.