

Aviagen Limited

Annual report and financial statements

Registered number 01610943

30 June 2022

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COMPANIES HOUSE

Directors and officers

Directors: C P Hill
Dr S Avendano
S R McPhillips
W W Dye
L M Swalander (termination of appointment 1 August 2022)
I J Richmond (appointed 1 August 2022)

Secretary: S R McPhillips

Registered office: Stratford Hatchery
Alscott Industrial Estate
Atherstone on Stour
Stratford-upon-Avon
Warwickshire
CV37 8BH

Auditor KPMG LLP
Saltire Court
20 Castle Terrace
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Strategic Report

The directors submit their report and financial statements for the year ended 30 June 2022.

Principal activity

The company's principal activity consists of selective poultry breeding and the production and distribution of poultry breeding stock world-wide.

Business review

The company achieved a good result for the year to 30 June 2022 generating an operating profit of £64m and turnover of £181m. The result continues to be driven by strong product performance and will enable the company to maintain its long-term research and development and business investment strategies. Turnover growth of 3.9% and operating profit growth of 8.1% is considered to be good given the continuing challenges of both COVID-19 and the United Kingdom leaving the European Union.

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

- The outlook remains positive with no expectation of significant impact on generation of cash flow or going concern status. While Brexit and COVID-19 continued to raise challenges to the business during the year, appropriate management of all issues ensured that there was no impact of note to the business.
- Disease - the company abides by strict biosecurity procedures to maintain disease free production facilities. Appropriate procedures include appropriate restriction of access to production facilities, ongoing testing for disease in all facilities, inclusive of transport entering facilities and all commodities such as water and feed utilised on facilities. Where possible, improvements to equipment and technology, for example ventilation, are implemented when the opportunity arises. Company's facilities are strategically located across the United Kingdom to minimise the impact of import/export restrictions on deliveries to customers. While a number of sales did not take place due to Aviagen Influenza restrictions during the year, the impact was minimised due to the procedures in place. The Company's operations were the first poultry breeding company to be awarded compartmentalisation status by DEFRA which reduces the potential impact on exports as a result of any future disease outbreak outside of the Company's facilities. The Company, through the auspices of the British Poultry Council, continues to move forward with plans to introduce Compartmentalisation to as many export locations as possible to mitigate the potential impact of disease outbreaks.
- Feed and energy costs - the worldwide demand for the commodities can cause a fluctuation in price that is outside the control of Aviagen. The financial impact of increases during the year has been mitigated by forward buyin hedging strategies (particularly in respect of energy), and remains closely monitored in relation to both hedging and related pricing of product sales.
- Foreign currency exchange – the company invoices a significant value in currencies other than GBP£, and is impacted by movements in exchange rates, particularly euro and US\$. While hedging opportunities could be implemented within the limits of authority granted by its parent company, exchange impact can be both positive and adverse.
- Environmental risks - the company 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 policies and procedures.
- Government regulation - the company regularly monitors forthcoming and current legislation and other regulatory activities to minimise any negative impact to the business. The company planned appropriately for the United Kingdom's decision to leave the European Union, and while this has resulted in additional risk, uncertainty and ongoing related administration this risk continues to be monitored and managed by the company. While there are still ongoing challenges in respect of Brexit there is confidence that there shall continue to be no material impact.

Strategic report (continued)

Business review (continued)

- Pension funding risk - the company operates significant pension plans as detailed in note 15. The assets in the defined benefit pension scheme at 30 June 2022 comprise 20% in equities and 80% in other assets. The company 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 company to the pension schemes, though it should be noted that the equity % has been reduced during 2020/21 and 2021/22, with related reduction in potential volatility of assets.
- New product, project and technology risk - the company develops new technologies and introduces new products to its customers. All new technologies and products involve business risk both in terms of possible abortive expenditure and reputational risk. Such risks may materially impact on the company. All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.
- Competitive risk - the company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations reduces the possible effect of action by any single competitor. The company invests in research and development in order to sustain competitive advantage, and works continually to ensure that its cost base is competitive.
- Brexit – leaving the EU on the 1st January 2021 created new logistic and compliance challenges as the result of uncertainty over transportation of goods into and out of the EU and immediate changes in VAT regulations. The business successfully mitigated these challenges through advanced planning and on an ongoing basis continues to receive professional advice to ensure it continues to remain compliant.
- The global impact of COVID-19 continued to be monitored and managed during the year; and has not resulted in significant disruption through 2022. Specific COVID-19 Monitoring has been reduced during the financial year, and can now be considered to be part of the standard monitoring of staff absence.

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 company's strategy. Key customer relationships are monitored on a regular basis.
- Production - new products continue to be developed for both existing and developing markets; production efficiencies have been gained and new initiatives for process and efficiency improvements are constantly being developed.
- Health and Safety - the company 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.
- Research and Development – new selection criteria, tools and techniques are developed to improve existing and new product performance.

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 company's environmental impact and energy consumption.

	Year ended 30 June 2022	Year ended 30 June 2021	Measure
Financial			
Return on capital	26.9%	41.2%	Profit for the financial year/total assets less current liabilities
Current ratio	3.25	2.87	Current assets: current liabilities
Stock turnover	8.4	10.1	Turnover/stock
Sales per employee (£000)	420	408	Turnover/average number of employees

Strategic report (continued)

Section 172(1) Statement

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') requires Aviagen Limited Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. The Aviagen Limited Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement explains how Aviagen Limited Directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to grow the company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to Aviagen, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

Aviagen's Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the ethically correct supply to our customers. Based on Aviagen's purpose to help feed the world by providing poultry with continually improved performance, the strategy set by the Board is intended to strengthen our position as a leading food company by providing options, products and services as the world's food system continues to develop, while keeping safety and social responsibility fundamental to our business approach. To help achieve our aims, the Board continues to refresh our strategy to focus on developing more product and supply options to help the worlds changing food demands. However, while investing for the future, the Board also recognize we must meet today's food requirements.

Strategic report *(continued)*

Section 172(1) Statement *(continued)*

The rising standard of living of a growing global population is likely to continue to drive demand for protein, including poultry meat, for years to come. At the same time, technological changes and the need to tackle climate change mean there is a transition under way to a lower-carbon, multi-source supply, with increasing customer choice, which is a difficult balance. With the objective to increase long-term value for shareholders we recognize that the long-term success of our business is dependent on our stakeholders and the external impact of our business activities on society.

The very nature of our breeding program and our position in the supply chain means that Aviagen must make strategic decisions today which will only impact food consumed in several years time, which forces Directors to consider the long term consequences of decisions.

The Directors recognize how our operations are viewed by different parts of society and that some decisions they take today may not align with all stakeholder interests. Given the complexity of the world's food supply, the Directors have taken the decisions they believe best support Aviagen's strategic ambitions.

S172(1) (B) "The interests of the company's employees"

The Directors recognize that Aviagen's employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. The Directors recognize that our pensioners, though no longer employees, also remain important stakeholders.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, governments, distributors and joint-venture partners. Aviagen seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships. The Board also reviews and approves Aviagen's approach to suppliers. The businesses continuously assess the priorities related to customers and those with whom we do business, and the Board engages with the businesses on these topics, for example, within the context of business strategy updates and investment proposals.

Strategic report (continued)

Section 172(1) Statement (continued)

Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These range from information provided on suppliers and joint-venture partners related to items such as project updates and supplier contracts, to information provided by the businesses (on customers and joint-venture partners related to, for example, business strategies, projects and investment or divestment proposals).

The nature of our business with a large stable customer base and bespoke facilities in fixed locations for many years creates the need for long term mutually beneficial relationships with customers and suppliers.

S172(1) (D) “The impact of the company’s operations on the community and the environment”

This aspect is important in our strategic ambitions, most notably on our ambitions to sustain a strong societal license to operate. As such, the Board receives information on these topics to both provide relevant information for specific Board decisions (e.g. those related to specific strategic initiatives such as the Net Carbon Footprint review) and to provide ongoing overviews at the Aviagen group level (e.g., regular Safety & Environment Performance Updates, reports on ethics & Compliance, from respective officers). Board Committees and Directors conduct site visits of various Aviagen operations and overseas offices and held external stakeholder engagements, where feasible on an ongoing basis.

S172(1) (E) “The desirability of the company maintaining a reputation for high standards of business conduct”

Aviagen aims to meet the world’s growing need for more and improved protein solutions in ways which are economically, environmentally and socially responsible. The Board periodically reviews and approves clear frameworks, such as Aviagen general business principles, Aviagen’s Code of Conduct, specific Ethics & Compliance manuals, to ensure that its high standards are maintained both within Aviagen businesses and the business relationships we maintain. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that Aviagen companies act in ways that promote high standards of business conduct.

S172(1) (F) “The need to act fairly as between members of the company”

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our Directors act

Strategic report (continued)

Section 172(1) Statement (continued)

as fairly as possible, between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Culture

The Board recognizes that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviors we demonstrate, including in our activities and stakeholder relationships. The Board has established honesty, integrity and respect for people as Aviagen's core values. The Code of Conduct, helps everyone at Aviagen act in line with these values and comply with relevant laws and regulations. The Aviagen commitment and policy on health and safety, applies across Aviagen and is designed to help protect people and the environment. We also strive to maintain a diverse and inclusive culture.

Stakeholder engagement (including employee engagement)

The Board recognizes the important role Aviagen has to play in society and is deeply committed to public collaboration and stakeholder engagement. This commitment is at the heart of Aviagen's strategic ambitions. The Board strongly believes that Aviagen will only succeed by working with customers, governments, business partners, investors and other stakeholders. Working together is critical, particularly at a time when society, including businesses, governments and consumers, faces issues as complex and challenging as climate change, and a global pandemic.

We continue to build on our long track record of working with others, such as industry and trade groups, universities, governments, and non-governmental organizations (where possible). We believe that working together and sharing knowledge and experience with others offers us greater insight into our business.

Principal decisions

In the table below, we outline some of the principal decisions made by the Board over the year, explain how the Directors have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered over the course of decision-making.

To remain concise, we have categorized our key stakeholders into six groups. Where appropriate, each group is considered to include both current and potential stakeholders.

Strategic report *(continued)*

Section 172(1) Statement (continued)

- A Investor Community
- B Employees/Workforce/Pensioners
- C Regulators/Governments/NGOs
- D Communities
- E Customers
- F Suppliers/Strategic Partners

Principal decisions

We define principal decisions taken by the Board as those decisions that are of a strategic nature and that are significant to any of our key stakeholder groups, we include decisions related to capital allocation. Key decisions are discussed and developed through regular business and annual budget reviews that include where appropriate the participation of the global Aviagen Group Chief Executive Office and Head of Finance.

How were stakeholders considered?

We describe how regard was given to likely long-term consequences of the decision including how stakeholders were considered during the decision-making process.

What was the outcome?

We describe which accommodations/ mitigations were made, if any, and how Directors have considered different interests and the factors taken into account.

Approval and Implementation of Aviagen's Business Plan 2023-2025

What was the Principle Decision?

Approval of Aviagen's Business Plan 2023-2025

The approval of the above followed an in-depth review by the Board of proposals on capital allocation, capital investment outlook, funding, competitive outlook, operating expenses, EBITDA return %, and distributions. Implementation of the Business Plan is ongoing.

How stakeholders were considered

The Directors and Executive Committee balanced the priorities in the operational plan versus the strategy of producing food efficiently for the world, by using feedback received as part of continuous engagement with investors, discussions with shareholders, and commitments made regarding debt, and operating free cash flow.

Strategic report (continued)

Section 172(1) Statement (continued)

The plan was discussed extensively and included commitment to continue investing and improving infrastructure and distribution globally, which is a reflection of the importance that communities and interest groups were likely to place on key societal contributions. This was balanced against the importance of the value placed on Aviagen by society (including communities, employees, customers, suppliers) for the services provided by the business and the way in which we conduct business.

Information on employees and our organizational structure featured as part of the plan. The plan maintained the approach to salaries, benefits, health, worker welfare, focus on employee experience and training.

Metrics agreed within the 2023-2025 plan underpin how all employee bonuses are calculated. The Board discussed these metrics at length to ensure they are suitably stretching and motivating, support the right culture within the business and align to the strategic ambitions.

What was the outcome?

Following the review of the draft plan, the Board requested further information on specific matters such as capital allocation, new ventures and organizational aspects. Responses were provided on these items and changes were incorporated into the plan where appropriate.

The early review of the plan identified a strong outlook for 2023-2025, a welcome message for stakeholders. The overall outcome of this decision is an operating plan that the Board believes underpins Aviagen's strategic ambitions and has taken into account different stakeholder views, realizing that not all stakeholder views can, nor will completely align with the plan.

While stakeholder opinion may differ on Aviagen's approach, the plan is based on the demand for products and services by society. The plan supports the Company maintaining a reputation for high standards of business conduct, Health, Safety, Security and Environment and maintained the approach to employee remuneration and benefits to pensioners. The plan seeks to reward our investors with returns and maintaining long-term financial strength to invest in improved product offerings in the form of more efficient, and better welfare (amongst other characteristics) to meet the current and future needs of society.

Investing in new business and acquisitions

What was the Principle Decision?

Investing in new business and acquisitions

Over the course of the year, the Board discussed and approved several new opportunities and projects across the different segments. The Board focused on distribution and supply of product in various markets and continued this implementation strategy. It made certain recommendations to Management and appraised potential investment opportunities which comprised wholly-owned acquisitions and joint-venture opportunities. The Board receives regular updates and maintains oversight of the operations of the new distribution business.

How were stakeholders considered

The Board obtained an updated perspective on the pace of local food and protein requirements, regulation, changing customer needs and technology. This enhanced awareness was used to evaluate the possible impact on stakeholders and risks to its reputation in relation to certain stakeholder groups.

For all proposals, the Board considered the interests of investment partners and potential organizational cultural differences. Customer relationships, local regulatory knowledge and other stakeholder relationships including local community views were also discussed.

Strategic report *(continued)*

Section 172(1) Statement *(continued)*

What was the outcome?

As a result of discussion and decisions in this area, the Board obtained insights on expanding distribution, and better supplying and feeding the world. The Board recognizes that societal views vary slightly in this area. However, it must also bear in mind that global demand for food/protein is still growing.

On behalf of the board



S R McPhillips
Director

Date: 15 December 2022

Stratford Hatchery, Alscott Industrial Estate
Atherstone on Stour
Stratford-Upon-Avon
Warwickshire
CV37 8BH

Directors' report

The directors present their annual report and audited accounts for the year ended 30 June 2022.

Dividends

No dividends were paid during the year (2021: £297m). The directors do not recommend the payment of a final dividend for the year (2021: £nil).

Directors

The directors of the company during the year and to the date of this report were:

C P Hill
S R McPhillips
Dr S Avendano
W W Dye
L M Swalander (termination of appointment 1 August 2022)
I J Richmond (appointed 1 August 2022)

Employee involvement

The company owes a great deal of its success to the contribution and dedication of its work-force in all departments of the business. Specific attention has been and will continue to be given to maintaining current standards through the training and recruitment of appropriately qualified personnel where necessary.

Financial Risk Management

To monitor and take action where appropriate in respect of financial risk areas including price risk, credit risk, liquidity and cash flow; the company prepares detailed financial reports on a monthly basis that are compared to annual budget and regular reforecast expectations.

Employment of disabled persons

It is the policy of the company that disabled persons will receive full and fair consideration when applying for a job and in selection for training, career development and promotion.

Energy use and carbon emissions

The Company's energy use and carbon emissions data is included in the group energy and carbon report of its parent undertaking, Aviagen International Finance Limited, which is presented in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. As such, the directors have not included a separate energy and carbon report for the Company in this Annual Report.

Disclosure of information to auditor

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 auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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



S R McPhillips
Director

Date: 15 December 2022

Stratford Hatchery, Alscott Industrial Estate
Atherstone on Stour
Stratford-Upon-Avon
Warwickshire
CV37 8BH

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVIAGEN LIMITED

Opinion

We have audited the financial statements of Aviagen Limited ("the Company") for the year ended 30 June 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVIAGEN LIMITED (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because transactions are not complex and there is no significant judgement involved in recognition of revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account code combinations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, and environmental and welfare legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVIAGEN LIMITED (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVIAGEN LIMITED (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.



Lyn Niccolls (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

16 December 2022

**Profit and Loss Account and Other Comprehensive Income
for year ended 30 June 2022**

	<i>Note</i>	2022 £000	2021 £000
Turnover	2	181,438	174,628
Cost of sales		(105,917)	(103,917)
Gross profit		75,521	70,711
Distribution costs		(3,953)	(4,417)
Administrative expenses		(7,143)	(6,716)
Operating profit	3	64,425	59,578
Income from fixed asset investments		54,780	82,339
Other interest receivable and similar income	6	11,336	1,531
Interest payable and similar charges	7	(1,999)	(4,149)
Profit before taxation		128,542	139,299
Tax on profit	8	(12,056)	(9,011)
Profit for the financial year		116,486	130,288
Other Comprehensive Income			
Re-measurement of defined benefit liability		1,279	3,171
Net past service credit defined benefit liability		-	46
Income tax on defined benefit liability re-measurement		(407)	(585)
Other comprehensive income for the year, net of income tax		872	2,632
Total comprehensive income for the year		117,358	132,920

All activities in 2022 are continuing.

Notes on pages 19 to 34 form part of the financial statements.

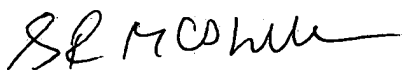
Balance Sheet
at 30 June 2022

	<i>Note</i>	2022 £000	2021 £000
Fixed assets			
Tangible assets	9	45,078	40,414
Investments	10	82,439	82,439
Retirement benefit surplus	15	2,146	-
		<hr/> 129,663	<hr/> 122,853
Non-current assets			
Debtors – amounts falling due after one year	12	2,300	-
Current assets			
Stocks	11	21,524	17,358
Debtors - amounts falling due within one year	12	408,524	275,360
Cash at bank and in hand		7,208	3,628
		<hr/> 437,256	<hr/> 296,346
Creditors: amounts falling due within one year	13	(134,622)	(103,204)
Net current assets		<hr/> 302,634	<hr/> 193,142
Total assets less current liabilities		<hr/> 434,597	<hr/> 315,995
Provisions for liabilities			
Deferred tax liability	14	(8,204)	(6,668)
Pension liability	15	-	(292)
Net assets		<hr/> 426,393	<hr/> 309,035
Capital and reserves			
Called up share capital	16	18,784	18,784
Share premium account		3,010	3,010
Capital contribution		27,472	27,472
Revaluation reserve		1,113	1,113
Profit and loss account		376,014	258,656
Shareholder's funds		<hr/> 426,393	<hr/> 309,035

Notes on pages 19 to 34 form part of the financial statements.

These financial statements were approved by the board of directors on 15 December 2022 and were signed on its behalf by:

S McPhillips
Director



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

Company registered number: 1610943

Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Capital contribution £000	Revaluation reserve £000	Profit & Loss Account £000	Total Equity £000
Balance at 1 July 2020	18,784	3,010	27,472	1,113	422,626	473,005
Total comprehensive income for the period						
Profit or loss	-	-	-	-	130,288	130,288
Other Comprehensive income	-	-	-	-	2,632	2,632
Total comprehensive income for the period	-	-	-	-	132,920	132,920
Dividend paid	-	-	-	-	(296,890)	(296,890)
Balance at 30 June 2021	18,784	3,010	27,472	1,113	258,656	309,035
Balance at 1 July 2021	18,784	3,010	27,472	1,113	258,656	309,035
Total comprehensive income for the period						
Profit or loss	-	-	-	-	116,486	116,486
Other Comprehensive income	-	-	-	-	872	872
Total comprehensive income for the period	-	-	-	-	117,358	117,358
Balance at 30 June 2022	18,784	3,010	27,472	1,113	376,014	426,393

The notes on pages 19 to 34 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Aviagen Limited (the “Company”) is a private company limited by shares and incorporated, domiciled and registered in England in the UK. The registered number is 01610943 and the registered address is Stratford Hatchery, Alscott Industrial Estate, Atherstone on Stour, Stratford-Upon-Avon, Warwickshire, CV37 8BH.

These company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The Company’s parent undertaking, Aviagen International Finance Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Aviagen International Finance Limited are available to the public and may be obtained from Stratford Hatchery, Alscott Industrial Estate, Atherstone on Stour, Stratford-Upon-Avon, Warwickshire, CV37 8BH. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Aviagen International Finance Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that freehold properties that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

1.2 Going concern

The Company’s business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 9.

The directors have prepared a cash flow statement for the period to June 2024 i.e. at least 12 months from the date of approval of these financial statements. These forecasts include the impact of downside scenarios in respect of Avian Influenza and inflationary impacts. After reviewing the Company’s cash flow projections for the period to June 2024, the directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations as they fall due and to continue in operational existence for the foreseeable future.

The directors continue to assess the impact of COVID-19, and the impact of increasing inflation and interest rates in respect of potential implications on future Group operations. Whilst there are wider market uncertainties which will impact the poultry breeding, production and distribution industry, the directors do not believe these will significantly impact the liquidity of the Group over the next 12 months.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Investment in subsidiaries, joint controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that have been revalued to fair value prior to the date of transition to FRS 102 are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 20-50 years
- plant and equipment 3-10 years
- motor vehicles 4-7 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.5 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. Livestock comprises breeding chickens, which are valued at cost until the commencement of the laying period, from which point they are written down over their productive lives to their realisable live-weight price.

Notes (continued)

1 Accounting policies (continued)

1.6 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.7 Turnover

Turnover represents amounts invoiced, net of discounts, in respect of goods sold during the year (excluding value added tax). Revenue from recognised sales and services is when risks and rewards of ownership have been transferred to the customer and when the outcome of the transaction can be measured reliably. Credits granted after sales are deducted from sales.

1.8 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Notes (continued)

1 Accounting policies (continued)

1.9 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

Turnover represents the amounts invoiced by the company in respect of goods sold during the year, excluding value added tax, as follows:

	2022 £000	2021 £000
United Kingdom	17,168	20,562
Overseas	164,270	154,066
	<hr/> 181,438	<hr/> 174,628

Notes (continued)

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2022 £000	2021 £000
Depreciation of tangible fixed assets	3,736	3,500
Hire of other assets	769	850
Rental of land and buildings under operating leases	5,041	4,752
Research and development costs	25,917	27,534
	<u>35,463</u>	<u>36,636</u>

Auditor's remuneration:

	2022 £000	2021 £000
Audit of these financial statements	55	38
Amounts receivable by the company's auditor and its associates in respect of: Other tax advisory services	130	112
	<u>185</u>	<u>150</u>

4 Staff numbers and costs

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

	Number of employees 2022	2021
Administrative	17	14
Production and distribution	386	391
Research	29	23
	<u>432</u>	<u>428</u>

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	13,976	13,701
Social security costs	1,354	1,314
Contributions to defined contribution plans	1,398	859
	<u>16,728</u>	<u>15,874</u>

Notes (continued)

5 Directors' remuneration

	2022	2021
	£000	£000
Fees for services as directors of the company	602	583
Company contributions to defined contribution pension schemes	63	60
	<u>665</u>	<u>643</u>

The aggregate remuneration of the highest paid director was £243,492 (2021: £235,110), and company pension contributions of £25,829 (2021: £24,488) were made to a money purchase scheme on his behalf. Retirement benefits are accruing to 3 (2021:3) directors under money purchase schemes.

6 Other interest receivable and similar income

	2022	2021
	£000	£000
Interest charged from amounts owed from group	4,416	1,510
External interest receivables	10	21
Foreign exchange gains	6,905	-
Net interest income on net defined benefits liabilities	5	-
	<u>11,336</u>	<u>1,531</u>
Total interest receivable and similar income	<u>11,336</u>	<u>1,531</u>

7 Interest payable and similar charges

	2022	2021
	£000	£000
Interest charge from amounts owed to group	1,916	1,526
Net interest expense on net defined benefits liabilities	-	62
Other External Interest	83	-
Foreign exchange losses	-	2,561
	<u>1,999</u>	<u>4,149</u>
Total other interest payable and similar charges	<u>1,999</u>	<u>4,149</u>

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2022 £000	2021 £000
<i>Current tax</i>		
Current tax on income for the period	11,297	7,749
Adjustments in respect of prior periods	(370)	(1,147)
	<hr/>	<hr/>
Total current tax	10,927	6,602
<i>Deferred tax (see note 14)</i>		
Origination and reversal of timing differences	1,140	1,850
Adjustments in respect of prior periods	252	(474)
Change in tax rate	144	1,618
	<hr/>	<hr/>
	1,536	2,994
	<hr/>	<hr/>
Total tax	12,463	9,596

	£000	2022 £000	£000	£000	2021 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	10,927	1,129	12,056	6,602	2,409	9,011
Recognised in other comprehensive income	-	407	407	-	585	585
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	10,927	1,536	12,463	6,602	2,994	9,596

Reconciliation of effective tax rate

	2022 £000	2021 £000
Profit for the year	116,486	130,288
Total tax expense	12,056	9,011
	<hr/>	<hr/>
Profit excluding taxation	128,542	139,299
Tax using the UK corporation tax rate of 19% (2021: 19%)	24,422	26,467
Expenses not deductible for tax purposes	143	112
Depreciation on non-qualifying assets	115	75
Dividends not taxable	(10,407)	(15,644)
RDEC adjustments	(2,244)	(2,011)
Other adjustments	0	15
Under provided in prior years	(117)	(1,621)
Rate difference on deferred tax	144	1,618
Overseas tax	14	32
Double taxation relief	(14)	(32)
	<hr/>	<hr/>
Total tax expense included in profit or loss	12,056	9,011

Notes (continued)

8 Taxation (continued)

Analysis of current tax recognised in profit and loss

	2022 £000	2021 £000
UK corporation tax	10,927	6,602
Double taxation relief	(14)	(32)
Foreign Tax	14	32
	<u>10,927</u>	<u>6,602</u>

On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19% from 1 April 2023, reversing a previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances at 30 June 2022.

9 Tangible fixed assets

	Assets in the course of construction £000	Freehold land and buildings £000	Plant machinery and equipment £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 July 2021	2,785	35,193	30,776	591	69,345
Additions	8,347	11	42	-	8,400
Reclassification	(2,644)	76	2,545	23	-
	<u>8,488</u>	<u>35,280</u>	<u>33,363</u>	<u>614</u>	<u>77,745</u>
Depreciation and impairment					
Balance at 1 July 2021	-	11,270	17,391	270	28,931
Depreciation charge for the year	-	1,029	2,658	49	3,736
	<u>-</u>	<u>12,299</u>	<u>20,049</u>	<u>319</u>	<u>32,667</u>
Net book value at 30 June 2022	<u>8,488</u>	<u>22,981</u>	<u>13,314</u>	<u>295</u>	<u>45,078</u>
At 1 July 2021	<u>2,785</u>	<u>23,923</u>	<u>13,385</u>	<u>321</u>	<u>40,414</u>

Land and Buildings

The net book amount of land and buildings includes £2,651,000 (2021: £2,651,000) in respect of freehold land on which no depreciation is charged.

Notes (continued)

10 Investments

	Shares in group undertakings £000
Cost	
At beginning and end of year	83,390
Provisions	
At beginning and end of year	951
Net book value	
At 30 June 2022	<u>82,439</u>
Net book value	
At 30 June 2021	<u>82,439</u>

Investments are shown at cost less amounts provided and, in the opinion of the directors, the value of the investments is not less than that stated in the balance sheet.

The company holds the following investments in principal subsidiary companies:

Company Name/Address	Country of incorporation	Principal activity	Percentage of ordinary shares held
Aviagen EPI NV Wisentweg53, Lelystad, Netherlands, NL-8219 PL	Belgium	Poultry breeding	95%
Aviagen Kft Gyor, Hunyadi, Jamos U. 14, 9024	Hungary	Poultry breeding	97%
Aviagen Italia Srl Via Marconiu 15, 27043 Broni (PV)	Italy	Poultry breeding	100%
Aviagen SAU Cl. Quintana, S/N, 08416-Riells del Fai, Barcelona	Spain	Poultry breeding	100%
Ross Breeders Andalou Ana Damizlik Tavukculuk Sanayi Ve Ticaret Anonim Sirketi 2861 Cad. Alimci Park Villalari No. 3, 06810 Ceyyolu/Ankara	Turkey	Poultry breeding	97%
Aviagen UK Limited Stratford Hatchery Alscott Industrial Estate Atherstone On Stour, Stratford-Upon-Avon, Warwickshire, CV37 8BH	UK	Poultry breeding	100%
Aviagen APS* Baekke Hatchery, Klostergade 13, DK-6622	Denmark	Poultry breeding	100%
Aviagen EPI BV* Wisentweg53, Lelystad, Netherlands, NL-8219 PL	The Netherlands	Poultry breeding	100%
Aviagen EPI GmbH* Hartingspecken 72, D-27637 Nördholz	Germany	Poultry breeding	100%

Notes (continued)

10 Investments (continued)

Company Name/Address	Country of incorporation	Principal activity	Percentage of ordinary shares held
Aviagen GmbH* Hartingspecken 72, D-27637 Nordholz	Germany	Poultry breeding	100%
Aviagen EPI Polska Zoo* Zebowo 71, PL-87-126, Obrowo	Poland	Poultry breeding	100%
Ross Haymana ana Damizlik Tavukculuk Sanayi ve Ticaret A.S.* 2861 Cad. Alimci Park Villalari No. 3, 06810 Ceyyolu/Ankara	Turkey	Poultry breeding	100%

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

Company Name/Address	Country of incorporation	Principal activity	Percentage of ordinary shares held
Ross Ankara Ana Damizlik Tavukculuk Sanayi Ve Ticaret 2861 Cad. Alimci Park Villalari No. 3, 06810 Ceyyolu/Ankara	Turkey	Poultry breeding	50%

* held by a subsidiary undertaking

11 Stocks

	2022 £000	2021 £000
Livestock	14,967	12,887
Work in progress	5,231	3,336
Consumable stores	1,326	1,135
	<hr/>	<hr/>
	21,524	17,358
	<hr/>	<hr/>

Raw materials and other cost of production recognised as cost of sales in the year amounted to £35,436,000 (2021: £40,364,000)

Notes (continued)

12 Debtors

	2022 £000	2021 £000
Due within one year:		
Trade debtors	14,117	12,491
Amounts owed by group undertakings	385,759	257,425
Other debtors	8,625	2,878
Corporation tax	23	2,566
	<hr/> 408,524	<hr/> 275,360
Due after one year:		
Other debtors	2,300	-
	<hr/> 410,824	<hr/> 275,360

Amounts owed by group undertakings comprise trading debt and loans. All transactions are on standard trading terms, with loans being bearing interest on an arms length basis that takes in to account appropriate regional risk, and all loans have the right to repayment in whole or in part at any time. Other debtors due after one year comprises a loan in respect of a new farm build, at an arms length rate of interest and repayable over 10 years.

13 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Due within one year:		
Trade creditors	3,091	2,516
Amounts owed to group undertakings	94,127	65,014
Taxation and social security	435	402
Other creditors	939	487
Group relief payable	29,996	29,604
Accruals and deferred income	6,034	5,181
	<hr/> 134,622	<hr/> 103,204

Amounts owed to group undertakings comprise trading debt and loans. All transactions are on standard trading terms, with loans being bearing interest on an arms length basis that takes in to account appropriate regional risk, and all loans have the right to repayment in whole or in part at any time.

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Accelerated capital allowances	-	-	7,947	7,621	7,947	7,621
Employee benefits	-	(73)	537	-	537	(73)
Other timing differences	(280)	(880)	-	-	(280)	(880)
	<hr/> (280)	<hr/> (953)	<hr/> 8,484	<hr/> 7,621	<hr/> 8,204	<hr/> 6,668

Notes (continued)

15 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension scheme.

The total expense relating to these plans in the current year was £1,398,000 (2021: £859,000). Contributions amounting to £149,000 (2021: £105,000) were payable to the scheme at the year end and are included in creditors.

Defined benefit plan

The company operates a defined benefit pension scheme provisions benefits based on final pensionable pay. The scheme closed to future accrual with effect from 31 March 2007. The most recent valuation was prepared as at 30 June 2020. The valuation was updated by the actuary on an FRS 102 basis as at 30 June 2022.

In the UK, the Pensions Regulator is responsible for regulating defined benefit and defined contribution pension schemes. Further details on its objectives and statutory powers can be found on its website: www.thepensionsregulator.gov.uk/ The Scheme is also governed by its Definitive Trust Deed and Rules as well as wider UK legislation, such as the various Pensions Acts and Finance Acts.

The Company is responsible for funding the benefits of the Scheme. If the Scheme is in deficit on the scheme-specific technical provisions basis then the Company agrees a Recovery Plan setting out the level of contributions payable to the Scheme to remove the deficit. The Company works in collaboration with the Trustees of the Scheme when setting the investment strategy and monitoring other risks.

Net pension asset / (liability)

	2022 £000	2021 £000
Defined benefit obligation	(29,604)	(42,068)
Plan assets	31,750	41,776
	<hr/>	<hr/>
Net pension liability	2,146	(292)
	<hr/>	<hr/>

The Company, after taking legal advice, has the view that it has an unconditional right to a refund of any surplus that may arise from the Scheme in the context of IFRIC 14 paragraphs 11(b) and 12.

Movements in present value of defined benefit obligation

	2022 £000	2021 £000
At 1 July	(42,068)	(44,105)
Interest expense	(735)	(663)
Remeasurement: actuarial gains/(losses)	9,702	1,658
Benefits paid	3,497	996
Net past service credit	-	46
	<hr/>	<hr/>
At 30 June	(29,604)	(42,068)
	<hr/>	<hr/>

Notes (continued)

15 Employee benefits (continued)

Movements in fair value of plan assets

	2022 £000	2021 £000
At 1 July	41,776	39,358
Interest income	740	601
Remeasurement: return on plan assets less interest income	(8,423)	1,513
Contributions by employer	1,300	1,300
Benefits paid	(3,497)	(996)
Administration costs	(146)	-
	<hr/>	<hr/>
At 30 June	31,750	41,776
	<hr/>	<hr/>

The Schedule of Contributions agreed between the Company and the Trustees of the Scheme as part of the actuarial valuation as at 30 June 2020 clearly sets out the amount and timing of contributions due to the Scheme. The Company is responsible for meeting the expenses of the Scheme, either directly or by reimbursing the Scheme. The amount and timing of some expenses may be unknown whilst for others the amount and timing will be set out in various agreements.

Income / (Expense) recognised in the profit and loss account

	2022 £000	2021 £000
	<hr/>	<hr/>
Net interest on net defined benefit liability	5	(62)
	<hr/>	<hr/>

Income/(expense) recognised in other comprehensive income

	2022 £000	2021 £000
(Loss) / Return on plan assets excluding interest income	(8,423)	1,513
Actuarial gains	9,702	1,658
	<hr/>	<hr/>
	1,279	3,171
	<hr/>	<hr/>

Notes (continued)

15 Employee benefits (continued)

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

	2022 Fair value £000	2021 Fair value £000
Equities	6,261	6,657
Corporate and government bonds	9,211	13,957
Diversified fund	8,194	8,817
Liability driven investments	7,801	11,795
Other	283	550
	<u>31,750</u>	<u>41,776</u>
Actual (loss) / return on plan assets	<u>(7,683)</u>	<u>2,114</u>

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

	2022 %	2021 %
Discount rate	3.79	1.82
Inflation - RPI	3.49	3.40
Inflation - CPI	<u>2.69</u>	<u>2.60</u>

The last full actuarial valuation was performed on 30 June 2020.

In valuing the liabilities of the pension fund at 30 June 2022, mortality assumptions have been made as indicated below.

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: 88.7 years (male), 91.3 years (female).
- Future retiree upon reaching 65: 91.0 years (male), 93.5 years (female).

The duration of the Scheme's liabilities was around 16.5 years as at 30 June 2022.

As the Company is responsible for funding the benefits of the Scheme, there is a risk that the Company could be required to contribute to the Scheme to rectify any deficit revealed at an actuarial valuation. Furthermore, as the Scheme's liabilities are measured for the company accounts using corporate bond yields but the Scheme does not invest solely in corporate bonds, there may be volatility in the Scheme's accounting position. This could lead to adverse balance sheet and income statement impacts for the entity. The risk in this area is not considered significant given funding level as at 30 June 2022 is in surplus, and hedging strategies that have implemented.

There is still a large amount of uncertainty about the long-term impact of COVID-19 on life expectancy in the UK. Some may argue that there could be a positive effect as a result of increased hygiene standards and social awareness, whilst others may argue for the negative effects as a result of long-COVID or other variants. As such, no allowance for the impact of COVID-19 was made in the mortality assumptions when valuing the liabilities of the Scheme for the 2022 accounts. The Company, with assistance from actuarial consultants, will continue to monitor developments in UK life expectancy and consider the appropriateness of any allowance for the impact of COVID-19 in future mortality assumptions.

Notes (continued)

16 Capital and reserves

Share capital

	Ordinary shares	
In thousands of shares	2022	
On issue at 1 July 2021 and 30 June 2022	18,784	
	<hr/>	
	2022	2021
	£000	£000
<i>Allotted, called up and fully paid</i>		
18.8m ordinary shares of £1 each	18,784	18,784
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2022	2021
	£000	£000
Less than one year	486	446
Between one and five years	383	469
	<hr/>	<hr/>
	869	915
	<hr/>	<hr/>

During the year £5,810,000 was recognised as an expense in the profit and loss account in respect of operating leases (2021: £5,602,000).

18 Commitments

Capital commitments

The Company had no capital commitments at the year end.

Contingent liability

The company has a guarantee in existence at year end for purposes of securing bank loans provided to certain companies within the Group, creating a contingent liability.

19 Related parties

As a wholly owned subsidiary of Aviagen International Finance Limited, the Company is exempt from the requirements of FRS 102. 33 to disclose transactions with other members of the group headed by Aviagen International Finance Limited.

Notes (continued)

20 Accounting estimates and judgements

Key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The directors consider that there are no judgements made which have a material impact on the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects both current and future periods.

Defined benefit pension scheme

The group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation into the balance sheet.

Trade receivables

An accounting estimate is made in respect of the level of provisions to be held against trade receivables. This is based upon an assessment, customer by customer, of the likelihood of collectability of amounts due. This is based upon payment history, recent correspondence with the customer, ageing of receivables and an assessment to the current economic climate.

21 Immediate, intermediate and ultimate parent company and related undertakings

The Company is a subsidiary undertaking of Aviagen Turkeys Limited. The ultimate controlling party is EW Group GmbH.

The largest group in which the results of the Company are consolidated is that headed by EW Group GmbH, registered in Germany. The company's accounts are not available to the public. The smaller group in which they are consolidated is that headed by Aviagen International Finance Limited, the intermediate parent company, registered in England. The consolidated financial statements are available to the public and may be obtained from Stratford Hatchery Alscott Industrial Estate, Atherstone On Stour, Stratford-Upon-Avon, Warwickshire, CV37 8BH.

22 Events Occurring After Balance Sheet Date

There were no subsequent events post the balance sheet date and prior to the signing of these accounts that would have a material impact on the results reported or the financial position of the Company.