

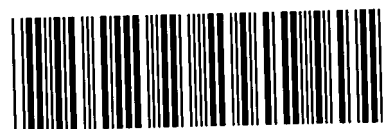
Aviagen International Finance Limited

**Directors' report and consolidated
financial statements**

Registered Number - 04768827

30 June 2014

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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 2014.

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 2014. Operating profit from continuing operations increased from \$81,244,000 in the previous year to \$100,634,000 due primarily to generally good product performance and business conditions throughout the group. Profit before tax increased to \$99,904,000 from \$62,611,000. Turnover at \$545,505,000 was up \$56,141,000 (11.5%) 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 2014 was 64% in equities and 36% 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:

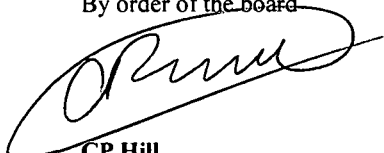
- Sales and marketing - new and replacement business is being won continually; new markets have been developed in line with the group's strategy. Key customer relationships are monitored on a regular basis.
- Production - new products continue to be developed for both existing and development markets; 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 2014	Year ended 30 June 2013	Measure
Financial			
Return on capital	19.45%	8.92%	Profit after tax/total assets less current liabilities
Current ratio	1.2:1	1.7:1	Current assets: current liabilities
Stock turnover	5.8	6.0	Turnover/stock
Creditor days	24	31	Trade creditors/cost of sales x 365
Sales per employee (\$000)	227	207	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 2014

Directors' report

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

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 (2013: \$nil).

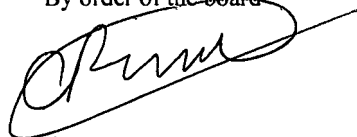
Disclosure of information to auditors

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 2014

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

The directors are responsible for preparing 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 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 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 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 Aviagen International Finance Limited

We have audited the financial statements of Aviagen International Finance Limited for the year ended 30 June 2014 set out on pages 7 to 31. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As 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 2014 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 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, 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.



Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

30 September 2014

Consolidated profit and loss account
for the year ended 30 June 2014

		Year ended 30 June 2014 \$000	Year ended 30 June 2013 \$000
Turnover:			
Group and share of joint ventures		550,837	492,763
Less: share of joint ventures		(5,332)	(3,399)
Group turnover	2	<u>545,505</u>	<u>489,364</u>
Cost of sales		(392,011)	(359,243)
Gross profit		<u>153,494</u>	<u>130,121</u>
Distribution costs		(21,432)	(19,850)
Administrative expenses		(36,638)	(34,733)
Other operating income		6,939	7,522
Other operating expense		(2,039)	(2,103)
Group operating profit		<u>100,324</u>	<u>80,957</u>
Share of operating profit in joint ventures		310	287
Total operating profit		<u>100,634</u>	<u>81,244</u>
Profit on sale of tangible fixed assets		1,642	394
Interest receivable and similar income	6	8,641	6,872
Interest payable and similar charges	7	(11,013)	(25,899)
Profit on ordinary activities before taxation	3	<u>99,904</u>	<u>62,611</u>
Tax on profit on ordinary activities	8	<u>(16,721)</u>	<u>(17,692)</u>
Profit on ordinary activities after taxation		<u>83,183</u>	<u>44,919</u>
Income attributable to minority interest		<u>(3,328)</u>	<u>—</u>
Profit for the financial period		<u><u>79,855</u></u>	<u><u>44,919</u></u>

Consolidated balance sheet
at 30 June 2014

	Note	June 2014 \$000	June 2014 \$000	June 2013 \$000	June 2013 \$000
Fixed assets					
Intangible assets: Goodwill	9		163,372		162,873
Tangible assets	10		196,033		173,069
Investments:					
Investments in joint ventures					
Share of gross assets		9,758		3,964	
Share of gross liabilities		(2,236)		(895)	
	11	7,522		3,069	
Other investments	11	793		57,022	
			8,315		60,091
			<u>367,720</u>		<u>396,033</u>
Current assets					
Stocks	12	94,085		81,298	
Debtors	13	186,238		166,801	
Cash at bank and in hand		47,191		23,758	
		<u>327,514</u>		<u>271,857</u>	
Creditors: amounts falling due within one year	14	<u>(284,628)</u>		<u>(164,300)</u>	
Net current assets			42,886		107,557
			<u>410,606</u>		<u>503,590</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year:	15				
Eurobonds		—		(162,435)	
Other creditors		<u>(8,386)</u>		<u>(17,968)</u>	
			(8,386)		(180,403)
Provisions for liabilities and charges	16		<u>(2,209)</u>		<u>(1,493)</u>
			<u>400,011</u>		<u>321,694</u>
Net assets excluding post retirement liabilities					
Post retirement liabilities	17		<u>(12,293)</u>		<u>(9,489)</u>
Net assets including post retirement liabilities			<u>387,718</u>		<u>312,205</u>
Capital and reserves					
Called up share capital	18		24,667		24,667
Capital contribution	19		73,508		155,201
Profit and loss account	19		285,975		132,097
			<u>384,150</u>		<u>311,965</u>
Shareholders' funds					
Minority Interests	20		3,568		240
Total equity			<u>387,718</u>		<u>312,205</u>

These financial statements were approved by the board of directors on 30 September 2014 and were signed on its behalf by:

CP Hill
Director



Company balance sheet
at 30 June 2014

	<i>Note</i>	June 2014 \$000	June 2013 \$000
Fixed assets			
Investments:	<i>11</i>		
Investments in subsidiary undertakings		117,083	117,083
Loans to subsidiary undertakings		—	524
		117,083	117,607
Current assets			
Cash at bank and in hand		94	—
Creditors: amounts falling due within one year	<i>14</i>	(67)	(440)
Net assets		117,110	117,167
Capital and reserves			
Called up share capital	<i>18</i>	24,667	24,667
Capital contribution	<i>19</i>	38,585	134,928
Profit and loss account	<i>19</i>	53,858	(42,428)
Shareholders' funds		117,110	117,167

These financial statements were approved by the board of directors on 30 September 2014 and were signed on its behalf by:



CP Hill
Director

Consolidated cash flow statement
for the year ended 30 June 2014

		Year ended 30 June	Year ended 30 June
	<i>Note</i>	2014	2013
		\$000	\$000
Cash flow statement			
Cash flow from operating activities	23	107,033	71,569
Returns on investments and servicing of finance	24	2,347	673
Taxation		(20,478)	(11,273)
Capital expenditure and financial investment	24	(33,757)	(30,879)
Acquisitions and disposals	24	59,293	(1,203)
Translation differences		(15,566)	(8,617)
Cash inflow before management of liquid resources and financing		98,872	20,270
Financing	24	(75,439)	(19,344)
Increase in cash in the year		23,433	926

		Year ended 30 June	Year ended 30 June
		2014	2013
		\$000	\$000
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year		23,433	926
Cash flow from changes in debt financing		193,846	5,847
Change in net debt resulting from cash flows		217,279	6,773
Translation differences		(20,641)	6,947
Movement in net debt in the year	25	196,638	13,720
Net debt at the start of the year	25	(151,620)	(165,340)
Net debt at the end of the year	25	45,018	(151,620)

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2014

	Year ended 30 June 2014 \$000	Year ended 30 June 2013 \$000
Profit for the financial period		
Group	82,602	44,984
Share of joint ventures	581	(65)
Income attributable to minority interest	(3,328)	—
	<u>79,855</u>	<u>44,919</u>
Net exchange differences on the retranslation of net investments and related borrowings	1,155	(4,897)
Actuarial (loss)/gain recognised in the post retirement benefit schemes	(4,767)	2,530
Deferred tax arising on the gain/(loss) in the post retirement benefit schemes	1,073	(228)
Total recognised gains and losses relating to the financial period	<u>77,316</u>	<u>42,324</u>

Reconciliations of movements in shareholders' funds
for the year ended 30 June 2014

	Group Year ended 30 June 2014 \$000	Group Year ended 30 June 2013 \$000	Company Year ended 30 June 2014 \$000	Company Year ended 30 June 2013 \$000
Profit/(loss) for the financial period	79,855	44,919	(57)	15
Other recognised gains and losses relating to the period (net)	(2,539)	(2,595)	—	—
Net addition to/(reduction in) shareholders' funds	<u>77,316</u>	<u>42,324</u>	<u>(57)</u>	<u>15</u>
Opening shareholders' funds	312,205	264,620	117,167	117,152
Share Premium reduction	—	5,261	—	—
Capital contribution from parent undertaking	14,650	—	—	—
Dividends paid	(19,781)	—	—	—
Increase in minority interest	3,328	—	—	—
Closing shareholders' funds	<u>387,718</u>	<u>312,205</u>	<u>117,110</u>	<u>117,167</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 2014. 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 2014 \$000	Year ended 30 June 2013 \$000
UK	43,541	37,108
Rest of Europe	300,034	265,503
Rest of World	201,930	186,753
	<u>545,505</u>	<u>489,364</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 2014 \$000	Year ended 30 June 2013 \$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	70
Audit of financial statements of subsidiaries pursuant to legislation	393	368
Other services relating to taxation	159	358
Depreciation and other amounts written off tangible fixed assets	19,367	18,849
Rentals payable under operating leases:		
Hire of plant and machinery	3,191	3,387
Hire of other assets	11,387	12,653
Research and development expenditure	23,540	18,891
Redundancy payments	37	182

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 2014 Number	Group Year ended 30 June 2013 Number
Production and distribution	1,784	1,702
Administration	295	319
Other	324	238
	<u>2,403</u>	<u>2,259</u>

The aggregate payroll costs of these persons were as follows:

	30 June 2014 \$000	30 June 2013 \$000
Wages and salaries	84,845	77,404
Social security costs	9,161	8,236
Other pension costs - defined contribution schemes	3,255	2,718
Other benefits	6,193	6,023
	<u>103,454</u>	<u>94,381</u>

Notes (continued)

6 Interest receivable and similar income

	Year ended 30 June 2014 \$000	Year ended 30 June 2013 \$000
Group		
Bank interest receivable	284	257
Group interest receivable	3,402	2,557
Expected return on defined benefit scheme pensions assets	4,597	4,058
	<u>8,283</u>	<u>6,872</u>
Joint ventures		
- Interest income	331	—
- exchange gains	27	—
	<u>8,641</u>	<u>6,872</u>

7 Interest payable and similar charges

	2014 \$000	2013 \$000
Group		
Other interest payable	124	406
Payable to parent and fellow subsidiary undertakings	37	15,183
Finance charges on finance leases	1,213	1,735
Net exchange losses	5,474	4,373
On defined benefit scheme obligation	4,165	3,843
	<u>11,013</u>	<u>25,540</u>
Joint ventures		
- bank interest payable	—	349
- exchange losses	—	10
	<u>11,013</u>	<u>25,899</u>

Notes *(continued)*

8 Taxation

Analysis of charge in year

	Year ended 30 June 2014 \$000	Year ended 30 June 2013 \$000
<i>UK corporation tax</i>		
Current tax on income for the year	7,669	5,471
Adjustment in respect of previous periods	(1,053)	(109)
<i>Foreign tax</i>		
Current tax on income for the year	8,783	11,611
Adjustment in respect of previous period	(376)	—
Total current tax charge	<u>15,023</u>	<u>16,973</u>
<i>Deferred tax (see note 16)</i>		
Origination/reversal of timing differences	—	(433)
Adjustment in respect of previous periods	430	(82)
Tax effect of pension contributions in excess of service and finance costs	1,181	1,241
Share of joint ventures' tax	87	(7)
Tax on profit on ordinary activities	<u><u>16,721</u></u>	<u><u>17,692</u></u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2013, higher) than the standard rate of corporation tax in the UK of 22.5% (2013: 23.75%). The differences are explained below.

	Year ended 30 June 2014 \$000	Year ended 30 June 2013 \$000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>99,904</u>	<u>62,611</u>
Current tax at 22.5% (2012: 23.75%)	22,478	14,870
<i>Effects of:</i>		
Expenses not deductible for tax purposes	130	415
Imputed interest income	—	692
Non-taxable dividends received	(1,873)	—
Deemed distribution income	—	1,254
Higher tax rates on overseas earnings	286	714
Research and development tax credits	(1,621)	(1,414)
Depreciation on non qualifying assets	567	472
Exclusion of profits on joint ventures	(322)	—
Differences between capital allowances and depreciation	158	(66)
Other timing differences	(156)	499
Losses carried forward	—	2,880
Losses utilised on overseas losses	(1,823)	(2,016)
Pension contributions in excess of service and finance costs	(1,181)	(1,241)
Adjustments in respect of prior years	(1,429)	(109)
Rate difference on deferred tax	30	6
Other	(221)	17
Total current tax charge (see above)	<u>15,023</u>	<u>16,973</u>

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.

9 Intangible fixed assets

	Goodwill \$000
<i>Net book value</i>	
At 30 June 2013	162,873
Additions in the year	499
At 30 June 2014	<u>163,372</u>

Notes (continued)

9 Intangible fixed assets (continued)

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 Turkey 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 \$8,929,000 (2013: \$7,311,000); goodwill would have been decreased by \$75,594,000 (2013: \$66,665,000); and profit and loss reserve would have been decreased by \$75,594,000 (2013: \$66,665,000).

10 Tangible fixed assets

	Land and buildings \$000	Plant and machinery \$000	Vehicles \$000	Total \$000
Group				
Cost				
At 1 July 2013	146,242	88,170	9,611	244,023
Additions	26,368	16,960	2,229	45,557
Disposals	(11,152)	(1,531)	(1,103)	(13,786)
Reclassification	1,815	2,343	(15)	4,143
Foreign currency exchange differences	7,624	3,748	345	11,717
At 30 June 2014	170,897	109,690	11,067	291,654
Depreciation				
At 1 July 2013	31,731	35,303	3,920	70,954
Charge for the year	6,008	11,772	1,587	19,367
Disposals	(2,175)	(551)	(902)	(3,628)
Reclassification	1,364	2,642	137	4,143
Foreign currency exchange differences	2,722	1,880	183	4,785
At 30 June 2014	39,650	51,046	4,925	95,621
Net book value				
At 30 June 2014	131,247	58,644	6,142	196,033
At 30 June 2013	114,511	52,867	5,691	173,069

Included in the total net book value of land and buildings and plant and machinery is \$5,712,000 (2013: \$14,758,000) and \$1,832,000 (2013: \$3,057,000), respectively in respect of assets held under finance leases. Depreciation for the year on these assets was \$1,310,000 (2013: \$2,667,000).

Notes (continued)

10 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	2014 \$000	2013 \$000
Freehold	125,535	99,753
Short leasehold	5,712	14,758
	<u>131,247</u>	<u>114,511</u>

The gross book value of land and buildings includes \$152,567,000 (2013: \$126,809,000) of depreciable assets.

11 Fixed asset investments

	Interests in joint ventures \$000	Other investments other than loans \$000	Total \$000
Group			
<i>Shares</i>			
At 1 July 2013	4,045	57,022	61,067
Additions	3,538	419	3,957
Disposals	—	(63,749)	(63,749)
Foreign currency exchange differences	499	7,101	7,600
At 30 June 2014	<u>8,082</u>	<u>793</u>	<u>8,875</u>
<i>Share of post acquisition reserves</i>			
At 1 July 2013	(976)		(976)
Retained profits less losses for the year	581		581
Foreign currency exchange differences	(165)		(165)
At 30 June 2014	<u>(560)</u>		<u>(560)</u>
<i>Net book value</i>			
At 30 June 2014	<u>7,522</u>	<u>793</u>	<u>8,315</u>
 At 30 June 2013	<u>3,069</u>	<u>57,022</u>	<u>60,091</u>

	Shares in subsidiary undertakings \$000
Company	
<i>Cost and net book value</i>	
At 1 July 2013 and 30 June 2014	<u>117,083</u>

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%	—
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 (formerly Nicholas Europa 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 do Brasil 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 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%	—
<i>Joint ventures</i>				
Ross Ankara Damizlik Tavukculuk Sanayi Veticaret Anonim Sirketi	Turkey	Poultry breeding	49%	—

12 Stocks

	Group 2014 \$000	Group 2013 \$000
Livestock	54,834	51,093
Work in progress	31,041	24,150
Consumables	8,210	6,055
	<u>94,085</u>	<u>81,298</u>

Notes (continued)

13 Debtors

	Group 2014 \$000	Group 2013 \$000
Trade debtors	84,749	73,311
Amounts owed by parent and fellow subsidiary undertakings	83,939	78,029
Other debtors	14,234	9,481
Prepayments and accrued income	2,229	4,103
Deferred tax (note 16)	1,087	1,877
	<u>186,238</u>	<u>166,801</u>

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

	Group 2014 \$000	Group 2013 \$000
Other debtors	<u>889</u>	<u>415</u>

14 Creditors: amounts falling due within one year

	Group 2014 \$000	Group 2013 \$000	Company 2014 \$000	Company 2013 \$000
Bank loans secured (see note 15)	—	3	—	—
Finance leases	51	131	—	—
Trade creditors	25,905	30,122	—	—
Amounts owed to parent undertakings	174,776	4,498	—	—
Amounts owed to fellow subsidiary undertakings	13,942	74,053	—	373
Corporation tax	12,299	17,082	—	—
Other taxation and social security	6,551	4,906	—	—
Payments received in advance	3,249	2,170	—	—
Other creditors	20,107	15,436	67	67
Accruals and deferred income	27,748	15,899	—	—
	<u>284,628</u>	<u>164,300</u>	<u>67</u>	<u>440</u>

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	Group 2014 \$000	Group 2013 \$000	Company 2014 \$000	Company 2013 \$000
Eurobonds owed to fellow subsidiary undertakings	—	162,435	—	—
Finance leases	2,122	12,809	—	—
Other creditors	5,805	4,722	—	—
Accruals and deferred income	459	437	—	—
	<u>8,386</u>	<u>180,403</u>	<u>—</u>	<u>—</u>

Analysis of debt:

	Group 2014 \$000	Group 2013 \$000
In five years or more	<u>—</u>	<u>162,435</u>
	<u>—</u>	<u>162,435</u>

The Eurobonds were redeemed the year. The Eurobonds carried interest at a fixed rate of 8.0% and were redeemable in variable tranches over the period from 31 December 2018 to 30 December 2021. All Eurobonds were held by fellow subsidiary undertakings.

Amounts repayable in more than five years:

	Group 2014 \$000	Group 2013 \$000
Eurobonds	<u>—</u>	<u>162,435</u>

The maturity of obligations under finance leases is:

	2014 \$000	2013 \$000
Within one year	334	1,638
In the second to fifth years	1,264	6,665
Over five years	<u>3,537</u>	<u>21,785</u>
	5,135	30,088
Less future finance charges	<u>(2,962)</u>	<u>(17,148)</u>
	<u>2,173</u>	<u>12,940</u>

Notes (continued)

16 Provisions for liabilities and charges

	Other provisions \$000	Deferred taxation \$000	Total \$000
<i>Group</i>			
At 30 June 2013	1,493	(1,877)	(384)
Credit to profit and loss for the year	716	430	1,146
Foreign currency exchange differences	—	360	360
At 30 June 2014	<u>2,209</u>	<u>(1,087)</u>	<u>1,122</u>

The elements of the deferred tax asset are as follows:

	2014 \$000	2013 \$000
Accelerated capital allowance	5,086	5,784
Losses	(1,022)	(1,205)
Other timing differences	(5,151)	(6,456)
Deferred tax asset	<u>(1,087)</u>	<u>(1,877)</u>

17 Post retirement liabilities

	2014 \$000	2013 \$000
UK defined benefit pension schemes net liability	<u>12,293</u>	<u>9,489</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 \$3,255,000 (2013: \$2,718,000).

Contributions amounting to nil (2013: \$398,000) 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 2014 and 30 June 2013. Both schemes are closed to future pensions accrual.

	Group 2014 \$000	Group 2013 \$000
Present value of funded defined benefit obligations	(101,245)	(81,825)
Fair value of plan assets	<u>85,877</u>	<u>69,501</u>
Deficit	(15,368)	(12,324)
Related deferred tax asset	<u>3,075</u>	<u>2,835</u>
Net liability	<u>(12,293)</u>	<u>(9,489)</u>

Movements in present value of defined benefit obligation

	Group 2014 \$000	Group 2013 \$000
At 1 July	(81,825)	(89,923)
Interest cost	(4,165)	(3,843)
Actuarial losses	(7,491)	(3,365)
Benefits paid	2,825	12,631
Exchange adjustments	<u>(10,589)</u>	<u>2,675</u>
At 30 June	<u>(101,245)</u>	<u>(81,825)</u>

Movements in fair value of plan assets

	Group 2014 \$000	Group 2013 \$000
At 1 July	69,501	71,586
Expected return on plan assets	4,597	4,058
Actuarial gains	2,724	5,895
Contributions by employer	2,888	2,854
Benefits paid	(2,825)	(12,631)
Exchange adjustments	<u>8,992</u>	<u>(2,261)</u>
At 30 June	<u>85,877</u>	<u>69,501</u>

Notes (continued)

17 Post retirement liabilities (continued)

Income recognised in the profit and loss account

	Group 2014 \$000	Group 2013 \$000
Interest on defined benefit pension plan obligation	(4,165)	(3,843)
Expected return on defined benefit pension plan assets	<u>4,597</u>	<u>4,058</u>
Total income	<u>432</u>	<u>215</u>

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

	Group 2014 \$000	Group 2013 \$000
Other interest receivable and similar income	4,597	4,058
Interest payable and similar charges	<u>(4,165)</u>	<u>(3,843)</u>
	<u>432</u>	<u>215</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 \$4,767,000 (2013: gain of \$2,530,000).

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 \$21,893,000 (2013: loss of \$17,126,000).

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

	Group 2014 \$000	Group 2013 \$000
Equities	54,722	41,499
Government debt	14,600	10,092
Property	4,682	—
Corporate bonds	11,146	10,914
Cautious total return fund	—	6,454
Other	<u>727</u>	<u>542</u>
Total	<u>85,877</u>	<u>69,501</u>
Actual return on plan assets	<u>7,321</u>	<u>8,142</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 2014 %	Group 2013 %
Discount rate	4.33	4.80
Expected rate of return on plan assets	6.17	6.14
Future salary increases	n/a	n/a
Increases in pensions in payment	2.63	2.80
Inflation	<u>3.33</u>	<u>3.50</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: 24.65 – 24.87 years (male), 27.47 – 27.26 years (female).
- Future retiree upon reaching 65: 29.15 – 29.39 years (male), 31.62 – 31.85 years (female).

History of plans

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

Group

Balance sheet

	2014 \$000	2013 \$000	2012 \$000	2011 \$000	2010 \$000
Present value of scheme liabilities	(101,245)	(81,825)	(89,923)	(77,815)	(77,695)
Fair value of scheme assets	85,877	69,501	71,586	72,185	58,425
Irrecoverable surplus	—	—	—	(253)	—
Deficit	<u>(15,368)</u>	<u>(12,324)</u>	<u>(18,337)</u>	<u>(5,883)</u>	<u>(19,270)</u>

Notes (continued)

17 Post retirement liabilities (continued)

Experience adjustments

	2014 \$000	2013 \$000	2012 \$000	2011 \$000	2010 \$000
Experience adjustments on scheme liabilities	(4,485)	(1,062)	(2,453)	7,725	(11,593)
Experience adjustments on scheme assets	<u>2,846</u>	<u>4,202</u>	<u>(4,159)</u>	<u>4,850</u>	<u>4,616</u>
	<u>(1,639)</u>	<u>3,140</u>	<u>(6,612)</u>	<u>12,575</u>	<u>(6,977)</u>

The Group expects to contribute approximately \$3,113,000 to its defined benefit plans in the next financial year.

18 Called up share capital

	Number of shares	2014 \$000	Number of shares	2013 \$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 2013	155,201	132,097
Retained profit for the year	—	79,855
Foreign exchange adjustments	—	1,155
Actuarial losses recognised in the pension schemes	—	(4,767)
Deferred tax arising on losses in the pension schemes	—	1,073
Share premium reduction	(96,343)	96,343
Capital contribution from parent undertaking	14,650	—
Dividends paid	—	(19,781)
At 30 June 2014	<u>73,508</u>	<u>285,975</u>

Company

	Capital contribution \$000	Profit and loss account \$000
At 30 June 2013	134,928	(42,428)
Retained earnings for the year	—	9,051
Dividends paid	—	(9,108)
Share Premium reduction	(96,343)	96,343
At 30 June 2014	<u>38,585</u>	<u>53,858</u>

Notes (continued)

20 Minority Interests

	Group 2014 \$000	Group 2013 \$000
At beginning of year	240	240
Retained profit for the year	<u>3,328</u>	<u>—</u>
At end of year	<u><u>3,568</u></u>	<u><u>240</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

Capital commitments at the end of the financial period, for which no provision has been made, are as follows:

	Group 2014 \$000	Company 2014 \$000	Group 2013 \$000	Company 2013 \$000
Contracted	<u>—</u>	<u>—</u>	<u>558</u>	<u>—</u>

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

	2014 Land and Buildings \$000	2014 Other \$000	2013 Land and Buildings \$000	2013 Other \$000
Group				
Operating leases which expire:				
Within one year	4,979	2,545	3,479	1,620
In the second to fifth years inclusive	11,468	5,827	9,995	2,927
Over five years	<u>18,469</u>	<u>867</u>	<u>19,585</u>	<u>192</u>
	<u><u>34,916</u></u>	<u><u>9,239</u></u>	<u><u>33,059</u></u>	<u><u>4,739</u></u>

Notes (continued)

23 Reconciliation of operating profit to operating cash flows

	Year ended 30 June 2014 \$000	Year ended 30 June 2013 \$000
Group operating profit	100,324	80,957
Depreciation charges	19,367	18,849
Increase in stocks	(12,787)	(9,341)
Increase in debtors	(14,317)	(20,720)
Increase in creditors	17,050	4,108
Pension charges less contributions paid	(3,320)	(3,069)
Provisions	716	785
Net cash inflow from operating activities	<u>107,033</u>	<u>71,569</u>

24 Analysis of cash flows

	Year ended 30 June 2014 \$000	Year ended 30 June 2013 \$000
Returns on investment and servicing of finance		
Interest received	3,686	2,814
Interest paid	(126)	(406)
Interest element of finance lease rental payments	(1,213)	(1,735)
	<u>2,347</u>	<u>673</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(45,557)	(46,968)
Sale of tangible fixed assets	11,800	16,089
	<u>(33,757)</u>	<u>(30,879)</u>
Acquisitions and disposals		
Purchase of interests in joint ventures	(3,957)	(1,187)
Additions to investments in subsidiaries	(499)	(62)
Disposal of other investments	63,749	46
	<u>59,293</u>	<u>(1,203)</u>
Financing		
Debt due within one year:		
Payment of debt	(3)	(4,801)
Debt due after more than one year:		
Eurobonds (paid) / received	(162,435)	9
Capital element of finance lease rental payments	(11,172)	(1,055)
	<u>(173,610)</u>	<u>(5,847)</u>
Capital contributions	14,650	5,261
Amounts owed to parent undertakings	103,302	(18,758)
Dividends paid	(19,781)	—
	<u>(75,439)</u>	<u>(19,344)</u>

Notes *(continued)*

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	23,758	23,433	—	47,191
Debt due within one year	(3)	3	—	—
Debt due after one year	(162,435)	162,435	—	—
Finance leases	(12,940)	11,172	(405)	(2,173)
Total	(151,620)	197,043	(405)	45,018

26 Related party disclosures

	Year ended 30 June 2014 \$000	Year ended 30 June 2013 \$000
Sales to joint ventures on normal commercial terms	<u>430</u>	<u>1,515</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.