

Annual Report and Financial Statements

2009



Breeding Long Term Success

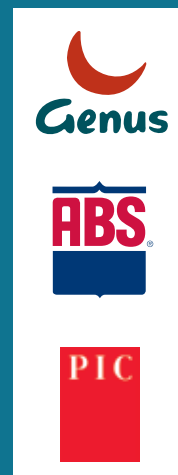


About Genus

A World Leader



- Genus is a world leader in applying science to animal breeding.
- Genus creates advances to animal breeding through biotechnology and sells added value products for livestock farming and food producers. Its non-Genetically Modified Organism (GMO) technology is applicable across all livestock species but is only commercialised by Genus in the bovine and porcine farming sectors.
- Genus' worldwide sales are made in seventy countries under the trademarks "ABS" (dairy and beef cattle) and "PIC" (pigs) and comprise semen and breeding animals with superior genetics to those animals currently in production. Customers' animals produce offspring with greater production efficiency, milk and meat output and quality and use these to supply the global dairy and meat supply chain.
- The Group's competitive edge has been created from the ownership and control of proprietary lines of breeding animals, the biotechnology used to improve them and the Group's global production and distribution network.
- Headquartered in Basingstoke, England, Genus companies operate in thirty countries on six continents, with research laboratories located in Madison, Wisconsin, USA.



Breeding Long Term Success

Contents

Genus Annual Report and Financial Statements 2009

Introduction

About Genus	
Financial Highlights	2
Business Highlights	3
Chairman's Statement	4

Business Review

Business Overview	6
Business Review	
• Group Performance	7
• World Agricultural Markets	8
• Strategy	9
• Global Operations	
- The Americas Region	10
- Europe & The Far East Region	12
• Research & Product Development	14
• Genus Products	16
• Financial Overview	18
• Principal Risks and Uncertainties	23
• Corporate Responsibility	24

Corporate Governance

Board of Directors & Chief Operating Officers	26
Directors' Report	28
Corporate Governance Statement	32
Audit Committee Report	37
Directors' Remuneration Report	39
Directors' Responsibilities Statement	44

Financial Statements

Independent Auditors' Report – Group Financial Statements	45
Group Income Statement	46
Group Statement of Changes in Equity	47
Group Balance Sheet	48
Group Statement of Cash Flows	49
Notes to the Group Financial Statements	50
Independent Auditors' Report – Parent Company Financial Statements	97
Parent Company Financial Statements	98
Notes to the Parent Company Financial Statements	99
Three Year Record – Consolidated Results	108

Notice of Annual General Meeting	109
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Financial Highlights

Resilient Performance in Challenging Markets



Adjusted Results*: Continuing Operations

	Year Ended 30 June		Constant Currency**	
	2009	2008		
	£m	£m	%	%
Revenue	280.4	247.1	14	(1)
Operating profit	38.1	32.3	18	-
Profit before tax	32.0	27.9	15	(7)
Earnings per share (p)	36.1	31.8	14	(7)

"The steep downturn in world agricultural markets has been exacerbated by extremely high animal feed prices against a backdrop of global recession.

We believe that the recovery in agricultural markets has the potential to be equally steep. Genus has world leading genetics technology and expertise, the most comprehensive global distribution network and has continued to invest in capacity leaving the Group strongly positioned to take full advantage of the recovery when it occurs.

In the meantime, we have delivered good results and continue to make progress in implementing our strategy of entering developing markets that offer strong growth opportunities for the future.

We are recommending a 10% increase in the dividend to reflect our confidence in the long-term prospects of the business."

Richard Wood Chief Executive

Statutory Results: Continuing Operations

	Year Ended 30 June			
	2009	2008		
	£m	£m	%	
Revenue	280.4	247.1	14	
Operating profit	33.0	26.2	26	
Profit before tax	26.2	22.0	19	
Earnings per share (p)	30.4	24.7	23	

Note:

* Adjusted results are calculated before net IAS 41 valuation movements in biological assets, amortisation of acquired intangibles, share based payments, exceptional items and other gains and losses. This measurement includes share of profits of joint ventures and associates.

** Constant currency percentage movements are calculated by restating 2009 results at the exchange rates applied in 2008.



Business Highlights

Another year of strong earnings growth achieved from robust underlying results:-

- Adjusted profit before tax increased by 15% to £32.0m (2008: £27.9m) after £1.1m higher interest costs
- Adjusted operating profit in constant currency in line with last year
 - Resilient performance in context of recession in world agricultural markets affecting particularly the US bovine sector
 - Bovine volume up 1% and porcine royalties up 7%
 - Strong sales and profit growth in Latin America and Far East offset by decline in bovine USA and increased cost of feed for Genus animals

- Continued good strategic progress
 - Expansion of porcine and bovine global production and product development facilities progressing to plan
 - In China:-
 - Production nucleus farm expansion underway to double Genus local capacity
 - Dairy market entry achieved through relationship with Mengniu, the leading Chinese dairy company
 - Genetics of bovine and porcine products strengthened by R&D investment
- £150m debt facility refinancing in February 2009 provides headroom for growth
- Net debt £88m (2008: £78m)
 - Exchange rate movements increased net debt by £6m
 - Cash outflow for year of £4m after £15m capital investment principally in expanding global capacity

- Adjusted basic earnings per share rose 14% to 36.1 pence per share (2008: 31.8 pence)
- Recommended increase in dividend of 10% to 11.0 pence per share to reflect the Board's confidence in the long-term prospects of the business

Outlook

The Board remains confident in the Group's strategy and in the medium-term outlook for growth in world agricultural markets. It believes that the recovery from recession in agriculture will be sharp as livestock markets recover from the economic downturn and feed costs ease. The Board believes this recovery is likely to commence during the second half of the 2009/2010 financial year.





Dekorra Bull Stud

Chairman's Statement



"Genus has demonstrated a resilient underlying business performance without jeopardising the Company's potential for strong growth beyond the current recession."

John Hawkins Chairman

I am pleased to report on another year of resilient results with double digit earnings growth achieved from robust underlying results. At a time of recession in agriculture, our strategy has delivered strong profit growth in developing markets to offset the market related downturn in the developed world.

We believe that this resilient performance reconfirms the strength of Genus' multi-species business strategy and the benefits of its international brand and distribution network.

Results

On revenues up 14% from £247.1m to £280.4m, adjusted operating profit increased by 18% to £38.1m (2008: £32.3m). Because of Genus' international spread of businesses, the results have benefited from exchange rate volatility, particularly the weakness of sterling.

At constant exchange rates, adjusted operating profit was in line with last year. An improvement in trading performance was held back by an £1.3m increase in research and product development costs, largely because of feed costs.

Poor market conditions prevailed throughout the developed world, particularly in the North American dairy sector. However, the company continued to outperform its competitors and increased its market share in a number of important markets. For instance, market share grew by 2% in the large US porcine sector, from 50% to 52%.

In the strategically important markets for the future of the Far East and Latin America, sales and profits both increased in underlying terms and at reported exchange rates.

After higher interest costs, following a refinancing in February, adjusted profit before tax was 15% higher at £32.0m (2008: £27.9m). Adjusted earnings per share were 14% higher at 36.1p (2008: 31.8p).

Capital investment, mainly on the global expansion programme that commenced last year, absorbed £15m and led to a small cash outflow for the year of £4m.

The Group's financial position remains strong, with net debt at the end of the year of £88m (2008: £78m), leaving considerable headroom within the approximately £150m of banking facilities.

Dividend

Reflecting continuing confidence in the Company's long-term strategy for growth, the Board is again recommending a 10% increase in the dividend to 11.0 pence per ordinary share. Subject to shareholder approval at Genus' annual general meeting to be held on 12 November 2009, this dividend will be paid on 8 January 2010 to shareholders on the register at the close of business on 11 December 2009. The dividend is covered 3.3 times by adjusted earnings.



Porcine Nucleus Herd in South Dakota

Strategic Development

During the year, the Company made excellent progress in achieving its strategy to extend international capacity as well as opening or expanding local facilities in targeted developing markets, particularly China and Russia.

The main production unit for the new bovine stud in Wisconsin was completed and ground has been broken for the housing barns for young animals. These new facilities will enable progeny testing of 80 more bulls per year and will provide additional production capacity to meet the sales growth for the next five years.

The development of the company's new porcine nucleus herd facility in South Dakota at a cost of \$24m is almost complete and animals are already in place. The new facility will provide the additional capacity necessary to support both sales growth and the production of custom lines for selected customers.

In China, commercial arrangements have been completed with Mengniu. This provides Genus with a route to market for imported and locally produced dairy semen. In porcines, local capacity for breeding animals is being doubled.

In Russia, an option has been taken on real estate and buildings to be converted into a local stud as soon as operational licenses have been granted by the government.

Debt Refinancing

To ensure that the Company could pursue its growth strategy in the developing markets at a time when finance may have been in short supply, the Board took the opportunity in February 2009 to extend its bank facilities. The new three year banking facilities of approximately £150m will enable the strategy to be pursued while allowing sufficient headroom to make opportunistic small acquisitions to enhance growth in developed markets.

Board

As part of the Board's succession planning, Chief Executive Richard Wood's contract was extended in October 2008 on a rolling 12 month basis until his expected retirement date. The Board believes that this contract extension will ensure operational stability for the Company's challenge of delivering planned growth, particularly in the emerging markets, while providing flexibility in other elements of its succession plan. In this latter respect, the Board has been strengthened by two recent appointments.

John Worby, previously a non-executive director and Chairman of the Audit Committee, was appointed Group Finance Director on 26 February 2009 to replace Martin Boden.

On 7 May 2009, Mike Buzzacott joined the Board as a non-executive director and Chairman of the Audit Committee. Mike brings a wealth of international business experience, gained from 34 years at BP.

He is currently a non-executive director at Croda Plc and Scapa Plc.

Employees

Genus' continued success is a result of our talented employees across the Group. On behalf of the Board, I would like to thank all of our employees for all their hard work and enthusiasm during the year.

Outlook

This year, Genus has demonstrated a resilient underlying business performance without jeopardising the Company's potential for strong growth beyond the current recession.

We believe that the long-term opportunities in the markets in which Genus operates remain undiminished. Commentators continue to raise awareness of food shortages as burgeoning world population drives increased demand with an emphasis on better yields.

Although we expect difficult market conditions for Genus' customers will continue during the remainder of 2009, we believe that the recovery from recession in agriculture will be sharp as livestock markets recover from the economic downturn and feed costs ease. We believe this recovery is likely to commence during the second half of the 2009/2010 financial year.

In that recovery, the Board believes that Genus will be better placed than its competitors to achieve a return to strong underlying growth.



Business Overview

Genus creates advances to animal breeding through biotechnology and sells added value products for livestock farming and food producers. Its non-genetically modified organism technology is applicable across all livestock species but is only commercialised by Genus in the bovine and porcine farming sectors.

Genus' worldwide sales are made in seventy countries under the trade marks "ABS" (dairy and beef cattle) and "PIC" (pigs) and comprise semen and breeding animals with superior genetics to those animals currently in production. Customers' animals produce offspring with greater production efficiency, milk and meat output and quality, and use these to supply the global dairy and meat supply chain.

The Group's competitive edge has been created from the ownership and control of proprietary lines of breeding animals, the biotechnology used to improve them and its global production and distribution network.

Business Organisation

Headquartered in Basingstoke, England, Genus' companies operate in thirty countries on six continents, with laboratories located in Madison, Wisconsin, USA. The Company's operations are managed using a territorial matrix of North America, Latin America, Europe & The Far East supported by consolidated global Research, Development and Production facilities.

Research & Product Development

Genus' research and product development expenditure for the year to June 2009 was £20.4m (2008: £16.0m). Approximately 17% was spent on research, and 47% on bovine and 36% on porcine product development.

Bovine Product Development

Genus operates bovine studs in the USA, Canada, Brazil, UK, Italy and Australia. Approximately 170 world leading beef and dairy animals of the main commercial breeds are in production in these studs. A further 2,000 are in various stages of product development. The breeding selection programme tests approximately 400 dairy bulls per year in a rolling five year programme which includes creating and measuring the output of 40,000 daughters. The commercially active stud has a replacement rate of 25-35% of bulls per annum.

Approximately 13 million doses of semen are collected from these studs each year. The semen is frozen in tanks containing liquid nitrogen so that it can be kept indefinitely and can be transferred and sold throughout the world.

Genus is unique amongst its competitors in that it operates a global insemination service through a network of employees and self-employed exclusive agents who operate under the "ABS" trademark.

Porcine Product Development

The Genus porcine business sells breeding males, females and semen. The Company owns nine pure-bred pig lines which it is continuing to develop in its two nucleus herds, located in the USA and Canada. These animals are multiplied and then crossed in around 170 predominantly sub-contracted multiplication units located in all the Company's markets around the world.

More than 100 million slaughter pigs produced each year contain Genus genetics and Genus views these pigs as those with the highest value that can be produced with the lowest production cost of any of Genus' competitors supplying large integrated pig production units.



Business Review

Group Performance

Revenue

Revenue for the year of £280.4m was 14% higher, largely due to exchange rate movements. At constant exchange rates, revenue was broadly unchanged from last year, with growth in Latin America and Europe being offset by lower sales in the hard hit North American market.

North American dairy semen sales were lower but bovine volumes grew in other regions. The severity of milk price reductions caused farmers in North America to cut back in the second half of the year. Large farmers hold semen stock on their farms and tend to de-stock in times of stringency.

Our strategy of moving porcine business to the royalty model marginally reduced headline sales but benefited the business in terms of stability of income. However, there was also an impact from low pig prices that reduced direct sales to these customers. Overall porcine royalties grew 7%, reflecting the increase in Genus' market share in a number of countries.

	Adjusted Results*			Constant Currency **
Year ended 30 June	2009	2008	Movement	Movement
	£m	£m	%	%
Continuing Operations				
Revenue	280.4	247.1	14	(1)
Operating profit	38.1	32.3	18	-
Profit before tax	32.0	27.9	15	(7)
Earnings per share (p)	36.1	31.8	14	(7)

* Adjusted results are calculated before net IAS 41 valuation movements in biological assets, amortisation of acquired intangibles, share based payments, exceptional items and other gains and losses. This measurement includes share of profits of joint ventures and associates.

** Constant currency percentage movements are calculated by restating 2009 results at the exchange rates applied in 2008

Adjusted Operating Profit

The review of operating profit below focuses on adjusted operating profit and adjusted profit before tax. The Board believes that these measures provide a meaningful analysis of underlying business performance. As such, it excludes the net IAS 41 valuation movement in biological assets, amortisation of acquired intangible assets, share based payments, exceptional items and other gains and losses.

Adjusted operating profit increased by 18% to £38.1m (2008: £32.3m) driven by exchange rate movements. At constant exchange rates, adjusted operating profit was in line with last year. An improvement in trading profit was offset by higher research and development costs, including £1.3m

higher feed costs for operating the long term product development programmes. Performance, on a regional basis, comprised continued strong growth in the developing markets of Latin America and Asia, an improvement in Europe but lower profits in North America, as a result of the market shortfalls in bovine sales.

Adjusted Profit Before Tax and Adjusted EPS

Adjusted profit before tax increased by 15% to £32.0m (2008: £27.9m) and adjusted earnings per share increased by 14% to 36.1p. On a constant exchange rate basis, profit before tax and earnings per share were down 7%, principally due to a £1.1m increase in interest costs.



Business Review

World Agricultural Markets

The long-term positive fundamentals for agricultural markets remain undiminished and will drive demand for proven animal genetics.

These fundamentals include:

- Increasing global demand for food, driven by a growing world population and wealth creation leading to increased demand for protein, especially in emerging markets.
- The need for improved farmer productivity to meet higher demand and to minimise the impact of higher feed costs and competition for the use of agricultural land.
- The continued consolidation of the farming sector to create large commercial enterprises that are Genus' target customer Group.

Genus' superior genetics technology and global reach will ensure the Company is well placed to benefit from these growth trends.

In the short-term, world agricultural markets have suffered from extraordinarily high animal feed prices in combination with the global economic downturn.

Demand for all agricultural products has fallen and, with supplies relatively static, prices have also fallen, in some cases sharply. One of the worst affected markets has been North America, where a fall in export demand has left surpluses in an already depressed domestic market. Both pig and dairy producers are currently losing money. Milk prices are now barely at half that of a year ago and dairy farmers are not even able to cover the cost of feeding their animals. These price fluctuations are classic symptoms of products showing low elasticity of supply and, as such, we expect prices to rise rapidly as industry capacity is reduced, simultaneously with demand returning to its pre-downturn level.



Business Review

Strategy

Genus has made excellent progress with its strategy for long-term expansion.

This strategy comprises four key elements:-

- Local investment in developing markets to achieve rapid organic growth, particularly in China, Russia, India and Latin America. The aim is to capture up to 50% of the new growth anticipated as these markets expand;
- Continued growth at historical levels in the developed markets of the western world through ongoing enhancement and improvement of the Genus product offering and customer service;
- Investment in enhanced global production and product development facilities and in expansion of local production facilities in emerging markets; and
- Continued targeted research and development, with emphasis on commercialisation of the recent breakthrough in sexed semen technology and in exploiting Genus' expertise in gene markers.

Despite the current slowdown in world agricultural markets, we remain firmly committed to these key strategies.

In China, the relationship with Mengniu, the country's largest dairy producer, was cemented in a broad commercial agreement for the supply of semen to contracted farmers. An opening stock of proven semen was shipped from America and 11 proven bulls were transferred from Australia pending the completion of custom-built facilities. Initial sales volume was ahead of expectations with further quantities of US semen and more bulls shortly to be shipped to meet demand for the year ahead.

The strategic development of the porcine business in China has progressed vigorously. New local production has been sanctioned by the Board to achieve the goal of capturing 50% of the growth in the larger farm segment of the market. Three new farm sites have been leased with the construction and stocking of these farms being targeted for the middle of 2010. At that point, Genus will have more than doubled its production capacity in China, in line with expected demand.

In Russia, an option has been taken on real estate and buildings for conversion into a local stud as soon as operational licenses have been granted by the government. Plans are also being developed to enter the dairy market in India.

In Latin America, we have renewed the licence arrangements with our joint venture partners in Brazil; the new arrangements will encourage further growth, especially with large producers.

The expansion of Genus' global facilities required to support the next phase of growth is well advanced. In America, the new porcine nucleus herd facility in South Dakota is due to be completed in September 2009 and will provide additional capacity as well as enabling the older facility in Kentucky to be redeployed. In the bovine sector, the programme to increase the number of US progeny tested bulls is progressing well. The new facilities are being phased in line with the increase in bull numbers and are expected to be fully completed next year. Global semen production capacity will then have increased by 18% to 18m doses per annum. This, coupled with an expectation of additional elite bulls joining the stud, will allow sales growth targets to be met.



Opening of a new porcine facility in China



Business Review

Global Operations - The Americas Region

Business Overview

The region comprises the mature North American markets and the developing markets of Latin America. Trading takes place in all major countries through wholly owned subsidiaries, with the exception of Brazil, where porcine sales are made through a 49% joint venture. In smaller markets, sales are made through agents.

The region's focus on larger customers and Genus' strong product offerings ensures that the Company is well placed to benefit from consolidation in the developed agricultural markets of North America and Canada. It is also benefiting from the growth of the extensive agricultural industries in Latin America and their expanding exports into world markets.

Performance Review

It was a difficult year for most of Genus' customers in the region, with weakening demand, following the credit crisis, leading to falls in agricultural commodity prices.

Although regional sales grew by 16% and adjusted operating profit was up 18%, this was largely from an exchange gain driven by the weakness of sterling. In constant currency, profits were 2% lower due to a market related shortfall in bovine.

Strong growth was achieved in Latin America, where market share was improved in each of the main country markets.

The Americas Region

	Actual Currency			Constant Currency
	2009	2008	Movement	Movement
	£m	£m	%	%
Revenue	143.1	123.3	16	(4)
Adjusted operating profit	42.5	35.9	18	(2)
Adjusted operating margin	30%	29%		

North America

Producers in North America faced particularly difficult market conditions. Weakening demand and some oversupply from the previous year led to a fall in returns for Genus' customers at a time when feed costs, although lower than at their peak levels, remained high by historical standards.

Revenue was up 16% to £109.0m and adjusted operating profit was up 19% to £32.3m. The underlying performance in constant currency was down 6%, again due to the market related shortfall in bovine.

In the bovine markets, the financial crisis caused a weakening of demand for dairy products and destocking by cheese processors. A dramatic fall in milk prices and an inevitable slowing in semen sales followed. This caused customers to trade down in their semen purchases.

Prompt action was taken to mitigate the impact of the market downturn with a major productivity improvement programme implemented in January 2009. As a result, a \$2.5m annualised cost saving was achieved.

In porcine, the continued efforts to win new customers and assist existing customers to realise benefits from Genus' superior genetics, continued to yield positive results. Genus gained new business and overall royalty volumes grew by 3%, in an otherwise flat market. As a result, Genus' market share grew in the USA and now stands at just over 52%.

Over 95% of porcine sales in North America are now made under a royalty contract based on volumes. This, together with the increased volume of business, enabled Genus to improve porcine profitability and further demonstrates the strength of the porcine business model.



North America

	Actual Currency			Constant Currency
	2009	2008	Movement	Movement
	£m	£m	%	%
Revenue	109.0	94.4	16	(7)
Adjusted operating profit	32.3	27.2	19	(6)
Adjusted operating margin	30%	29%		

Latin America

	Actual Currency			Constant Currency
	2009	2008	Movement	Movement
	£m	£m	%	%
Revenue	34.1	28.9	18	6
Adjusted operating profit	10.2	8.7	17	10
Adjusted operating margin	30%	30%		

Latin America

Excellent progress was made in continuing to grow in the strategically important Latin American market. Revenue was up 18% to £34.1m and adjusted operating profit grew by 17% to £10.2m. On a constant currency basis, the growth in profits was 10%.

Bovine volumes were 9% higher and Genus improved its market share across all countries in which it operates. Profitability was enhanced by the added value of Genetic Mating and Reproductive Management Services. These services provide increased average selling prices at the same time as cementing customer loyalty.

Porcine sales also grew in line with our strategy. Royalty volumes grew by 17% with particularly impressive growth in Mexico where market share increased to 46%. We also achieved small market share gains in other countries. Continued progress was made in converting large customers to the royalty model with royalties now accounting for 55% of business in the region up from 50% last year.

The H1N1 flu scare temporarily reduced pig prices and resulted in some movement restrictions between countries. This had a small effect on profitability, with some sales being deferred into the next financial year.

In our joint venture in Brazil, volumes grew but profits were held back by a fall in pig prices. The royalty arrangements for our provision of genetics to the joint venture were improved in the period.



Business Review

Global Operations - Europe and The Far East Region

Business Overview

The region comprises the developed world agricultural markets including particularly the UK, Western Europe & Australia and the developing world agricultures of Eastern Europe and the Far East.

In Western Europe the agricultural markets are relatively mature. In this sector, growth opportunities arose because of industry consolidation in response to change; i.e. pressure of higher feed prices.

There is medium-term growth potential in Eastern Europe and the Far East from population growth and increased urbanisation, as this is driving increased demand for pork and dairy products. These opportunities are being aggressively pursued, notably in China and Russia.

Performance Review

Regional sales grew by 10% to £140.6m (2008: £128.3m). In constant currency, regional sales were 2% ahead of last year.

Adjusted operating profit rose by 15% to £25.1m (2008: £21.8m). In constant currency, the increase was 5% driven by strong profit growth in the Far East region.

Europe & The Far East Region

	Actual Currency		Constant Currency	
	2009	2008	Movement	Movement
	£m	£m	%	%
Revenue	140.6	128.3	10	2
Adjusted operating profit	25.1	21.8	15	5
Adjusted operating margin	18%	17%		

Europe

Revenue increased by 8% and adjusted operating profit was 6% higher. On a constant currency basis, growth was achieved notwithstanding the above mentioned difficult agricultural market conditions.

In bovine, milk prices were firm during the first half of the year but deteriorated as commodity price reductions fed through into milk prices. This market reversal encouraged British farmers to use proportionately more beef semen to achieve dairy pregnancies as beef semen is less expensive. Semen sales volume rose, the dairy blend price remained firm and beef semen sales grew resulting in bovine revenue rising and improved profits.

The proportion of business generated from the Reproductive Management Services rose in the UK and Italy. These countries reported double digit growth in profits. An increase in sales volume led to a profit increase in France.

The market conditions for pig producers in Europe were depressed by high feed prices and weak pig prices. Although pig prices began to rise towards the end of the year, the margins for genetics products remained depressed.

Nevertheless, porcine sales volume grew. Growth arose from progress with the royalty model, for example in Italy and the UK, and direct volumes in Spain and Central Europe. In Russia, the credit crisis caused stocking delays as customers struggled with banking facilities.

In Western Europe, an increased proportion of porcine business has been migrated to the royalty model. This now accounts for 60% of sales.

The overall market weakness, together with the deferral of income as the business moved to royalties, reduced margins but tight cost control mitigated the impact.



Europe

	Actual Currency			Constant Currency
	2009	2008	Movement	Movement
	£m	£m	%	%
Revenue	118.8	109.7	8	2
Adjusted operating profit	18.7	17.6	6	2
Adjusted operating margin	16%	16%		



The Far East

	Actual Currency			Constant Currency
	2009	2008	Movement	Movement
	£m	£m	%	%
Revenue	21.8	18.6	17	-
Adjusted operating profit	6.4	4.2	52	19
Adjusted operating margin	29%	23%		



Garrison

The Far East

The region continued to achieve strong growth, notwithstanding temporary weakness in some markets. Revenue increased by 17% to £21.8m and adjusted operating profit rose by over 50% to £6.4m. On a constant currency basis, adjusted operating profit was up 19%.

Excellent progress was made in developing both the bovine and porcine businesses in China and a reorganisation of our business in Australia helped increase market share in bovine enhancing profit contribution. In

Australia, sales grew by 9% and the blend price improved in a flat market.

In China, porcine sales growth was reduced temporarily due to the volatility of local pig prices. As the majority of business in China is through direct sales rather than by royalty (in order to protect Genus' intellectual property), profits were flat.

After a difficult start to the year in the Philippines, there was a strong recovery in later months as markets improved. Also, volume growth was particularly strong in Korea.



Business Review

Research & Product Development

Expenditure rose to £20.4m (2008: £16.0m). Of this increase, £3.4m related to exchange rate movements with £1.0m (6%), being an underlying increase. The main reasons for this increase were a market driven increase in feed costs, particularly in the porcine nucleus herds; increased commercially focused research expenditure to maintain Genus' competitive lead, and the start-up of the new nucleus herd facilities which provides the opportunity for planned sales growth.

The underlying bovine product development costs were contained at a lower level than last year whilst expenditure on ongoing inventive capability remained broadly in line with the previous financial year.

Research & Product Development

	Actual Currency			Constant Currency
	2009	2008	Movement	Movement
	£m	£m	%	%
Research	3.5	2.5	40	17
Bovine product development	9.5	8.7	9	(9)
Porcine product development	7.4	4.8	54	28
Total	20.4	16.0	28	6

Product Development

Strong progress was made in both the bovine and porcine genetic programmes. Internal trials against competitors' products and public domain information have confirmed that progress in the porcine sector and the quality of the new bulls entering the Genus studs have expanded the Company's lead over that of its competitors.

We also made progress with the fundamental science programme. All the milestones set for the leading projects have been met.

Bovine Product Development

We believe that the Genus bovine stud is the most genetically elite and diverse in the world. It comprises around 170 beef and dairy bulls carefully selected for their ability to confer in their progeny a combination of 24 desirable traits providing benefits in terms of quality, output and robustness. In the period a number of elderly bulls were retired from the stud and replaced by elite entrants so that the genetic quality of the stud was enhanced overall.

In the dairy sector, the stud is led by Shottle and Bolton, two of the most internationally renowned Holstein bulls in the world today.

The range of skills being brought to the development and production of the Company's elite bulls is well illustrated by the unique achievement of having 5 bulls each complete 1 million lifetime units of semen sales during 2009. Genus now has 17 bulls, up from 8 bulls last year in the top 50 of the internationally important US ranking list.

The planned increase in the five year selection and testing programme for the new bulls to regenerate and enhance the stud was completed in 2009. Some 300 Holstein bulls per year are now being progeny tested in the key US proving ground, some 80 more than when the increase was initiated.



In creating and selecting new animals for this programme, because of the five year lead time, the Company continually looks ahead to the likely needs of agriculture at the time the bulls will graduate. Over the last five years, the programme has concentrated on all round performance with an emphasis on robustness. From publicly available data, we can confirm that the Genus stud is already well ahead of its competitors and that this competitiveness will be enhanced by graduations in the coming year. These potential graduates also rank highly for the traditional conformation traits that carry the highest price premium.

In the forward development programmes, in anticipation of the world shortages in agricultural output and higher prevailing feed costs, the Company is continuing to refine the weighting of the traits in the selection process.

Porcine Product Development

The primary objective of the porcine development programme is to improve the genetics in the Company's range of nine major pure lines of animals. These pure lines are used to create elite boars and gilts for the Group's operating businesses to multiply locally and thereby supply pure-bred and cross-bred animals to regional customers.

Genus has accelerated the basic quantitative genetics process by the

adoption of cross-bred genetic trials in commercial herds and, more recently, by the selective use of gene markers from the fundamental science programme. These processes have combined to increase the annual rate of genetic progress made in the Company's nucleus herds, from 0.6 standard deviations per year when acquired by Genus, to 1.0 standard deviations per year today. This rate of progress is worth around \$1.60 per market pig. With the minimum three year lag in multiplying nucleus herd genetics into commercial quantities, the above mentioned accelerating improvement has yet to be realised in the market.

In selecting animals for the breeding programme, measurements are made on up to 45 fundamental traits and emphasis has continued to be placed variously on growth rate, feed conversion efficiency, meat quality, reproductive performance and reduced mortality.

Fundamental Science

The Company manages much of its fundamental research in educational establishments and with specialist research companies. However, because of Genus' leadership in this sector, all work on semen physiology and freezing is carried out in-house. In addition, Genus carefully monitors work undertaken by more than 500 research establishments around the world so that


it can quickly identify the progress made in other biotech industries and decide whether such progress could be adapted for use in the animal genetics sector.

In these ways, the Company is able to achieve more progress than would normally be expected from the level of expenditure currently directed towards fundamental science.

In managing projects, Genus researchers have to justify project expenditure against the achievement of exacting milestones, carefully set to monitor progress towards the commercial targets identified.

This year Genus has achieved:

1. A rapid acceleration of the pace of progress in identifying gene markers for use in the porcine genetic evaluation process. The identification of the useful markers, by crucial cross-referencing to phenotypic and ancestry data, is part of Genus' proprietary technology. It is in the use of this technology that Genus has substantial strengths, which it is now starting to utilise also in the bovine sector. No bovine competitor has access to the skills Genus enjoys and we believe that this will achieve an increased hit rate in the selection of animals for its stud.
2. Continued progress against the milestones set for an improved process for sorting semen.



Picston Shottle

Business Review

Genus Products

Genus manages its global operations on a regional basis and monitors product performance globally.



Porcine Genetic Nucleus facility in Canada



Dekorra Bull Stud

Bovine

With several elite graduates added to the Genus stud during the year, the average genetic quality of the 170 bulls in stud increased substantially during the year. As a result of this and Genus' global distribution strength, bovine sales outperformed those of its competitors in globally difficult market conditions. Sorted semen sales continued to grow but peaked at 5% of total dairy semen volume and 16% of revenue, as cash strapped farmers traded down in order to control costs.

Larger farmers buy semen a few times a year and hold frozen semen stock on their farms. In times of financial stringency, they tend to run down these stocks and this temporarily depresses volume potential in the market below the natural decline in its demand. As a result, Genus' sales volume growth fell sharply from around 9% last year to 1% this year. With de-stocking now having taken place, volume potential is expected to recover strongly in 2010.

Underlying profitability of bovine products benefited from tight control of costs.

Porcine

Genus focuses porcine sales at the large progressive producers of pork worldwide. These producers demand genetic products that will enable them to maximise total economic value (i.e. maximise efficiency per kg of pork produced).

Genus has selectively developed a range of genetic products to meet these needs for each of the various farms' management environments. For the customer with an optimum management system, the fast growing, efficient PIC 337™ male and the prolific, efficient Camborough™ female remain the Company's top selling products.

Despite a 7% reduction in sales at constant exchange rates, underlying volumes improved by approximately 5%. Underlying profitability of porcine products was held back by higher product development costs due to start-up costs of the new global nucleus facility and higher feed costs.



Porcine markets remained difficult throughout the year. With many of Genus' customers, particularly in the key US market, remaining loss-making, the robustness of the royalty business model can be demonstrated. This year royalty income rose by 7% when compared with 2008. Royalty volume rose as farmers continued to produce from royalty bearing genetics purchased in previous years and some farmers purchased new royalty bearing genetics. Royalties, by their nature, carry a high margin whereas the margin on direct sales is much lower and dependent upon a genetic premium above variable pig prices.

By contrast, direct sales income fell. This was partly because of our strategy to switch more business to royalties and partly from the market downturn.

Analysis of Performance by Species*

	2009	2008	Movement	Constant Currency Movement
	£m	£m	%	%
Revenue				
Bovine	140.3	120.1	17	5
Porcine	135.8	123.8	10	(7)
Research & Development	4.3	3.2		
	280.4	247.1		
Adjusted Operating Profit				
Bovine	17.8	17.4	2	1
Porcine	30.8	24.2	27	3
Unallocated*	(10.5)	(9.3)		
	38.1	32.2		

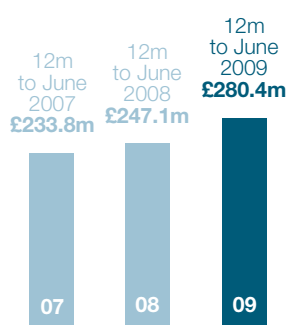
* Analysis of adjusted operating profits by species based on estimated allocation of costs within regions. Research & central costs are not allocated.



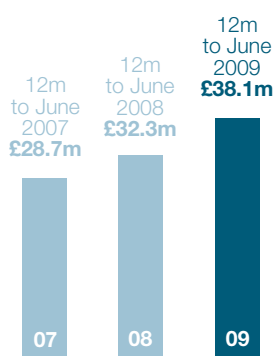


Business Review

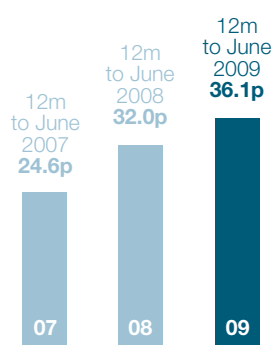
Financial Overview



Revenue from continuing operations



Adjusted operating profit



Adjusted EPS

Adjusted Results

Adjusted operating profit, together with adjusted profit before tax, is a measure of financial performance that the Board believes provides management and shareholders with valuable insight to underlying business performance. In particular, it excludes certain non-cash or non-recurring items, the most notable of which is the net IAS 41 valuation movement in biological assets. The items excluded from adjusted operating profits are:

- Net IAS 41 valuation movement in biological assets;
- Amortisation of acquired intangible assets;
- Share based payments;
- Exceptional items; and
- Other gains and losses.

This adjusted information is used internally to analyse the performance of businesses. A reconciliation of reported and adjusted results is included in the Group Income Statement.

Changes in Accounting Policies

The following changes in accounting policies were made in the period:

- The adoption of IFRS 8, relating to the disclosure of operating segments. We have adopted this new standard early as it reflects the way in which the business operates and it provides

more informative disclosures on the Group's business segments; and

- The measure of adjusted operating profits has been amended such that the amortisation of capitalised software principally from the implementation of Oracle, which in the current year amounted to £0.6m (2008: £0.1m), is no longer excluded from adjusted profits.

Impact of Exchange Rate Movements

The weakening of sterling particularly against the dollar and the Euro has enhanced the Group's results. The average and year end exchange rates used to translate the results for the year are shown in the table opposite.

To provide a better understanding of the underlying profitability, in addition to showing changes in actual reported performance, we have also shown changes in performance on a constant exchange rate basis. These constant exchange rate comparisons have been calculated using the same exchange rates as were applied during the year to 30 June 2008 to the results of 2008 and 2009.

Revenue

Revenue from continuing operations grew by 14% from £247.1m to £280.4m. At constant exchange rates, revenue was at broadly the same level as last year.

Adjusted Profit Before Tax

Adjusted operating profit increased by 18% to £38.1m (2008: £32.3m) and adjusted profit before tax increased by 15% to £32.0m (2008: £27.9m). At constant exchange rates, adjusted operating profit was flat compared with 2008, while adjusted profit before tax was down 7% on last year.

A more detailed review of operating profit performance is given in the Group performance section of the Business Review on page 7 and a review of regional performance is set out on pages 10 to 14.

Adjusted Profit Before Tax

	2009 £m	2008 £m
Adjusted operating profit from continuing operations*	38.1	32.3
Share of JV profits	2.1	2.7
Adjusted operating profit inc JV	40.2	35.0
Net finance costs before exceptionals	(8.2)	(7.1)
Adjusted profit before tax from continuing operations	32.0	27.9

*excludes fair value movement in biological assets and taxation

Exchange Rate

	Average		Closing	
	2009	2008	2009	2008
US Dollar/£	1.60	2.01	1.65	1.99
Euro/£	1.17	1.36	1.17	1.26

Statutory Profit Before Tax

Operating profit from continuing operations before exceptional items of £33.6m was £2.5m higher than the prior year (2008: £31.1m). The 18% increase in adjusted operating profit was partly offset by a lower credit in respect of a net IAS 41 valuation movement in respect of biological assets, down from £6.3m last year to £2.7m as the timing of shipments of pigs to royalty customers slowed causing a dip in the carrying value of porcine biological assets.

After exceptional items and finance costs, profit before tax from continuing operations was £26.2m, up from £22.0m last year.

Finance Costs

Net finance costs, before exceptional items, increased by £1.1m to £8.2m (2008: £7.1m). This higher cost was driven partly by higher interest costs following the debt refinancing in February 2009 and partly by higher net interest cost on pension liabilities. Interest cover, based on net interest payable excluding the net interest cost on pension liabilities, improved to 6.1 times (2008: 5.2 times).

In addition, £0.8m of un-amortised arrangement fees relating to the old facilities were expensed on completion of the refinancing as an exceptional charge.

Business Review

Financial Overview Continued

Exceptional Items

Exceptional items totalled £1.4m (2008: £4.9m). A charge of £0.6m arose on the settlement of an old environmental claim with a major customer, SeaBoard; the agreed settlement of \$3.5m was £0.6m higher than the provision created at the time of the Sygen acquisition. The remaining £0.8m was the write-off of arrangement fees for the financing facility that remained unamortised at the time of completing the Group's refinancing in February 2009.

The prior year exceptional items were in respect of the final phase of integration and restructuring expenses (including Oracle system implementation costs) for the PIC businesses acquired at the end of 2005, and the costs of the Group's main market listing in 2007.

Taxation

The effective rate of tax for the year, based on adjusted profit before tax, was 33.0% (2008: 32.4%). The effective tax rate depends upon the mix of profits by country, particularly the proportion of profit generated in North America, where the tax rate is approximately 40%, and the ability of the Group to recognise deferred tax assets in respect of losses in some of the Group's smaller territories.

Earnings per Share

Basic earnings per share from continuing operations were 30.4p in the year ended 30 June 2009 (2008: 24.7p). Adjusted basic earnings per share from continuing operations of 36.1p were 14% higher than last year.

KPI Performance

In reviewing performance by region, key performance indicators are operating profit at constant currency and % profit to sales. Performance of these KPI's is shown in the regional business reviews. On a global basis the additional KPI's shown below are used.

In bovine, sales growth, albeit modest, was achieved despite a slowing in sales particularly in US due to difficult market conditions.

Progress continues to be made in converting more porcine sales to the royalty model.

Cash conversion (defined as cash generated from operations before interest, taxes and capital investments expressed as a percentage of adjusted operating profit) reduced due to increased investment in biological assets as part of the expansion of the global product development facilities.

Shareholders' Funds

Shareholders' funds rose during the year to £204.6m at 30 June 2009, an increase of £19.5m. Exchange rate movements accounted for £18.3m of the increase. Shareholders' funds are equivalent to £3.44 per share and compares with £3.11 per share at 30 June 2008.

Dividend

The Board is recommending to shareholders a 10% increase in the dividend to 11 pence per ordinary share. Subject to shareholder approval at Genus' forthcoming Annual General Meeting, this dividend will be paid on 8 January 2010 to shareholders on the register at the close of business on 11 December 2009.

The dividend is 3.3 times covered by adjusted earnings (2008: 3.2 times).



Key performance Indicator	Performance in 2009
Bovine: sales volume	Volume increased by 1% (2008: 9%)
Porcine revenue: % royalty	35.7% (2008: 29.3%)
Operating profit margin %	13.6% (2008: 13.1%)
Cash conversion %	74.0% (2008: 80.2%)

Biological Assets

A feature of the Group's net assets is a substantial investment in biological assets which are required by IAS 41 to be held at fair value. At 30 June 2009, the carrying value of biological assets was £202.8m (2008: £167.6m) as set out in the table below.

The increase in carrying value during the year relates mainly to movements in exchange rates, which accounted for £27.9m of the increase including a £1.8m increase in respect of inventory. Other movements in the fair value of biological assets are required by IAS 41 to be reflected in the income statement. This can result in volatility in reported profits not reflected in cash generated by the business. For this reason, the net IAS 41 valuation movement in biological assets is excluded in arriving at adjusted profits referred to above. It is important to note that adjusted operating profits are reported after charging all research and product development expenditure.

Biological Assets

	2009 £m	2008 £m
Non-current assets	153.9	127.0
Current assets	28.0	24.3
Inventory	20.9	16.3
	<u>202.8</u>	<u>167.6</u>
Represented by:		
Porcine	76.0	66.9
Bovine	126.8	100.7
	<u>202.8</u>	<u>167.6</u>

Cash Flow and Net Debt

Operating cash inflow for the year to 30 June 2009 was £14.1m (2008: £13.5m).

Capital expenditure in the year of £15.5m was considerably higher than in previous years as the Group invested in extending capacity to meet projected future growth. In particular £11.0m was spent on the new porcine genetic nucleus herd facility in South Dakota and £1.1m on extending the new bull stud in Wisconsin.

As a result, after payments for interest and dividends, there was a net cash outflow for the year of £3.9m.

Net debt increased by £10.5m to £88.0m from £77.5m last year, partly due to the cash outflow but mainly as a result of exchange rate movements. The majority of the Group's net debt is denominated in US dollars to match the underlying operational cash flows and net assets. Therefore, as sterling has weakened relative to the dollar, net debt reported in sterling has increased. Of course, there has also been a substantial increase in US net assets.

Therefore, despite the increase in net debt, the Group's financial ratios remained strong with gearing broadly unchanged at 43% and interest cover improved.

Debt Refinancing

To ensure that the Company could pursue its growth strategy in the developing markets at a time when finance may have been in short supply, the Board took the opportunity in February 2009 to extend its bank facilities.

The new three year banking facilities of approximately £150m will enable the strategy to be pursued while allowing sufficient headroom to make opportunistic small acquisitions to enhance growth in developed markets. Part of the new facilities have been denominated in US dollars to assist in the management of the Group's liquidity in volatile foreign exchange markets. As a result, the new facilities that have been secured comprise a £110m multi-currency revolving credit facility and a US\$60m revolving credit facility.

Treasury

The Group has a centralised treasury function to manage foreign exchange and interest rate risk following guidelines laid down by the Board. Derivative instruments are used solely to mitigate risks. The Group borrows principally in Sterling, US dollars and Euros. The Group's borrowings at the end of the year were mainly bank borrowings provided by a syndicate of four major international banks.



Business Review

Financial Overview Continued

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks.

- **Interest Rate Risk**

Interest rate swaps are used to generate the desired interest profile and to manage exposure to interest rate fluctuations. The Group's policy is that a minimum 60% of the Group's borrowings should be fixed for periods in excess of one year up to a maximum of 5 years. At 30 June 2009, 88% (2008: 92%) of the Group borrowings were at fixed rates.

The fair value of the interest rate swaps used to provide the required level of hedging at 30 June 2009 was a net liability of £2.4m (2008: net asset of £1.5m).

- **Foreign Currency Risk**

The Group is exposed to two principal types of foreign currency risk: transaction risk and translation risk. Transactional exposures arise from operating units selling and/or purchasing goods and services in currencies other than their reporting currency. Where these exposures are large or other than short-term, they are hedged by the use of forward contracts.

The Group has a policy to settle inter-company trading balances on a monthly basis to minimise foreign currency exposure. Translation exposure arises on the re-translation of overseas subsidiary companies' profits and net assets into sterling for financial reporting purposes. Overseas trading is mainly US\$ linked and to a lesser extent Euro. Exposures arising from the translation of overseas profits are not hedged. Translation exposures in respect of the net assets in overseas countries are managed by maintaining a percentage of net debt in overseas currencies to mitigate the effect of currency fluctuations. This is achieved by either borrowing in the relevant currency or entering into long term

currency swaps. In this respect, in January 2006, following the acquisition of Sygen, the Company entered into a currency swap that had the effect of exchanging £35m of debt for a US\$66.2m debt for a 5 year term.

The fair value of this instrument at 30 June 2009 yields a liability of £5.7m (2008: £0.1m). All other hedging of net asset exposures has been undertaken by borrowing in the relevant currency.

At 30 June 2009, gross debt was held in the following currencies: US dollars 41% (2008: 36%), Euros 9% (2008: nil), Sterling 50% (2008: 57%), and all other currencies £nil (2008: 7%).

- **Liquidity Risk**

The Group's objective is to ensure the Group has committed facilities with sufficient headroom to finance the Group's funding requirements for the foreseeable future. At the year end, the Group had undrawn committed facilities of £40m and held cash and cash equivalents of £20.6m (2008: £19.3m).

The Group's facilities extend to February 2012 and the Group remains comfortably within its covenant headroom.



Garrison

Business Review

Principal Risks and Uncertainties

Genus operates a structured risk management system which identifies, evaluates and prioritises risks and uncertainties and actively reviews control and mitigation activities. In this process the relative importance of the risks

associated with sales and profit growth and their related mitigating actions taken by the Group have been elevated as a result of the downturn in economic markets. Further information on the risk management system can be found in the

Corporate Governance Statement. The principal risks and uncertainties identified by Genus which could impact its performance are set out below, prioritised within categories in the order of risk:

Risk	Description	Mitigation
Trading Risks		
Profit Growth	Impact of economic conditions e.g. global recession, high commodity prices, lack of credit to customers	<ul style="list-style-type: none"> • Cost reductions in affected areas • Geographical diversification • Increased use of royalty model • Forward purchasing strategy • Sound procurement practices • Tightened credit controls
Sales Growth	Changes in demand; interruptions or delay in product supply; expansion into new markets; competitor activity	<ul style="list-style-type: none"> • Local investments ensuring availability of superior product in new regions • Investment in bull studs and porcine genetic nucleus herds • Extensive supply network in geographically diverse locations • Locally based distributor network • Provision of technical services
Currency	Foreign exchange risks	<ul style="list-style-type: none"> • Forecasting currency requirements • Hedging and foreign exchange policies • Treasury reviews
Operating Risks		
Research & Product Development Effectiveness	Product development not meeting demand or overtaken by competitors	<ul style="list-style-type: none"> • Long term strategy agreed by the Board • Research undertaken in key areas • Detailed selection criteria • Diversified product portfolio
Disease	Disease outbreak in bull studs or porcine nucleus herds and/or surrounding areas	<ul style="list-style-type: none"> • World class animal care practices • Strict bio-security systems • Dispersed & remote herd locations • High level of staff training
Environmental Compliance	Environmental incident e.g. arising from waste disposal	<ul style="list-style-type: none"> • Pro-active environmental management • Compliance with environmental laws • Extensive environmental protocols • High level of staff training • Use of latest technology
Pensions	Increased pension deficit contributions; joint and several liability under Milk Pension Fund	<ul style="list-style-type: none"> • Agreement of appropriate recovery and other plans with pension fund trustees • Review of investment strategy • Review of pension benefits provision
Business & IT Interruption	Failure of business or IT infrastructure; delay in third party supply of product or services	<ul style="list-style-type: none"> • Back up procedures for each location • Contingency plans for key suppliers • IT recovery plans • Insurance programme
Health & Safety	Health & safety incident, e.g. accident at work	<ul style="list-style-type: none"> • Compliance with health & safety laws • Extensive health & safety protocols • High level of staff training • Risk assessments & audits
People	Reliance on key employees	<ul style="list-style-type: none"> • Succession planning • Training and development programmes • Competitive remuneration packages • Incentives to retain key employees



Business Review

Corporate Responsibility

Genus plays a key part in the world's agricultural economy and delivers many benefits to global society.

Genus' unique position in the supply of superior natural animal genetics enables the world's farmers and food producers to ensure the supply of quality products with increasing output at improved production efficiencies. In the context of an ever increasing world population and decreasing resources being made available for food production, Genus plays an increasingly important social and economic role in the efficient production of quality foods.

Genus is committed to the highest standards of corporate and individual behaviour and actively considers the economic, social and environmental impacts of the Company's activities, wherever they operate in the world. In acting with the highest standards of business conduct, Genus earns the trust of its customers, shareholders, colleagues, suppliers, regulators and the communities in which Genus operates. Maintaining these standards is vital to the continued success and development of the Company.

Genus' Group companies devise procedures which are, as a minimum, compliant with local laws and operating conditions. The Genus Board has overall responsibility for corporate responsibility, assessing the needs of Genus' stakeholders regularly, and delegates day to day management of corporate responsibility issues to the Company's operating Board in conjunction with regional management.

The Genus approach to corporate responsibility applies to the following key areas: the environment, our employees, health & safety, our stakeholder relationships and our community. The Genus principles of corporate responsibility apply to all our employees and are a minimum standard for their behaviour.

The Environment

Genus recognises that concern for the environment is an essential part of its business operations and seeks to minimise risk to the environment by effective management of the Group's activities. The Group's environmental policy is to conduct its business, as a minimum, in compliance with the laws and regulations applicable to its business in each of the countries in which it operates. The monitoring and reporting on environmental performance is an integral part of the Company's operations and a key part of the Company's risk management programme.





Genus employees in Argentina

Our Employees

Genus places considerable value on the involvement of its employees and has continued to keep its employees informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, internal communications, the Company's magazine and the Group's intranet.

Genus' employment policies respect the individual regardless of sex, age, race or religion. Full and fair consideration is given to applications for employment from disabled people. The services of employees who become disabled are retained wherever possible and training, career development and promotion opportunities are provided where appropriate. The Group has a well established structure to communicate with employees at every level and to encourage their involvement regarding the Group's performance and future activities.

We require all employees to act in an ethical manner both within the Company and in dealings with other organisations, and to comply with all applicable laws and Company policies.

Health & Safety

Genus is committed to providing safe systems of work for its employees in all countries in which it operates and pro-actively monitors compliance with local regulations. This commitment is supported by a comprehensive training regime for the Group's employees. The monitoring and reporting on the Company's health & safety performance is an integral part of the Company's operations and a key part of the Company's risk management programme.

Our Stakeholder Relationships

Customers

Genus aims to provide products and services of the highest quality and technical standards appropriate to our customers' own requirements. At all times Genus takes all reasonable steps to ensure the safety and quality of the goods and services that Genus provides, including compliance with all applicable regulatory requirements.

Suppliers

Genus is committed to working with suppliers in mutually beneficial ways, and, so far as is practicable, requires that suppliers and contractors act in accordance with its values and policies.

Our Community

Genus recognises its responsibilities as a member of the communities in which it operates and, at a local level, encourages its operating companies to engage with the local community in their areas of operation. At a Group level the Company sponsors the Farm Business Awards and the John Beckett Foundation, a charity that provides business scholarships to young farmers.





Board of Directors

Genus plc

1. John Hawkins (56)

Chairman

John Hawkins joined the Board in June 2000 and was appointed Chairman of the Board and the Nomination Committee in August 2004. He is Chief Executive of Atex Group Limited and Chairman of Psion plc. He was formerly Chief Executive of Anite Group plc after being with Philips Electronics for 19 years, latterly as European President of Philips Media.

2. Richard Wood (64)

Chief Executive

Richard Wood is a graduate chartered chemical engineer. He worked for ICI for 23 years and is a former Managing Director of ICI Seeds UK. He then worked for 7 years in the pharmaceutical industry, firstly as Chief Executive of Daniels Pharmaceutical Limited until it was acquired by Lloyds Chemists plc and then as Managing Director of a division of Lloyds. He joined Genus as Chief Executive in December 1996.

3. John Worby (58)

Finance Director

John Worby joined the Board in September 2004 and was Chairman of the Audit Committee until he became Group Finance Director in February 2009. He is a non-executive director of Cranswick plc and Smiths News plc, and was previously Deputy Chairman and Finance Director of Uniq plc (formerly Unigate plc) having been Finance Director of Wincanton Ltd.

4. Nigel Turner (60)

Senior Non-Executive Director

Nigel Turner joined the Board in January 2008 and is Chairman of the Remuneration Committee. He is a non-executive director of Croda plc and was the Chairman of Numis Securities Ltd and Deputy Chairman of Numis Corporation plc from December 2005 to November 2007. Previously he was Vice Chairman of ABN AMRO's Wholesale and Investment Bank in which he had specific responsibility for the Global Corporate Finance and Equity businesses. He joined the Dutch bank in 2000 from Lazard, where he was a partner for 15 years and sat on its Supervisory Board.

5. Mike Buzzacott (61)

Non-Executive Director

Mike Buzzacott joined the Board in May 2009 and is Chairman of the Audit Committee. He spent 34 years at BP holding a number of international roles including Finance & Control Director Asia Pacific, CFO BP Nutrition and Group Vice President Petrochemicals. He is a non-executive director and Audit Committee chairman of Croda Plc and a non-executive director of Scapa Plc. He was Chairman of Biofuels Plc from 2006 until its re-registration in 2007 as a private company.



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Chief Operating Officers

Genus plc

6. Professor Barry Furr (65)

Non-Executive Director

Professor Furr recently retired as Chief Scientist and Head of Project Evaluation for AstraZeneca plc after 34 years of service. He is a non-executive director of the Medicines and Healthcare Products Regulatory Agency and was awarded an OBE in 2000 for his services to cancer drug discovery. He joined the Board in December 2006 and chairs the Board's Science Committee. He is the author of more than 160 papers on reproductive endocrinology and antihormones.

7. Ian Farrelly (41)

Group Company Secretary & General Counsel

Ian Farrelly is a solicitor. He joined Genus in June 2006 from Microgen plc where he was Group General Counsel. He was previously Group Solicitor & Company Secretary of Diagonal plc after being Solicitor to Hays plc.

8. Ian Biggs (51)

Chief Operating Officer - The Americas

Ian Biggs is a graduate chartered accountant having qualified with KPMG. He joined Genus in 2000 and was Chief Operating Officer for bovine genetics until December 2005 when, with the acquisition of Sygen International plc, he became Chief Operating Officer of the Americas of the enlarged group. Prior to joining Genus he was with Roslin Bio Med, a company formed by the Roslin Institute and before that he was with PIC, which became Sygen, first as Group Finance Director and later as Managing Director of the European business followed by being head of North American operations.

9. Philip Acton (51)

Chief Operating Officer – Europe & The Far East

Philip Acton is a graduate chartered accountant having qualified with Deloitte. He joined Genus in 1995 and was its Finance Director until March 2003 when he became the Chief Operating Officer of Genus Animal Health. Following the acquisition of Sygen in December 2005 he became Chief Operating Officer of Europe & The Far East. Prior to joining Genus he worked for 10 years in the electrical engineering sector and was Group Finance Director of Scholes Group plc.

10. Steve Amies (58)

Chief Operating Officer – Global Research & Product Development

Steve Amies is an agriculture graduate from Reading University. He joined Genus at its inception in 1994. Thereafter he held a range of posts across product development and operations, culminating in the post of Managing Director of the Company's UK and European bovine breeding business. Following completion of the Sygen acquisition in December 2005 he became Chief Operating Officer of Global Research & Product Development.

Corporate Governance

Directors' Report

The directors present their report and financial statements for the year ended 30 June 2009.

Principal Activities

The principal activities of the Group comprise the global application of quantitative genetics and biotechnology to animal breeding in the bovine and porcine sectors.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in notes 19 and 38 to the financial statements.

Business Review

A review of the business of the Group during the financial year ended 30 June 2009, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group can be found within the Business Review on pages 6 to 25.

The Business Review also includes details of expected future developments in the business of the Group, an indication of its activities in the field of research and development and details of the key performance indicators used by management, together with details of the Company's approach to corporate responsibility. The Business Review also contains a description of treasury policies and financial instruments used by the Group, which should be read in conjunction with note 27 to the financial statements.

Dividends

The directors are pleased to recommend the payment of a dividend of 11.0 pence per ordinary share payable on 8 January 2010 to shareholders on the register at the close of business on 11 December 2009.

Directors

The directors, who served throughout the year and to the date of signing of this report except as noted, were as follows:

John Hawkins	–	Non-Executive Chairman
Richard Wood	–	Chief Executive
John Worby	–	Group Finance Director (appointed 26 February 2009 and previously Non-Executive Director in the period)*
Nigel Turner	–	Senior Non-Executive Director
Mike Buzzacott	–	Non-Executive Director (appointed 7 May 2009)
Barry Furr	–	Non-Executive Director

* Martin Boden resigned as Group Finance Director on 26 February 2009

In accordance with the Company's articles of association and best practice, Barry Furr will retire by rotation at the next annual general meeting and, being eligible, offers himself for re-election. Mike Buzzacott was appointed by the Board during the year and will offer himself for election at the next annual general meeting.

The Board considers that the directors who are submitting themselves for election and re-election make an effective and valuable contribution to the Board and demonstrate commitment to their respective roles.

Biographical details on the directors and senior management of the Company can be found on pages 26 to 27.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation. The articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on pages 32 to 36.

Corporate Governance

Directors' Report Continued

Directors' Interests

The directors who held office at 30 June 2009 had the following interests in the shares of the Company:

	At 30 June 2009	At 30 June 2008
	No	No
John Hawkins	5,100	4,100
Richard Wood	60,566	14,200
John Worby	10,000	10,000
Nigel Turner	15,000	15,000
Mike Buzzacott	1,000	–
Barry Furr	8,000	–
Total	99,666	43,300

Directors' Share Options and Share Awards

Details of directors' share options and share awards are provided in the Directors' remuneration report on page 39.

Supplier Payment Policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 30 June 2009 were equivalent to 26 days' purchases (2008: 37 days), based on the average daily amount invoiced by suppliers during the year.

Charitable and Political Contributions

During the year the Group made no charitable donations (2008: £13,000).

Capital Structure

Details of the Company's authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 32. The Company has one class of ordinary shares. Each share carries the right to one vote at general meetings of the Company. There are no specific restrictions either on the size of a holding or on the transfer of shares, which are both governed by the provisions of the Company's Articles of Association and prevailing legislation. Details of the Company's share schemes are set out in note 31. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Substantial Shareholdings

As at 7 September 2009, the following material interests in the Company's issued ordinary share capital were held: Lansdowne Partners Ltd 12.36%, NFU Mutual & Avon Group 10.19%, M&G Investment Management 7.09%; Baillie Gifford & Co Ltd 6.75% and Legal & General Investment Management Ltd 5.51%. No other person has notified an interest in the ordinary shares of the Company which is required to be disclosed by the Company.

Acquisition of the Company's Own Shares

At the end of the year, the directors had authority, under the shareholders' resolutions of 13 November 2008, until the earlier of 18 months after its passing of such resolutions or the conclusion of the Company's next Annual General Meeting, to buy back shares on the open market to a limit of £594,556 in nominal value, representing 10% of the Company's issued share capital as at the date of the resolution at a price between 10p (exclusive of expenses) and 105% of the average of the middle market quotation for ordinary shares in the Company for the five business days prior to the date of purchase (exclusive of expenses). No shares were bought back by the Company in the period.

Corporate Governance

The Company's Corporate Governance Statement is set out on pages 32 to 36 and forms part of this Directors' Report.

Corporate Social Responsibility

Details of the Company's approach to corporate social responsibility are contained in the Corporate Social Responsibility section of the Business Review on page 24 to 25.

Corporate Governance

Directors' Report Continued

Ordinary and Special Business at the Annual General Meeting

At the Annual General Meeting to be held on 12 November 2009 resolutions 1 to 7 are termed ordinary business, while resolutions 8 to 10 will be special business.

The ordinary business includes:

- approval of the Company's audited financial statements and directors' and auditors' reports for the year ended 30 June 2009
- approval of the directors' remuneration report for the year ended 30 June 2009
- declaration of a final dividend of 11.0 pence per ordinary share
- election of those directors submitting themselves for election
- re-election of those directors required to retire by rotation
- re-appointment of the Company's auditors and the agreement of their remuneration
- grant of authority to the directors to allot authorised and unissued ordinary shares up to an aggregate nominal amount of £1,646,412 without having to obtain prior approval from shareholders on each occasion

The special business covers the following matters:

- partial dis-application of pre-emption rights attaching to the Company's shares
- renewal of the directors' authority to buy back the Company's shares
- the ability to convene general meetings (other than annual general meetings) on 14 clear days' notice

The resolutions are set out in the Notice of Annual General Meeting on pages 109 to 112.

The passing of resolution 7, as an ordinary resolution, will permit the directors for a period expiring at the conclusion of the Company's next Annual General Meeting to allot relevant securities up to a maximum aggregate nominal amount of £1,646,412 being 16,464,126 ordinary shares of 10 pence each representing 28 per cent of the issued ordinary share capital of the Company as at 30 June 2009. The directors do not have an intention to exercise this authority at the present time. The Company currently holds no shares in treasury.

The passing of resolution 8, a special resolution, will permit the directors for a period expiring at the conclusion of the Company's next Annual General Meeting to make issues of equity securities for cash by way of rights issue or similar pre-emptive offer. In addition, they may issue equity securities for cash on a non pre-emptive basis, provided the shares so issued be limited to shares with a nominal value of £297,626 being 5% of the equity share capital in issue as at the date of the notice.

The passing of resolution 9, a special resolution, will permit the directors, until the earlier of 18 months after its passing or the conclusion of the Company's next Annual General Meeting to buy back shares on the open market to a limit of £595,252 in nominal value, representing 10% of the Company's issued share capital as at the date of the notice. The minimum price payable per share will be 10 pence (exclusive of expenses) and the maximum will be the higher of (a) 105% of the average of the middle market quotation for ordinary shares in the Company for the five business days prior to the date of purchase (exclusive of expenses); and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003.

The passing of resolution 10, a special resolution, will allow the Company to call a general meeting, other than an annual general meeting, on not less than 14 clear days' notice subject to certain conditions being satisfied as required by section 307A Companies Act 2006. The annual passing of this resolution will allow the Company to continue to call general meetings on 14 clear days' notice following the implementation of the Companies (Shareholders' Rights) Regulations 2009 that requires all general meetings of the Company to be held on 21 days' notice unless such a resolution is passed.

In the opinion of the directors, the passing of these resolutions is in the best interests of the shareholders. The directors unanimously recommend that shareholders vote in favour of all the proposed resolutions as they intend to do in respect of their own beneficial holdings.

Going Concern

As described more fully in the Directors' Responsibilities Statement on page 44, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance

Directors' Report Continued

Provision of Information to the Company's Auditors

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

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

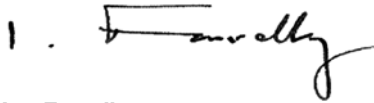
This confirmation is given and should be interpreted in accordance with the provisions of section 418 Companies Act 2006.

Appointment of Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Belvedere House
Basing View
Basingstoke
RG21 4HG

By order of the Board



9 September 2009

Ian Farrelly

Group Company Secretary & General Counsel

Corporate Governance

Corporate Governance Statement

Genus is committed to high standards of corporate governance and is accountable to the Company's shareholders for good corporate governance. The Company has applied throughout the period of this report the principles of corporate governance and has complied with the provisions set out in the June 2008 Combined Code on Corporate Governance ("the Code") save as described below.

Statement of Compliance with the Combined Code

Throughout the year ended 30 June 2009, the Company has been in compliance with the provisions set out in section 1 of the Code except for provisions B.2.1 and C.3.1 of the Code in relation to the composition of the Company's Remuneration and Audit Committees in the period between 26th February 2009 and 7th May 2009 that is explained below.

The Workings of the Board and its Committees

The Board

The Board is responsible to shareholders for the proper management of the Group and currently comprises two executive directors, three non-executive directors and the non-executive Chairman. Biographies of the directors appear on pages 26 to 27. The Board considers that the directors have a range of experience and sufficient calibre to bring effective judgement to bear on issues of strategy, performance, resource and standards of conduct which are vital to the success of the Group. The Chairman and the non-executive directors are considered independent.

The Board met nine times in the period of this report and has a formal schedule of matters reserved for its approval including setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition possibilities, approval of material contracts, formulating policy on key issues and reporting to shareholders. Additional Board meetings are held when necessary to consider matters that are time critical. The Board delegates authority to the Chief Executive, the Group Finance Director and the Chief Operating Officers and their regional management teams to make day-to-day operating decisions to ensure the proper management of the Group's business and implementation of the Board's approved strategy. In turn, they recommend strategy and plans to the Board, make routine decisions on resources and ensure that robust operational and financial controls are in place. Members of the regional management teams are invited on a scheduled basis to make presentations to the Board and participate in certain aspects of strategic reviews.

The Chairman, John Hawkins, has primary responsibility for running the Board. The Chief Executive, Richard Wood, has executive responsibility for achieving operational and financial targets and for executing the Group's strategy. Clear divisions of accountability and responsibility between the Chairman and Chief Executive have been agreed by the Board and are set out in writing. The Company's Senior Non-Executive Director is Nigel Turner who is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Group Finance Director has failed to resolve or for which such contact is inappropriate.

All directors have access to the advice and services of the Group Company Secretary & General Counsel and to independent professional advice as required. In addition, the Company ensures that the directors receive appropriate training as and when necessary. To ensure the Board is able to discharge its duties, all directors receive appropriate and timely information, with Board packs being issued to all directors well in advance of Board meetings.

The Group Company Secretary & General Counsel ensures that Board procedures are followed and that statutory and regulatory requirements are complied with.

Corporate Governance

Corporate Governance Statement Continued

The attendance of directors at Board and committee meetings during the period was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chairman (non-executive)				
John Hawkins	9 (9)	3 (3)*	7 (7)	2 (2)
Executive directors				
Richard Wood	9 (9)	3 *	7 *	2 (2)
John Worby**	3 (3)	1 *	1 *	n/a
Martin Boden***	6 (6)	2 *	n/a	n/a
Non-executive directors				
Nigel Turner	9 (9)	3 (3)	7 (7)	2 (2)
John Worby**	6 (6)	2 (2)	4 (4)	n/a
Mike Buzzacott****	1 (2)	1 (1)	1 (2)	n/a
Barry Furr	8 (9)	3 (3)	6 *	2 *

Note: Figures in brackets indicate maximum number of meetings in the period when the individual was a Board member.

* Attendance by invitation.

** John Worby was appointed Group Finance Director on 26 February 2009 and was previously a Non-Executive Director of the Company.

*** Martin Boden resigned as a director of the Company on 26 February 2009.

**** Mike Buzzacott was appointed a director of the Company on 7 May 2009.

The Audit Committee

The Audit Committee is formally constituted with written terms of reference and meets at least three times a year. In the period it comprised Mike Buzzacott (Chairman from 7 May 2009), John Worby (Chairman to 26 February 2009), Nigel Turner and Barry Furr. In compliance with the 2008 version of the Code (in particular provision C.3.1), and with effect from 8 July 2008, John Hawkins, the Company's Chairman, is no longer a member of the Audit Committee. In the period between 26 February 2009 when John Worby was appointed Group Finance Director and 7 May 2009 when Mike Buzzacott was appointed as a director of the Company, the Company did not comply with provision C.3.1 of the Code in that the Audit Committee comprised only two independent non-executive directors, namely Nigel Turner and Barry Furr. In the period between 1st November 2008 and 25th February 2009 John Worby provided consultancy services to the Company in relation to its debt re-financing project and as a matter of best practice the Audit Committee meeting of the Company held on 18th February 2009 was chaired by Nigel Turner instead of John Worby. Details of John Worby's remuneration are contained in the Directors' Remuneration Report on page 42.

At the invitation of the Committee, meetings are attended by the Chairman, Chief Executive, the Group Finance Director and the Group's internal and external auditors. Minutes of the Committee meetings are circulated to all directors. The Audit Committee is responsible for reviewing a wide range of matters including the adequacy of the Group's accounting systems and control environment, the integrity of the Group's financial statements, the Group's internal audit function, the effectiveness and independence of the Group's external auditors, and the Group's reporting to shareholders.

The Audit Committee advises the Board on the appointment of external auditors and their remuneration, and discusses with the external auditors the nature, scope and results of the audit. The Audit Committee keeps under review the cost-effectiveness, independence and objectivity of the external auditors, including the level of non-audit fees charged. Auditor objectivity and independence is safeguarded by monitoring the audit profession's guidance on independence and partner rotation and by ensuring that non-audit services provided by the external auditors are within the framework approved by the Audit Committee.

The Committee has established a policy covering the type of non-audit services that can be provided by the external auditors. The auditors may only carry out such services provided that they do not conflict with their statutory responsibilities and ethical guidance. The Audit Committee chairman's pre-approval is required before the Group uses non-audit services that exceed financial limits set out in the policy.

A separate Audit Committee report is set out on pages 37 to 38 and provides further details of the role and activities of the Committee and its relationship with the internal and external auditors.

Corporate Governance

Corporate Governance Statement Continued

The Remuneration Committee

The Remuneration Committee, comprising Nigel Turner (Chairman), John Hawkins and Mike Buzzacott (from 7 May 2009) and John Worby (until 26 February 2009), meets at least twice a year to review the performance of the executive directors and the Chief Operating Officers, and to recommend their remuneration and other benefit packages, including performance related bonus schemes, pension rights and share incentives. In accordance with the Company's articles of association, the Board as a whole sets the remuneration of the non-executives. The Remuneration Committee has terms of reference which are set out in writing and agreed by the Board. The Report of the Remuneration Committee which includes details of directors' remuneration and directors' interests in share awards is shown on pages 39 to 43.

In the period between 26 February 2009 when John Worby was appointed Group Finance Director and 7 May 2009 when Mike Buzzacott was appointed a director of the Company, the Company did not comply with provision B.2.1 of the Code in that the Remuneration Committee comprised only two independent non-executive directors, namely Nigel Turner and John Hawkins.

The Nomination Committee

The Nomination Committee, comprising John Hawkins (Chairman), Nigel Turner and Richard Wood, is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. The Committee has written terms of reference covering the authority delegated to it by the Board. Its duties include reviewing regularly the structure, size and composition (including the skills, knowledge and experience required) of the Board and making recommendations to the Board with regard to any changes, giving full consideration to succession planning for directors and other senior executives taking into account the challenges and opportunities facing the Company and identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise. In the period the Committee considered the appointment of a new Group Finance Director and a new Non-Executive Director in the context of strengthening the Board as part of the Board's succession planning. Suitable candidates were identified by the Committee using the services of external consultants to facilitate a search.

Science Committee

The Board's Science Committee is chaired by Professor Barry Furr and has the responsibility of developing and recommending to the Board the Company's research & development strategy that will allow Genus to extend its leading position in livestock breeding by scientific innovation. The Committee met three times in the period.

Terms of Reference

The terms of reference for the Audit Committee, Remuneration Committee, Nomination Committee and Science Committee are available on the Company's web-site: www.genusplc.com

Board Performance Evaluation

The effectiveness of the Board is vital to the success of the Company. Each year the Board undertakes a formal and rigorous evaluation of its own performance and that of its Committees and individual directors. The Board, led by the Chairman and supported by the Group Company Secretary & General Counsel, carried out in the period an evaluation of performance using a system based on the use of a questionnaire and has met to discuss the conclusions of the evaluation exercise.

The performance evaluation exercise focused on matters such as Board process and functioning; Board performance; governance and independence of non-executive directors; committee functioning, performance and composition; and the Chairman's role and Board composition, including succession planning both in respect of the Board and senior management. The evaluation exercise showed the Board and its Committees to be working well. Certain recommendations for improvement have been agreed and will be implemented in the current financial year. The Board is satisfied that each director continues to contribute effectively and demonstrates commitment to the role.

During the period the Chairman and the non-executive directors met as a Group without the executive directors present. Under the leadership of the senior independent director, the non-executive directors have also met without the Chairman present to discuss any appropriate issues and appraise the Chairman's performance, taking account of the views expressed by the executive directors. The Chairman and the non-executive directors hold these meetings at least annually.

Shareholder Relations

The Company has a continuing dialogue with institutional investors through a planned programme of investor relations. The Chief Executive and Group Finance Director meet frequently with representatives of institutional shareholders and private client brokers. Feedback from these meetings (including that prepared by independent brokers and advisors) is discussed at Board meetings enabling all directors, particularly the non-executive directors, to understand the views of major shareholders. The Chairman and Senior Non-Executive Director also maintain contact with major shareholders.

Corporate Governance

Corporate Governance Statement Continued

The Board takes the opportunity at the Annual General Meeting to meet and communicate with private and institutional investors and welcomes their involvement. The Business Review on pages 6 to 25 provides a detailed review of the Group's performance and future developments. John Hawkins, Mike Buzzacott, Nigel Turner and Barry Furr will be available to answer questions as Chairmen of the Board and its Committees at the Annual General Meeting to be held on 12 November 2009.

Internal Control and Risk Management

The Board has applied principle C.2 of the Code by establishing a structured risk management system which identifies, evaluates and prioritises risks and uncertainties affecting the Group and actively reviews control and mitigation activities. The Board has continued to enhance the Group's risk management system during the year. The system applies on an on-going basis to each business unit of the Group worldwide, divisional management Boards, the Company's Operating Board and Main Board. The Group's internal audit function is outsourced to Ernst & Young LLP who are tasked to audit specific key business risks identified by the Company's risk management system and agreed by the Board. In addition, specialist third party consultants may be tasked from time to time to perform an internal audit of a specific key business risk, for example the Company's compliance with environmental and health & safety requirements. The Board believes this internal audit structure provides an effective internal audit function given the size and geographical spread of the Group.

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In compliance with provision C.2.1 of the Code, the Board, with the assistance of the Audit Committee, has reviewed the effectiveness of the Group's system of internal control and the Group's financial, operational and compliance controls and risk management. This assessment considered all significant aspects of internal control arising during the period covered by this report including the work programme of the Company's internal audit function, and management reports prepared at the time of the approval of the Company's interim and final reports and financial statements, to consider whether significant risks were identified, evaluated, managed and controlled and whether any significant weaknesses had arisen and the remedial action that had been taken. The management reports were based on the responses received to comprehensive questionnaires issued to each of the Group's business units and divisional management, together with the risk events and controls that had been advised to the Group's other means of day to day risk management, namely the divisional management Boards, the Operating Board, the Main Board and insurers. Whilst areas are routinely identified for improvement, during the course of its review of the system of internal control the Board has neither identified nor been advised of any failings or weaknesses which it has determined to be material or significant.

The key elements of the Group's risk management process are as follows:

Management of Business Risk

The Board is ultimately responsible for identifying the major business risks faced by the Group. Key risks facing the business include the impact of the economic downturn on sales and profit growth and disease and environmental risks related to the keeping of livestock. The Board, Chief Operating Officers and their regional management teams are tasked with the responsibility for the ongoing identification, assessment, management, monitoring and reporting of risks to ensure the significant risks affecting the Company are properly identified and managed.

Management Structure

Authority to operate the Group's subsidiary companies is delegated to the Chief Operating Officers and their regional management teams within limits set by the Board. The appointment of executives to the most senior positions within the Group requires the approval of the Board. Formal empowerment levels, which set out delegation of authority, authorisation levels and other control procedures are in place. These procedures are supplemented by operating standards set by the Chief Operating Officers and their regional management, as required for the type of business and the geographical location of each subsidiary.

An operating Board, chaired by the Chief Executive and comprising the Group Finance Director, the Chief Operating Officers, the Group Company Secretary & General Counsel, the Group Financial Controller and other executives by invitation meet on a regular basis to review each region's performance against its budget, long and short term strategies and other key business issues, indicators and activities.

Corporate Governance

Corporate Governance Statement Continued

Information and Financial Reporting Systems

The Group's current planning and financial reporting procedures include detailed operational budgets for the year ahead together with the preparation of three year strategic plans, which the Board reviews and approves. Performance is monitored and relevant action taken throughout the year through monthly reporting of key performance indicators and variances, updated full year forecasts and information on key business risk areas.

Quality and Integrity of Personnel

The integrity and competence of personnel is ensured through high recruitment standards enhanced by post-recruitment training courses. High quality personnel are seen as an essential part of the control environment and the expected ethical standards are communicated throughout the Group.

Investment Appraisal

Capital expenditure is regulated by a budgetary process and pre-determined authorisation levels. For expenditure above specific levels, detailed written proposals have to be submitted to the Board. Due diligence work is carried out if a business is to be acquired and post-acquisition reviews are conducted on a timely basis. Investigations are performed on any significant overspends and corrective action is taken where required.

Approval

This statement was approved by the Board and signed on its behalf by:



J E Hawkins
Chairman

9 September 2009

Corporate Governance

Audit Committee Report

Summary of the Role of the Audit Committee

The Audit Committee is appointed by the Board from the non-executive directors of the Company. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The principal responsibilities of the Audit Committee are:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's financial systems, internal financial controls and the Group's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant professional and regulatory guidance.

The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

Meetings

The Audit Committee is required to meet at least three times a year and has an agenda linked to events in the Group's financial calendar in the period. Each Audit Committee member has the right to require reports on matters relevant to its terms of reference in addition to the cyclical items.

The Audit Committee invites the Chief Executive, Group Finance Director, Group Financial Controller, internal auditor and senior representatives of the external auditors to attend its meetings. With effect from July 2008, and at the invitation of the Committee, the Chairman also attends its meetings. Other members of management are invited to present such reports as are required for the Committee to discharge its duties.

Overview of the Actions Taken by the Audit Committee to Discharge its Duties

In the year ended 30 June 2009 and up to the date of this report the Audit Committee has:

- reviewed the financial statements in the 2009 annual report and the financial statements in the 2009 interim report. As part of this review the Committee received a report from the external auditors on their audit of the annual report and financial statements and review of the interim report;
- considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter;
- reviewed and agreed the scope of the audit work to be undertaken by the external auditors;
- met with the external auditors, without management being present;
- agreed the fees to be paid to the external auditors for their audit of the 2009 financial statements and review of the interim report;
- agreed a work programme for the Company's internal audit function outsourced to Ernst & Young LLP;
- received reports from the internal audit function on the work undertaken by internal audit and management responses to proposals made in the audit reports issued by the function during the year;
- reviewed its own effectiveness; and
- reviewed the performance of the external auditors.

Corporate Governance

Audit Committee Report Continued

External Auditors

Under its terms of reference the Audit Committee is responsible for monitoring the independence, objectivity and performance of the external auditors, and for making a recommendation to the Board regarding the appointment of external auditors on an annual basis.

The Group's external auditors, Deloitte LLP, were first appointed as external auditor of the Company for the period ended June 2006 following a formal tender process.

The Group's policy on non-audit services sets out services which the external auditors will and will not be allowed to provide to the Group, addressing both the nature of services and monetary thresholds requiring approval by the Group Finance Director and the Audit Committee Chairman. Deloitte LLP are retained for tax advisory and tax compliance services. The Audit Committee is satisfied that the use of Deloitte LLP for such services does not impair their independence as the Group's external auditors.

To assess the effectiveness of the external auditors, the Audit Committee has reviewed:

- the external auditors' fulfilment of the agreed audit plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements;
- the content of the external auditor's reports;
- a report from management on the quality of the external audit work; and
- cost effectiveness.

As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee has recommended to the Board that the external auditors be re-appointed for a further year.

Internal Audit Function

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the internal audit function. The Company's internal audit function has been outsourced to Ernst & Young LLP and the Audit Committee believes this arrangement provides an effective internal audit function given the geographical spread of the Group. In fulfilling its responsibilities the Committee has reviewed the following in the period:

- the scope, terms of reference, resource and activities of the internal audit function within the Group;
- internal audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of resolution; and
- the level and nature of non-audit activity performed by Internal Audit.

The Group's Whistleblowing Policy contains arrangements for the Group Company Secretary & General Counsel to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference. It has also ensured the independence and objectivity of the external auditors, and has assisted the Board in its review of the effectiveness of the Group's system of internal control.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the committee.

Approval

This report was approved by the Audit Committee and signed on its behalf by:



Mike Buzzacott

Chairman of the Audit Committee

9 September 2009

Corporate Governance

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006 and also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration in the Combined Code. As required by the Companies Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company to be held on 12 November 2009 at which the financial statements will be put to shareholders for approval.

The Companies Act requires the auditors to report to the Company's members on certain parts of the Directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited Information

Remuneration Committee

The Remuneration Committee makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for the executive directors and the Chief Operating Officers of the Company. The Committee comprises three independent non-executive directors – Nigel Turner (Chairman), John Hawkins and Mike Buzzacott (from 7 May 2009). John Worby was a member of the Committee until his appointment as Group Finance Director on 26 February 2009. In the period between 26 February 2009 and 7 May 2009 when Mike Buzzacott was appointed as a director of the Company, the Company did not comply with provision B.2.1 of the Code in that the Remuneration Committee comprised only two independent non-executive directors, namely Nigel Turner and John Hawkins.

None of the Committee members has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board and no director plays a part in any discussion about his or her own remuneration.

Remuneration Policy

The Company's executive and senior management remuneration packages are designed to attract, motivate and retain individuals of the high calibre required to maintain the Group's position as a market leader and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee.

There are five main elements of the remuneration package for executive directors and senior management:

- base salary;
- annual bonus;
- share awards;
- pension; and
- benefits-in-kind.

The Company's policy is that a substantial proportion of the remuneration of the executive directors and senior management should be based on corporate and individual performance related targets that support the Company's strategy and objectives. The policy is intended to create a strong link between business performance and reward and to generate value to shareholders, employees and the Company.

Base Salary

The executive directors' basic salary is reviewed by the Committee prior to the beginning of each financial year, taking into account individual and corporate performance, an assessment of comparator companies and levels of increases applicable to other employees in the Company. Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting to be held on 12 November 2009.

Corporate Governance

Directors' Remuneration Report Continued

Annual Bonus

The Committee establishes the performance measures and objectives that must be met for each financial year if a cash bonus is to be paid. The performance measures in the bonus scheme applicable to the directors and senior management of the company in the period include the achievement of stretching targets which relate to adjusted profit before tax, net debt and personal objectives. Account is also taken of the relative success of the different parts of the business for which the senior management are responsible and the extent to which the strategic objectives set by the Board are being met. Measurement of profit before tax in the bonus scheme is made on the basis of actual reported rates for Executive directors and on the basis of a combination of actual reported rates and regional performance for the senior management of the Company.

Share Awards

In 2004 the Company adopted a strategy to offer long term share incentives by way of share awards to the directors and senior management of the Company and by way of share options to middle management. Since 2004 no share options have therefore been granted to the directors of the Company.

The long term share awards are granted under the Genus plc 2004 Performance Share Plan ("the Plan"). Under the Plan, incentives can take the form of conditional share awards or nil cost options and are driven by the achievement of growth in the Company's underlying earnings per share normally over a three year period, with the proportion of the grant that vests being as shown in the table below:

Per annum growth in underlying EPS*	% of award vesting **	Per annum growth in underlying EPS*	% of award vesting **
<RPI +4%	Nil	RPI +7%	70%
RPI +4%	40%	RPI +8%	80%
RPI +5%	50%	RPI +9%	90%
RPI +6%	60%	RPI +10%	100%

* growth in underlying EPS over the three year performance period will be computed based on a simple average annual growth rate.

** a linear scale will be applied when performance falls between the bands.

For grants of share awards made prior to 15 October 2008 the following performance conditions apply:

Per annum growth in underlying EPS *	% of award vesting **	Per annum growth in underlying EPS *	% of award vesting **
<RPI +3%	Nil	RPI +6%	70%
RPI +3%	40%	RPI +7%	80%
RPI +4%	50%	RPI +8%	90%
RPI +5%	60%	RPI +9%	100%

* growth in underlying EPS over the three year performance period will be computed based on a simple average annual growth rate.

** a linear scale will be applied when performance falls between the bands.

Prior to the vesting of any grant, the Remuneration Committee reviews the basis of calculation of growth in underlying EPS to satisfy itself that the performance conditions have been met. Shares granted to a participant under a conditional share award automatically transfer to a participant in the Plan and become a taxable benefit upon the decision of the Remuneration Committee that a grant (or part) shall vest.

Under the 2004 Executive Share Option Plan grants are made to incentivise middle management (executive directors and senior management do not participate in this plan) and the vesting of options is also conditional on achievement of growth in underlying earnings per share exceeding RPI + 5% over a three year period.

Details of awards made to directors are shown in the table of directors' interests on page 43 and details of the performance criteria for the Company's share award and share option schemes are also included in note 31 to the financial statements.

Corporate Governance

Directors' Remuneration Report Continued

Benefits-in-Kind

The executive directors receive certain benefits-in-kind, principally a car or car allowance, life cover and private medical insurance. In lieu of Company pension contributions, the Company has agreed to pay Richard Wood and John Worby a taxable pension allowance of 15% and 12% of basic salary per annum respectively.

Directors' Contracts

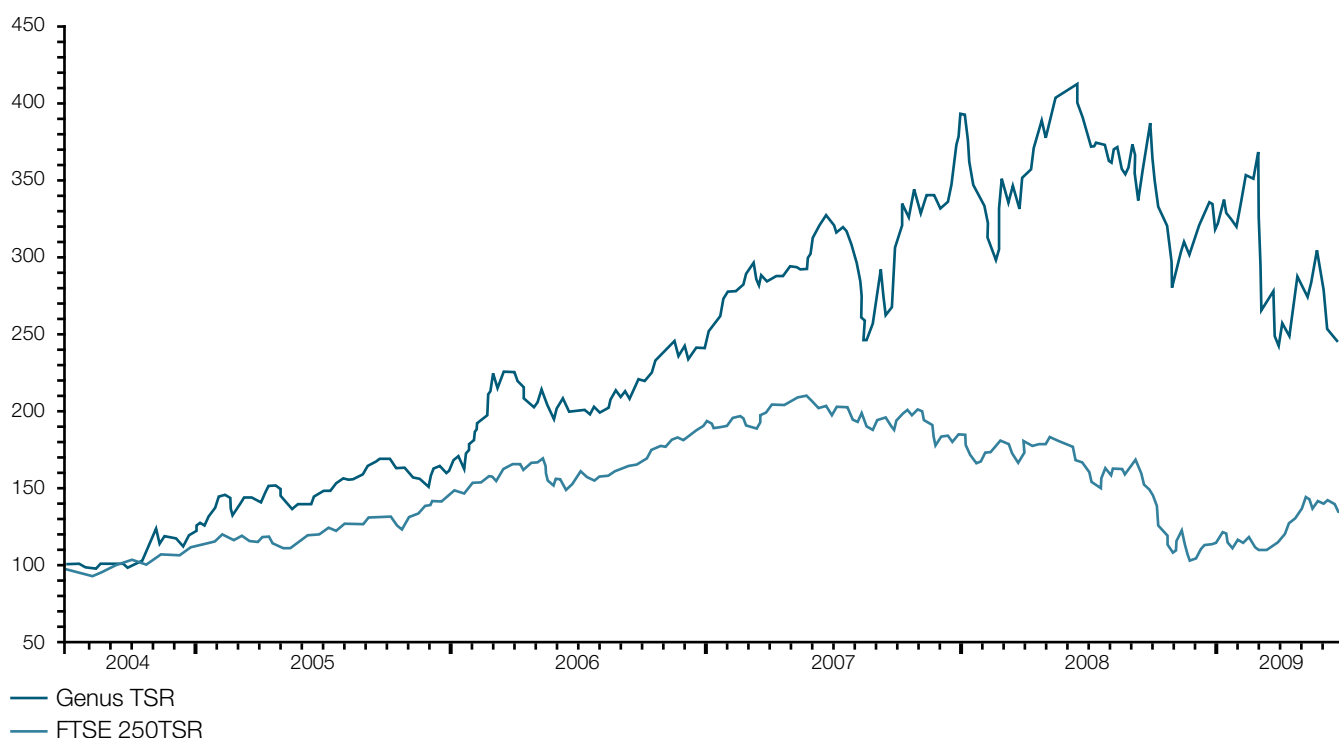
Details of the executive directors' service contracts and the terms of appointment of the non-executive directors are set out below.

Director	Contract Date	Expiry Date	Notice Period (months)
Executives			
Richard Wood	8 November 1996	n/a	12
John Worby	25 February 2009	n/a	12 (from Company) 6 (from Executive)
Non Executives			
John Hawkins	31 October 2005	30 October 2011	1
Nigel Turner	17 January 2008	16 January 2011	1
Mike Buzzacott	7 May 2009	6 May 2012	1
Barry Furr	1 December 2006	30 November 2012	1

All non-executive directors have specific terms of engagement and their remuneration is determined by the Board as a whole having regard to the time devoted to the Company's affairs. The non-executive directors do not participate in any of the Company's incentive schemes or pension schemes. Their appointment is for a fixed term of three years and is subject to one month's notice of termination being given by either the Company or the non-executive director and to periodic re-election at the Company's Annual General Meeting by rotation. On 3 September 2009 the appointment of Barry Furr as a non-executive director of the Company was extended by the Company to expire on 30 November 2012, subject to one month's notice of termination and periodic re-election as described above.

Performance Graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE250, also measured by total shareholder return. The FTSE250 index was selected as it represents a broad equity market in which the Company is a constituent member.



Corporate Governance

Directors' Remuneration Report Continued

Audited Information

Aggregate Directors' Remuneration

The total amounts for directors' remuneration were as follows:

	2009	2008
	£000	£000
Emoluments	1,052	971
Bonus schemes	390	529
Money purchase pension contributions	22	24
	<u>1,464</u>	<u>1,524</u>
Compensation for loss of office	50	-
Gains on exercise of share options and awards	180	1,693
	<u>1,694</u>	<u>3,217</u>

Directors' Emoluments

	Salary and fees £000	Bonus £000	Benefits £000	Pension £000	Total 2009 £000
Executive directors					
Richard Wood	450	288	74	-	812
John Worby*	180	102	15	-	297
Martin Boden**	183	-	13	22	218
Non-executive directors					
John Hawkins	125	-	-	-	125
Nigel Turner	40	-	-	-	40
John Worby*	27	-	-	-	27
Mike Buzzacott***	7	-	-	-	7
Barry Furr	40	-	-	-	40
	<u>1,052</u>	<u>390</u>	<u>102</u>	<u>22</u>	<u>1,566</u>

* John Worby was appointed Group Finance Director on 26 February 2009 and was previously a Non-Executive Director of the Company in the period. His emoluments include a consultancy fee of £86,667 paid in relation the Company's debt re-financing project.

** Martin Boden resigned as a director of the Company on 26 February 2009 and his emoluments include the sum of £50,000 paid as compensation for loss of employment.

*** Mike Buzzacott was appointed as a director of the Company on 7 May 2009.

Outside Appointments

Upon appointment as Group Finance Director of the Company John Worby was permitted to retain his existing non-executive directorships of Cranswick plc and Smiths News plc and to retain the associated remuneration of £27,000 in the period.

Corporate Governance

Directors' Remuneration Report Continued

Directors' Share Awards and Share Options

The directors at 30 June 2009 had the following beneficial interests in share awards and share options:

Share Awards

Richard Wood

Grant	Vesting Period	Share Price at Grant Date	At 30 June 2009 No.	At 30 June 2008 No.
(1)	7 December 2005 to 6 December 2008	331.5p	–	68,560
(2)	21 June 2006 to 20 June 2009	439.75p	119,386	119,386
(3)	21 September 2007 to 20 September 2010	582p	154,639	154,639
(4)	15 October 2008 to 14 October 2010	651.5p	69,071	–
			<u>343,096</u>	<u>342,585</u>

Under (1) above the Remuneration Committee declared a vesting percentage of 100% in relation to the Company's earnings per share performance leading to the vesting of 68,560 ordinary shares in the Company. 28,194 of these shares were sold at a price of 637 pence per share in December 2008 to satisfy income tax and national insurance contributions payable by Richard Wood as a result of the vesting. The remaining 40,366 vested shares were retained by Richard Wood as part of his shareholding in the Company. The sale of 28,194 shares by Richard Wood in the period led to a gain of £179,596 (2008: £1,287,554). The Remuneration Committee has determined that the share awards under (2) above will vest in September 2009.

John Worby

Grant	Vesting Period	Share Price at Grant Date	At 30 June 2009 No.	At 30 June 2008 No.
(1)	3 March 2009 to 2 March 2012	635.67p	86,523	–
			<u>86,523</u>	<u>–</u>

The Company has established an Employee Benefit Trust to be the custodian of any shares purchased in respect of the 2004 Performance Share Plan on behalf of the Executive Directors and certain senior management. As at 30 June 2009, 476,070 ordinary shares in the Company were held by the trust.

Share Options

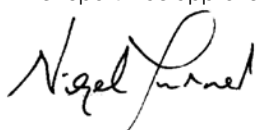
As a result of the Company's change in policy in 2004 to introduce share awards as long term share incentives, no share options were held by the Executive Directors with effect from October 2007. No share options were therefore exercised by Richard Wood or John Worby during the year. In the prior year 57,884 shares were transferred to Richard Wood and subsequently sold in October 2007 as a result of a share option exercise under the Company's 2000 Company Share Plan leading to a gain on exercise of £405,188.

Company Share Price

The market price of the Company's shares on 30 June 2009 was 502.5 pence and the low and high share prices during the financial year were 502 pence and 850 pence respectively.

Approval

This report was approved by the Remuneration Committee and signed on its behalf by:



Nigel Turner

Chairman of the Remuneration Committee

9 September 2009

Corporate Governance

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report, Directors' Remuneration 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. The directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company. 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; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the parent company financial statements comply with the Companies Act. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The Business Review on pages 6 to 25 sets out the Group's position and prospects, in particular:

- the Group's business activities, their performance and position are set out on pages 10 to 14;
- the financial position of the Group including cash flows, liquidity position, borrowing facilities and treasury risk management policies are set out on pages 18 to 22; and
- the risk factors facing the Group and mitigating actions in place are described on page 23.

In addition, notes 27 and 28 to the financial statements includes details of the Group's bank facilities, borrowings under such facilities and details of the Group's financial instruments.

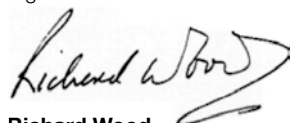
After reviewing the available information including the Group's business plans and after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibilities Statement

The directors confirm to the best of their knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Signed:



Richard Wood
Chief Executive



John Worby
Group Finance Director

9 September 2009

Independent Auditors' Report – Group Financial Statements

Independent auditors' report to the members of Genus plc

We have audited the Group Financial Statements of Genus plc for the year ended 30 June 2009 which comprise the Group Income Statement, the Group Statement of Changes in Equity, the Group Balance Sheet, the Group Cash Flow Statement and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 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, the directors are responsible for the preparation of the Group Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

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 Group Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Under the Listing Rules we are required to review:

- the Directors' Statement contained within the Directors' Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2006 June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the Parent Company Financial Statements of Genus plc for the year ended 30 June 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.



William Touche (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom

9 September 2009

Group Income Statement

for the year ended 30 June 2009

	Note	2009 £m	Restated* 2008 £m
Revenue from continuing operations	5, 7	280.4	247.1
Adjusted operating profit from continuing operations		38.1	32.3
Net IAS 41 valuation movement in biological assets	17	2.7	6.3
Amortisation of acquired intangible assets	16	(5.2)	(5.1)
Share based payments	31	(2.0)	(2.4)
		33.6	31.1
Exceptional items	8		
Environmental settlement		(0.6)	–
Integration and restructuring expenses		–	(3.3)
Main market listing costs		–	(1.6)
		(0.6)	(4.9)
Operating profit from continuing operations	9	33.0	26.2
Share of post tax profit of joint ventures and associates	19	1.8	2.7
Other gains and losses	10	0.4	0.2
Net finance costs before exceptional item		(8.2)	(7.1)
Write off of unamortised arrangement fees	8	(0.8)	–
Net finance costs	12	(9.0)	(7.1)
Profit before tax from continuing operations		26.2	22.0
Taxation	13	(8.3)	(7.8)
Profit for the year from continuing operations		17.9	14.2
Profit for the year from discontinued operations	6	–	3.5
Profit for the year		17.9	17.7
Earnings per share from continuing operations	15		
Basic earnings per share		30.4p	24.7p
Diluted earnings per share		29.9p	24.2p
Earnings per share from total operations	15		
Basic earnings per share		30.4p	30.8p
Diluted earnings per share		29.9p	30.2p
Non statutory measure of profit			
Adjusted operating profit from continuing operations		38.1	32.3
Pre tax share of profits from joint venture and associates excluding net IAS 41 valuation movements		2.1	2.7
Net finance costs before exceptional items		(8.2)	(7.1)
Adjusted profit before taxation from continuing operations		32.0	27.9
Adjusted earnings per share from continuing operations			
Basic adjusted earnings per share		36.1p	31.8p
Diluted adjusted earnings per share		35.6p	31.2p

* see note 2 for details

Group Statement of Changes in Equity

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance at 1 July 2007		5.6	92.5	(0.2)	(18.7)	2.4	69.3	150.9
Foreign exchange translation differences, net of tax		–	–	–	11.6	–	–	11.6
Fair value movement on net investment hedges, net of tax		–	–	–	(0.8)	–	–	(0.8)
Fair value movement on cash flow hedges, net of tax		–	–	–	–	(1.7)	–	(1.7)
Actuarial loss on retirement benefit obligations, net of tax		–	–	–	–	–	(9.3)	(9.3)
Net income and expense recognised directly in equity		–	–	–	10.8	(1.7)	(9.3)	(0.2)
Profit for the year		–	–	–	–	–	17.7	17.7
Total recognised income and expense for the year		–	–	–	10.8	(1.7)	8.4	17.5
Recognition of share based payments, net of tax		–	–	–	–	–	2.4	2.4
Own shares		–	–	0.1	–	–	–	0.1
Issue of ordinary shares		0.3	19.2	–	–	–	–	19.5
Dividends	14	–	–	–	–	–	(5.3)	(5.3)
Balance at 30 June 2008		5.9	111.7	(0.1)	(7.9)	0.7	74.8	185.1
Foreign exchange translation differences, net of tax		–	–	–	26.9	–	–	26.9
Fair value movement on net investment hedges, net of tax		–	–	–	(8.6)	–	–	(8.6)
Fair value movement on cash flow hedges, net of tax		–	–	–	–	(2.1)	–	(2.1)
Actuarial loss on retirement benefit obligations, net of tax		–	–	–	–	–	(9.9)	(9.9)
Net income and expense recognised directly in equity		–	–	–	18.3	(2.1)	(9.9)	6.3
Profit for the year		–	–	–	–	–	17.9	17.9
Total recognised income and expense for the year		–	–	–	18.3	(2.1)	8.0	24.2
Recognition of share based payments, net of tax		–	–	–	–	–	1.1	1.1
Issue of ordinary shares		0.1	–	–	–	–	–	0.1
Dividends	14	–	–	–	–	–	(5.9)	(5.9)
Balance at 30 June 2009		6.0	111.7	(0.1)	10.4	(1.4)	78.0	204.6

Group Balance Sheet


as at 30 June 2009

	Note	2009 £m	2008 £m
Assets			
Goodwill	16	70.5	63.0
Other intangible assets	16	81.1	79.5
Biological assets	17	153.9	127.0
Property, plant and equipment	18	39.3	27.6
Interests in joint ventures and associates	19	5.3	4.7
Available for sale investments	20	0.3	0.3
Derivative financial assets	27	1.7	2.5
Deferred tax assets	21	16.7	12.8
Total non-current assets		368.8	317.4
Inventories	22	28.0	21.8
Biological assets	17	28.0	24.3
Trade and other receivables	23	53.7	51.7
Cash and cash equivalents	24	20.6	19.3
Income tax receivable		1.4	1.5
Total current assets		131.7	118.6
Total assets		500.5	436.0
Liabilities			
Trade and other payables	25	(39.0)	(42.1)
Interest-bearing loans and borrowings	28	(2.5)	(17.6)
Provisions	26	(0.2)	(1.2)
Obligations under finance leases	29	(0.9)	(1.0)
Current tax liabilities		(4.8)	(5.0)
Derivative financial liabilities	27	–	(0.2)
Total current liabilities		(47.4)	(67.1)
Interest-bearing loans and borrowings	28	(104.2)	(77.0)
Retirement benefit obligations	30	(35.4)	(21.1)
Provisions	26	(1.8)	(3.0)
Deferred tax liabilities	21	(96.3)	(80.4)
Derivative financial liabilities	27	(9.8)	(1.1)
Obligations under finance leases	29	(1.0)	(1.2)
Total non-current liabilities		(248.5)	(183.8)
Total liabilities		(295.9)	(250.9)
Net assets		204.6	185.1
Equity			
Called up share capital	32	6.0	5.9
Share premium account		111.7	111.7
Own shares	32	(0.1)	(0.1)
Translation reserve	32	10.4	(7.9)
Hedging reserve	32	(1.4)	0.7
Retained earnings		78.0	74.8
		204.6	185.1

These financial statements were approved by the Board of Directors on 9 September 2009.

Signed on behalf of the Board of Directors

R K Wood
Chief Executive



J G Worby
Finance Director



Group Statement of Cash Flows

for the year ended 30 June 2009

	Note	2009 £m	2008 £m
Net cash flow from operating activities	33	14.1	13.5
Cash flows from investing activities			
Dividend received from joint venture and associates		2.1	1.8
Proceeds from disposal of businesses	6	0.3	15.3
Purchase of property, plant and equipment		(15.2)	(5.0)
Purchase of intangible assets		(0.3)	(3.9)
Proceeds from sale of property, plant and equipment		1.0	1.0
Net cash (outflow)/inflow from investing activities		(12.1)	9.2
Cash flows from financing activities			
Drawdown of borrowings		14.7	–
Repayment of borrowings		(11.3)	(35.5)
Payment of finance lease liabilities		(0.8)	(1.6)
Equity dividends paid		(5.9)	(5.3)
Issue of ordinary shares		0.1	19.5
Increase/(decrease) in bank overdrafts		1.2	(6.9)
Net cash outflow from financing activities		(2.0)	(29.8)
Net decrease in cash and cash equivalents – continuing operations		(0.3)	(22.8)
Net increase in cash and cash equivalents – discontinued operations		0.3	15.7
Net decrease in cash and cash equivalents		–	(7.1)
Cash and cash equivalents at start of the year		19.3	27.3
Net decrease in cash and cash equivalents		–	(7.1)
Effect of exchange rate fluctuations on cash and cash equivalents		1.3	(0.9)
Total cash and cash equivalents at 30 June		20.6	19.3

Notes to the Group Financial Statements

for the year ended 30 June 2009

1. Reporting entity

Genus plc (the “Company”) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Belvedere House, Basing View, Basingstoke, Hampshire RG21 4HG. The nature of the Group's operations and its principal activities are set out in the Business Overview. The Group financial statements for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the “Group”) and the equity method is used to account for the Group's interests in joint ventures and associates.

2. Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and therefore comply with Article 4 of the IAS Regulation.

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

Certain comparative amounts have been reclassified to conform with the current year's presentation as described in the relevant notes.

Functional and presentation currency

The Group financial statements are presented in sterling, which is the Company's functional and presentation currency. All financial information presented in sterling has been rounded to the nearest million at one decimal point.

Basis of measurement

The Group financial statements are prepared under the historical cost convention, except for the following, in accordance with IFRS:

- biological assets are measured at fair value less point-of-sale costs, which represent the costs of distribution and selling expenses; and
- derivative financial instruments are measured at fair value.

The methods used to measure fair values are described further in note 4.

Use of estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 4.

Going concern

The Group's business activities, financial position, risk factors and banking facilities are set out as referred in the Directors Responsibility Statement. After reviewing the available information including the Group's business plans and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The results of subsidiaries acquired are fully consolidated from the date on which control is transferred to the Group. The results of subsidiaries sold cease to be consolidated from the date on which control passes.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The Group financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The Group financial statements include the Group's share of profit or loss arising from joint ventures.

Treatment of discontinued operations is as described in the accounting policy for non-current assets held for sale and discontinued operations.

Intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Group financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Adjusted operating profit from continuing operations

Adjusted operating profit from continuing operations is defined as operating profit from continuing operations before the net IAS 41 valuation movements in biological assets, amortisation of acquired intangible assets, share based payments expense, exceptional items and other gains and losses. This additional non-GAAP measure of operating performance is included as the Directors believe that it provides a useful alternative measure for shareholders of the trading performance of the Group. The reconciliation between operating profit from continuing operations and adjusted operating profit from continuing operations is shown on the face of the income statement. The Directors recognise this alternative measure has limitations.

The definition of adjusted operating profit has been amended in the current year such that in respect of the amortisation of intangible assets only the amortisation of acquired intangible assets is excluded. Included within amortisation of intangible assets in the prior year was £0.1m relating to the amortisation of software assets. To ensure consistency with the current definition of adjusted operating profit the prior year number has been reduced by £0.1m.

Foreign currency

Transactions in foreign currencies are recorded in the functional currency of the relevant Group entity at the exchange rate prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange prevailing at the balance sheet date and the related foreign exchange differences arising on retranslation are recognised in the Group income statement.

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 translated at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated into sterling at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period.

Exchange differences arising from the translation into sterling of foreign operations, and the fair value movement of related effective hedges, are taken to the foreign currency translation reserve. They are released into the income statement upon disposal of the foreign operation. The Group has elected to reset the cumulative translation differences for all foreign operations to zero at the date of transition to IFRS (1 April 2005).

Exchange movements on intercompany loans designated as long term funding are taken to the foreign currency translation reserve, together with any related taxation.

The principal exchange rates were as follows:

	Average		Closing	
	2009	2008	2009	2008
US Dollar/£	1.60	2.01	1.65	1.99
Euro/£	1.17	1.36	1.17	1.26

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the income statement (including the comparative period) analysing the post tax profit or loss of the discontinued operation and the post tax gain or loss, and are recognised on either the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

3. Significant accounting policies

Business combinations

Subject to the transitional relief in IFRS 1 in respect of acquisitions prior to 1 April 2005, all business combinations are accounted for by applying the purchase method. The cost of acquisition is measured at the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", which are recognised and measured at fair value less costs to sell.

Goodwill

Goodwill arising since 1 April 2005 on the acquisition of a subsidiary, associate or joint venture represents the excess of the cost of acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Identifiable assets include any intangible assets which could be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

In respect of acquisitions prior to 1 April 2005, goodwill is recorded at deemed cost, which represents the net amount recorded under UK GAAP at 1 April 2005. On transition, amortisation of goodwill has ceased.

As required by IAS 21, goodwill arising on acquisition of a foreign operation and any fair value adjustments made to the carrying amounts of assets and liabilities within the acquired operation on acquisition are treated as assets and liabilities of the acquired entity rather than assets or liabilities of the acquiring entity, and are therefore expressed in the functional currency of the foreign operation and retranslated at the balance sheet date.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

3. Significant accounting policies (continued)

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as incurred.

The Group constantly monitors research activities and should a development phase be identified, cost associated with the activity will be capitalised if it meets the criteria set out in IAS 38.

The Group's development activities comprise the development and maintenance of the porcine genetic nucleus herd and the development and maintenance of bovine pre-stud herds.

The Group does not capitalise development expenditure separately for these herds as their fair value is included within the fair value of the Group's biological assets in accordance with IAS 41.

The Group discloses the costs incurred in research and herd development activities as required by IAS 38.

Exceptional items

The Group presents items which the Directors believe to be exceptional in nature by virtue of their size or incidence as exceptional.

Intangible assets

Under the transition election, the Group has not restated business combinations prior to the transition date of 1 April 2005.

Intangible assets acquired by the Group in a business combination subsequent to 1 April 2005 are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The estimated useful lives are as follows:

Software	2 to 10 years
Porcine genetics technology	20 years
Multiplier contracts	15 years
Customer relationships	15 to 17 years

Intangible assets acquired separately

Intangible assets acquired other than through a business combination are carried at cost less accumulated amortisation and any impairment loss. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment

The carrying amounts of the Group's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, and tangible and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate of 8.0% (2008: 9.2%), the Group's weighted average cost of capital. As the group comprises two large well diversified businesses the directors believe that this approach reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Biological assets and inventories

The principal activity of the Group during the period was the global application of quantitative genetics and biotechnology to animal breeding. The Group utilises these techniques to identify and select animals that possess the genetics/genes responsible for superior milk and meat quality, high health and performance traits. Genus sells breeding animals and semen to customers who produce offspring which yield greater production efficiency, milk and meat quality for the global dairy and meat supply chain.

In bovine, research and development is used to identify genetically superior bulls in a number of breeds, but primarily the Holstein dairy breed. Progeny testing of the performance of daughters for each bull selected measures their performance against those of their peers. Semen from the best bulls is collected and frozen to satisfy customer demand. Semen from dairy breeds is used by farmers to breed replacement milking stock. Semen sold from beef breeds is used in either specialist beef breeding herds for multiplication of breeding bulls for use in natural service or on dairy cows to produce a by-product to be reared for meat.

In porcine, a central breeding stock (the "nucleus herd") is maintained and developed to provide genetically superior animals. The offspring or semen obtained from these animals is sold to customers for use in commercial farming. The sale of semen is far less common as porcine semen has a short life when frozen. The animal genetics offer the potential to improve profitability for farmer and food processing customers by enabling them to increase output of consistently high quality products yielding higher value. To allow the Group to capitalise on its intellectual property it almost entirely outsources production to its global multiplier network.

The breeding animal biological assets are recognised and measured at fair value at each balance sheet date. Changes in fair value are recognised in the income statement within operating profit for the period.

Bovine biological assets are held for long term internal use and are classified as non-current assets. Bull semen is transferred to inventory at fair value at point of harvest, which becomes the deemed cost under IAS 2. Inventories are stated at the lower of this deemed cost and net realisable value.

Since the sorting of semen is not a biological process but a production process, semen inventory transferred into sexed semen production is transferred at fair value at point of harvest less cost to sell and becomes a component of the production process. Sexed semen is carried in finished goods at production cost.

Porcine biological assets which are in use as breeding animals are classified as non-current assets and are carried at fair value. Porcine biological assets held with an intention of resale, being the offspring of the breeding herd, are carried at fair value and classified as current assets.

Determination of fair values – biological assets

As required by IAS 41 "Agriculture", the Group shows the carrying value of biological assets in the group balance sheet determined according to the provisions of IAS 41 with the net valuation movements shown in the income statement. There are important differences in the manner in which the value of the group's bovine and porcine assets are arrived at, as explained below.

Bovine - The fair value of proven bulls and bulls on test, proven bulls being those where the bull's semen is actively marketed, is based on expected future net cash flows from the sale of semen, the bull's harvest, discounted at a current market-determined pre-tax rate. The significant assumptions determining the fair values are the expected future demand for semen, estimated production value, the expected marketable life of each bull and, in addition for bulls on test, the percentage whose production is expected to be actively marketed. In assessing the sales price, management uses statistical data for the bulls produced by independent authorities, in all its major markets, three times a year. In addition, estimates are also used to determine into which markets the semen will be sold, and domestic and export prices. The fair value of bulls that have not yet entered the Group testing program is equivalent to their acquisition and rearing costs.

Porcine – The fair values of porcine biological assets that are owned by the group represents only those pigs that are alive at the balance sheet date and is calculated using average live weights of the animals plus a premium if considered that they will be saleable for their favourable genetic characteristics. The value attributed to the live weight of the pigs and the premium for genetics is based on recent transaction prices achieved by the Group. The significant assumptions determining fair values are the expected life of the breeding animals, the percentage of production animals which are expected to be saleable as breeding animals and the expected sales prices.

Recognition of third parties' interest in the Group's biological assets, and recognition of the Group's interest in biological assets managed by third parties

The fair value of the bovine herd and semen inventory managed by the Group has been adjusted where a third party has a revenue share in the sale of semen from a particular bull.

The fair value of the porcine herd includes pigs owned and managed by third parties where a substantial interest in the form of genetic premium has been retained by the Group. The fair values of these animals reflect only the interest of the Group.

Non recognition of porcine multiplier contracts where no contractual interest is retained by the Group

In order to manage commercial risk a very large part of the Group's porcine business model involves the sale of pigs at market price to farmers ("multipliers") who produce piglets on farms neither managed nor controlled by the Group. The Group has the option to purchase the offspring at slaughter market value plus a premium but no obligation to do so. The Group then has the ability to sell the offspring to other farmers at a premium because the offspring has superior genetics.

Since the pigs are sold to the multipliers in the first instance at market price and there is no obligation on the Group to repurchase the offspring, the Group does not record any biological asset in respect of the offspring until purchased from the multiplier. The right to purchase offspring is not recognised on the balance sheet as the contracts are entered into and continue to be held for the purpose of the receipt of non-financial items (the offspring) in accordance with the Group's expected purchase requirements. As such the option is outside the scope of IAS 39. The offspring are not recognised as biological assets under IAS 41 as they are neither owned nor controlled by the Group.

Porcine royalty arrangements

Pigs sold on a royalty basis are deemed not to be the sale of an entire pig. The amount that remains as biological asset value on the balance sheet is based on the interest retained. The fair value of the retained interest is reduced on a straight line basis over 24 months (the estimated life of an animal).

The fair value of the retained interest is classified as a current asset for any value that will be recognised against royalties received within the following 12 months and as non-current for values covering the remaining 12 months.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

3. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, together with any directly attributable expenses of acquisition, or at their latest valuation, less depreciation and any impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and assets not available for use are not depreciated. The estimated useful lives are as follows:

- | | |
|-----------------------|----------------------------|
| • Freehold land | Nil |
| • Freehold buildings | 10 to 15 years |
| • Leasehold buildings | over the term of the lease |
| • Plant and equipment | 3 to 20 years |
| • Motor vehicles | 3 to 5 years |

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Cash and cash equivalents

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

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the expected life of the borrowings on an effective interest rate basis.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are discounted to present value.

Revenue

Revenue comprises the invoiced value of sales and royalties receivable from customers, net of trade discounts and value added tax.

The principal components of the Group's revenue and their respective accounting treatments are:

Revenue from the sale of bovine and porcine semen, porcine breeding animals and veterinary products is recognised upon transfer of risks and rewards, either upon shipment to customers or delivery depending on the terms of sale.

Royalties are recognised when receivable. Royalty payments are received from certain porcine customers based on key performance variables such as the number of pigs born per litter, the number of litters born per sow and the average slaughter weight of animal born.

Long term contracts in the business are reviewed individually on a consistent basis to assess costs to completion and enable the assessment of the outcome of the contract. Revenue and profit are recognised on a percentage of completion basis when the contract's outcome can be foreseen with reasonable certainty. Provision is made for the full amount of any foreseeable losses on contracts.

Revenue from consulting services represents amounts chargeable to clients for professional services provided during the year including recoverable expenses on client assignments but excluding Value Added Tax. Services provided to clients, which at the balance sheet date have not been billed to clients, are recognised as revenue. Revenue recognised in this manner is based on an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the engagement. Revenue is only recognised where the Group has a contractual right to receive consideration for work undertaken and no revenue is recognised on contingent engagements until the contingent event crystallises. Provision is also made against unbilled amounts on those engagements where the right to receive payment is contingent on factors outside the control of the Group. Unbilled revenue is included in trade and other receivables.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised directly in the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Finance costs

Interest income and interest payable are recognised in the income statement as they accrue. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity, or arises as a fair value adjustment in a business combination.

Current tax, including UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or to be recovered) using the tax rates and the laws that have been enacted or substantially enacted at the balance sheet date, together with any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes where the underlying transactions or events result in an obligation to pay more tax in the future or a right to pay less tax in the future.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Share based payments

In accordance with IFRS 2, the fair value of share awards and options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period of each option. The fair value of the options granted is measured using a Binomial valuation model. The fair value of the awards granted is measured using a Black-Scholes valuation model. The amount recognised as an expense is adjusted to reflect the estimated performance against non market related conditions and the number of share awards and options that actually vest at the end of the vesting period.

In accordance with the transitional arrangements as set out in IFRS 1, the recognition and measurement criteria for share based payments have been applied retrospectively for equity instruments granted after 7 November 2002 and unvested at the applicable date. No adjustments have been made for equity instruments granted prior to this date.

Borrowing costs

Borrowing costs that are directly attributable to construction of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised in the income statement in the period in which they are incurred.

Treasury shares

Transactions, assets and liabilities of the Group-sponsored Qualifying Employee Share Ownership Trust ("QUEST") are included in the Group financial statements. In particular, the trust's purchases of shares in the Company remain deducted from shareholders' funds until they vest unconditionally with employees.

Retirement benefit obligations

Defined contribution pension schemes

A number of employees are members of defined contribution pension schemes. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The assets of these schemes are held separately from those of the Group.

Defined benefit schemes

The Group operates defined benefit schemes for some of its employees. The Group's net obligation in respect of defined benefit schemes is calculated separately for each plan 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, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the market yield at the balance sheet date on high quality corporate bonds that have terms to maturity approximating to the Group's pension liabilities. The calculations are performed by qualified actuaries using the projected unit market method.

Actuarial gains and losses including the difference between the expected and actual return on scheme assets and experience gains and losses on scheme liabilities are recognised in the period in which they occur directly into equity through the Group statement of changes in equity.

Pension costs are recognised on a systematic basis to match the costs of providing retirement benefits evenly over the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities is allocated over the average remaining service lives of current employees.

On transition to IFRS all actuarial gains and losses as at 1 April 2005 were recognised in reserves. Actuarial gains and losses arising subsequent to 1 April 2005 are recognised in the period in which they occur directly into equity through the Group statement of changes in equity.

For one of the defined benefits schemes the Group operates, the Milk Pension Fund, the Group is a participating employer and takes a multi-employer exemption and only accounts for its share of the schemes assets and liabilities and its share of any orphan liabilities. The Group, together with the other participating employers, is joint and severally liable for the scheme's total obligations. These obligations are disclosed as a contingent liability.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

3. Significant accounting policies (continued)

Derivative financial instruments and hedging activities

The Group uses forward foreign currency contracts to hedge exposure to translation risk associated with US dollar net assets of subsidiary entities. The Group also uses interest rate swaps to hedge interest rate risk.

The fair value of the US dollar and interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in equity in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Group income statement.

Where a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are recycled in the Group income statement in the same period or periods during which the asset acquired or liability assumed affects the Group income statement, i.e. when interest income or expense is recognised.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Group income statement.

Net investment hedges

Where a derivative financial instrument is designated as a hedge of the variability of the net assets of an overseas subsidiary entity arising from the spot or forward exchange rate translation risk associated with the functional currency of overseas subsidiary entities, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Group income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, the cumulative gain or loss at that point remains in equity until such point as the investment to which it relates is disposed.

Net investment hedge accounting is applied solely in the Group financial statements.

New standards and interpretations adopted

In the current year, two interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) are effective for the current period. These are: IFRIC 12 *Service Concession arrangement* and IFRIC 13 *Customer Loyalty Programmes*. The adoption of these IFRICs has not led to any changes in the Group's accounting policies.

The Group has elected to adopt IFRS 8 *Operating Segments* in the financial year ended 30 June 2009 and has presented the segmental analysis of results in note 5 on this basis. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which the Group has defined as its Board of Directors) to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS 14 *Segment Reporting*) required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's reporting system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations which have been endorsed by the EU but are not yet effective for the year ended 30 June 2009, and have not been applied in preparing these Group financial statements:

- IFRIC 14 IAS 19 – *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, IFRIC 15 *Agreements for the construction of real estate* and IFRIC 16 *Hedges of net investment in a foreign operation* will become mandatory for the Group's 2010 financial statements. The adoption of these IFRICs is not expected to have any material impact on the Group financial statements.
- Amendments to IAS 1, IAS 23, IAS 27, IAS 32, IAS 39, IFRS 2, IFRS 3, and the omnibus of other minor improvements, effective for the year ended 30 June 2010. The Group is assessing the impact of these amendments.

4. Significant areas of judgement and determination of fair values

Management consider the critical accounting policies and significant areas of judgement to be following:

Determination of the fair value of biological assets

The determination of the fair values of bovine and porcine biological assets requires the use of significant judgement and assumptions including an estimation of future cash flows, use of appropriate discount rate in order to calculate present value, forecast sales volumes, prices and the lives of animals.

Fair value of assets and liabilities on business combinations

The Group's accounting policy on the acquisition of subsidiaries is to determine the net fair value of identifiable assets, liabilities and contingent liabilities acquired with the fair value of any consideration in excess of this amount representing goodwill. In determining the fair values of assets, liabilities and contingent liabilities acquired, the use of significant judgement and assumptions with respect to estimated future cash flows and unprovided liabilities and commitments, particularly to tax, are often involved.

The determination of the useful life of intangible assets, particularly on those arising on acquisition, involves the exercise of management judgment.

Impairment of goodwill, intangible and tangible assets

Determining whether goodwill, intangible and tangible assets are impaired requires a consideration of any specific impairment indicators and an estimation of the value in use of the cash-generating units to which goodwill, intangible and tangible assets have been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and the appropriate discount rate in order to calculate present value.

Recognition of deferred tax assets

In recognising income tax assets and liabilities, the Directors make estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. In recognising deferred tax assets and liabilities management also makes judgements about likely future taxable profits. When the final outcome of such matters, including the recognition of deferred tax assets on tax losses is different, or expected to be different, from previous assessments by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such a determination is made.

Defined benefit pension scheme

Amounts recorded in the financial statements in respect of defined benefit pension schemes are also based on significant estimates and judgement. Details of estimates and judgements made in calculating these transactions are contained in note 30. For one of the defined benefit schemes, the Milk Pension Fund, the Group only accounts for its share of assets and liabilities. The Group, together with the other participating employers, is joint and severally liable for the scheme's obligations. These obligations are disclosed as a contingent liability.

Share based payments

Amounts recorded in the financial statements in respect of share based payments are also based on significant estimates and judgement. Details of estimates and judgements made in calculating these transactions are contained in note 31.

5. Segmental information

The Group has elected to early adopt IFRS 8. Accordingly, the Group now presents its segmental information on the basis reviewed regularly for assessing business performance and for the purposes of resource allocation, by the chief operating decision maker.

The Group is managed using a combination of geographic market segments and a research and development segment.

The operating segments for the Group reflect this structure as follows:

North America

Latin America

Europe

Far East

Research & Product Development

- Research
- Bovine Product Development
- Porcine Product Development

The geographic regions derive their revenue from the sale of products and services in the bovine and porcine sectors from the application of quantitative genetics and biotechnology to animal breeding which is commercialised by the Group in the bovine and porcine farming sectors.

The research and development segment derives its revenue mainly from internal sales to the geographical regions, with external sales only arising from the sale of by-product animals from the breeding programmes.

The Group's business is not highly seasonal and its customer base is diversified, with no individually significant customer.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

5. Segmental information (continued)

Revenue

	Gross revenue 2009	Inter-segment revenue 2009	Consolidated revenue 2009
	£m	£m	£m
North America	109.0	(3.8)	105.2
Latin America	34.1	(1.3)	32.8
Europe	118.8	(2.5)	116.3
Far East	21.8	–	21.8
Research & Product Development			
Research	–	–	–
Bovine Product Development	6.8	(6.3)	0.5
Porcine Product Development	7.2	(3.4)	3.8
	14.0	(9.7)	4.3
	297.7	(17.3)	280.4

Revenue

	Gross revenue 2008	Inter-segment revenue 2008	Consolidated revenue 2008
	£m	£m	£m
North America	94.4	(3.9)	90.5
Latin America	28.9	(1.3)	27.6
Europe	109.7	(2.5)	107.2
Far East	18.6	–	18.6
Research & Product Development			
Research	–	–	–
Bovine Product Development	5.4	(5.0)	0.4
Porcine Product Development	6.0	(3.2)	2.8
	11.4	(8.2)	3.2
	263.0	(15.9)	247.1

Operating profit by segment and a reconciliation to adjusted operating profit for the Group is set out below. A reconciliation of adjusted operating profit to profit for the year is shown on the Group Income Statement.

	Result before recharges 2009	Product Development recharges 2009	Segment total 2009
	£m	£m	£m
North America	37.7	(5.4)	32.3
Latin America	10.4	(2.1)	8.3
Europe	20.2	(1.6)	18.6
Far East	6.9	(0.6)	6.3
Research & Product Development			
Research	(3.5)	–	(3.5)
Bovine Product Development	(15.8)	6.3	(9.5)
Porcine Product Development	(10.8)	3.4	(7.4)
	(30.1)	9.7	(20.4)
Segment operating profit	45.1	–	45.1
Central costs	(7.0)	–	(7.0)
Adjusted operating profit	38.1	–	38.1

	Result before recharges 2008	Product Development recharges 2008	Segment total 2008
	£m	£m	£m
North America	32.0	(4.8)	27.2
Latin America	7.6	(1.6)	6.0
Europe	18.9	(1.2)	17.7
Far East	4.7	(0.6)	4.1
Research & Product Development			
Research	(2.5)	–	(2.5)
Bovine Product Development	(13.7)	5.0	(8.7)
Porcine Product Development	(8.0)	3.2	(4.8)
	(24.2)	8.2	(16.0)
Segment operating profit	39.0	–	39.0
Central costs	(6.7)	–	(6.7)
Adjusted operating profit	32.3	–	32.3

	Depreciation		Amortisation		Additions to non current assets	
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
North America	1.5	1.1	2.5	2.3	1.9	1.7
Latin America	0.3	0.3	0.4	0.4	0.3	0.6
Europe	0.8	0.7	2.7	2.3	0.4	5.3
Far East	0.1	0.2	0.2	0.2	0.5	0.3
Research & Product Development						
Research	0.1	0.1	–	–	–	–
Bovine Product Development	0.7	0.5	–	–	1.3	0.8
Porcine Product Development	0.7	0.6	–	–	11.0	1.4
	1.5	1.2	–	–	12.3	2.2
Segment total	4.2	3.5	5.8	5.2	15.4	10.1
Central costs	–	–	–	–	–	0.1
Total	4.2	3.5	5.8	5.2	15.4	10.2

	Segment Assets		Segment Liabilities	
	2009	2008	2009	2008
	£m	£m	£m	£m
North America	137.6	122.7	(34.9)	(44.7)
Latin America	47.5	46.6	(9.1)	(13.5)
Europe	93.2	84.5	(50.9)	(36.0)
Far East	22.2	20.2	(4.0)	(4.9)
Research & Product Development				
Research	0.5	0.5	–	–
Bovine Product Development	136.6	108.5	(38.8)	(31.0)
Porcine Product Development	42.1	24.5	(11.7)	(7.8)
	179.2	133.5	(50.5)	(38.8)
Segment total	479.7	407.5	(149.4)	(137.9)
Central costs and unallocated	20.8	28.5	(146.5)	(113.0)
Total	500.5	436.0	(295.9)	(250.9)

Exceptional items of £1.4m (2008: £4.9m) include £0.6m (2008: £nil) specifically related to the North America region. The other exceptional items and share based payments are considered on a group-wide basis and are therefore not allocated to reportable segments. For details of exceptional items see note 8.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

6. Discontinued operations

For the year ended 30 June 2009 the group did not have any revenue or operating profit from discontinued operations.

Discontinued operations in the year ended 30 June 2008 related to the disposal of the Group's Mexican Shrimp Genetics business on 4 October 2007, the Development Consulting business on 6 November 2007 and the Animal Health business on 15 January 2008.

Revenue and operating profits attributable to the discontinued operations in the prior year were as follows:

	Animal Health	Development Consulting	Shrimp Genetics	Total
	£m	£m	£m	£m
Revenue	4.1	6.2	0.4	10.7
Operating profit	0.5	0.2	(0.2)	0.5

The segment result from discontinued operations stated above is equal to the operating profit from discontinued operations.

2008
£m

Operating profit from discontinued operations comprises:

Profit in Animal Health for the year	0.5
Profit in Development Consulting for the year	0.2
Loss in Shrimp Genetics for the year	(0.2)

Operating profit from discontinued operations 0.5

Other gains and losses

Profit on sale of Animal Health	5.2
Loss on sale of Development Consulting business	(0.1)
Loss on sale of Mexico operation of Shrimp Genetics	(2.0)
Profit from discontinued operations before tax	3.6
Taxation	(0.1)
Profit from discontinued operations	3.5

Earnings per share from discontinued operations (see note 15)

Basic earnings per share	6.1p
Diluted earnings per share	6.0p

2008

£m

Effect of disposals on the financial position of the Group

Goodwill and intangible assets	6.3
Biological assets	0.3
Property, plant and equipment	2.1
Cash and cash equivalents	1.3
Inventories	1.3
Trade and other receivables	10.0
Trade and other payables	(8.3)
Net identifiable assets and liabilities disposed	13.0

Consideration receivable (less impairment)	16.9
Deferred consideration receivable (less impairment)	(0.3)
Consideration satisfied in cash	16.6
Cash disposed of	(1.3)
Net cash inflow	15.3

On 23 December 2008, the deferred consideration of £0.3m was received.

2008

£m

Cash flows attributable to discontinued operations

From operating activities	0.4
From investing activities	15.3
	15.7

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

7. Revenue

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Sale of animals, semen and veterinary products	225.7	204.0	–	4.5	225.7	208.5
Royalties	48.5	37.1	–	–	48.5	37.1
Consulting Services	6.2	6.0	–	6.2	6.2	12.2
	280.4	247.1	–	10.7	280.4	257.8
Interest income	0.4	1.8	–	–	0.4	1.8
Total	280.8	248.9	–	10.7	280.8	259.6

Revenue is recognised, by type of income, as follows:

- Sale of animals, semen and veterinary products are recognised upon transfer of the risks and rewards, either on shipment to customers or on delivery depending on the terms of sale.
- Royalties which arise in the porcine business, are recognised when receivable.
- Consulting Services revenue is recognised when the final outcome of a contract can be assessed with reasonable certainty.

8. Exceptional items

Exceptional items in the year to 30 June 2009 comprise:

	2009	2008
	£m	£m
Operating expenses:		
Environmental liabilities settlement	0.6	–
Integration and restructuring expenses (primarily Sygen acquisition related)	–	3.3
Main market listing costs	–	1.6
	0.6	4.9
Finance costs:		
Write off of unamortised arrangement fee	0.8	–
	1.4	4.9

On 15 October 2008, the Company entered into an agreement to settle all existing and future environmental liabilities in respect of the sale of Oklahoma porcine properties by Sygen International plc to Seaboard Foods incurred prior to the acquisition of Sygen by Genus plc. Under the agreement a payment of \$3.5m was made by the Company to Seaboard Foods, giving rise to £0.6m exceptional expense in respect of that part of the settlement not previously provided.

Integration and restructuring expenses incurred in the prior year of £3.3m, relate primarily to the Sygen business and include severance payments (£0.7m), project management fees for the new Oracle financial system (£0.8m), restructuring costs (£0.5m) and damages and legal fees (£0.7m).

Main market listing costs incurred in the prior year primarily relate to professional fees in relation to Genus' move to the official list in November 2007.

£0.8m of unamortised arrangement fees relating to the old bank facility were expensed on completion of the refinancing as an exceptional charge.

9. Operating profit

Operating costs comprise:

	Continuing operations		Discontinued operations		Group	
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Cost of sales excluding net valuation movements on biological assets	(123.8)	(110.9)	–	(7.7)	(123.8)	(118.6)
Net valuation movements on biological assets	2.7	6.3	–	–	2.7	6.3
Exceptional items within cost of sales	(0.6)	–	–	–	(0.6)	–
Amortisation of multiplier contract intangible assets	(0.2)	(0.2)	–	–	(0.2)	(0.2)
Cost of sales	(121.9)	(104.8)	–	(7.7)	(121.9)	(112.5)
Distribution costs	(72.2)	(64.5)	–	(1.6)	(72.2)	(66.1)
Amortisation of customer relationship intangible assets	(3.0)	(2.9)	–	–	(3.0)	(2.9)
Distribution costs	(75.2)	(67.4)	–	(1.6)	(75.2)	(69.0)
Research and Product Development expenditure	(20.4)	(16.0)	–	–	(20.4)	(16.0)
Amortisation of technology intangible assets	(2.0)	(2.0)	–	–	(2.0)	(2.0)
Research and Product Development costs	(22.4)	(18.0)	–	–	(22.4)	(18.0)
Administrative expenses (excluding exceptionals)	(25.3)	(23.3)	–	(0.9)	(25.3)	(24.2)
Share based payments	(2.0)	(2.4)	–	–	(2.0)	(2.4)
Amortisation of software	(0.6)	(0.1)	–	–	(0.6)	(0.1)
Exceptional items within administrative expenses	–	(4.9)	–	–	–	(4.9)
Administrative expenses	(27.9)	(30.7)	–	(0.9)	(27.9)	(31.6)
Total operating costs	(247.4)	(220.9)	–	(10.2)	(247.4)	(231.1)

Profit for the year is stated after charging/(crediting):

	Continuing operations		Discontinued operations		Group	
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Net foreign exchange losses/(gains)	0.2	(0.4)	–	–	0.2	(0.4)
Depreciation of owned fixed assets	3.5	2.9	–	–	3.5	2.9
Depreciation of assets held under finance leases and hire purchase contracts	0.7	0.6	–	–	0.7	0.6
Operating lease rentals						
– plant and machinery	1.1	1.5	–	–	1.1	1.5
– other	4.9	2.6	–	–	4.9	2.6
Employee costs (see note 11)	82.3	80.1	–	1.0	82.3	81.1
Cost of inventories recognised as an expense	44.4	39.2	–	–	44.4	39.2

Auditors' remuneration is as follows:

Fees payable to the Company's auditors for the audit of the Company's annual report and financial statements	0.2	0.2
Fees payable to the Company's auditors and associates for the audit of the Company's subsidiaries	0.3	0.3
Total audit fees	0.5	0.5
Tax services	0.5	0.4
Debt refinancing	0.4	–
Main market listing	–	0.5
Other services	–	0.1
Total non-audit fees	0.9	1.0
Total fees to the Group's auditors	1.4	1.5
Fees payable to other auditors of Group companies	0.1	0.1

Non-audit services comprise tax advisory and compliance support services, and in 2009 services related to the debt refinancing, and in 2008 reporting accountant services relating to main market listing. These services fall within the approved services policy set out by the Company's Audit Committee.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

10. Other gains and losses

	2009	2008
	£m	£m
Net gain on sale of properties	0.4	0.2

11. Employee costs

Employee costs, including Directors' remuneration, during the year amounted to:

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	£m	£m Restated*	£m	£m	£m	£m Restated*
Wages and salaries	72.5	68.8	–	0.9	72.5	69.7
Social security costs	5.5	6.3	–	0.1	5.5	6.4
Contributions to defined contribution pension plans	1.4	1.6	–	–	1.4	1.6
Expenses related to defined benefit pension plans	0.9	1.0	–	–	0.9	1.0
Share based payments	2.0	2.4	–	–	2.0	2.4
	82.3	80.1	–	1.0	82.3	81.1

* the prior year comparatives have been restated by £2.5m increasing wages and salaries and decreasing social security costs.

The average monthly number of employees, including Executive Directors, during the year was as follows:

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	No.	No.	No.	No.	No.	No.
North America	645	592	–	–	645	592
Latin America	119	158	–	–	119	158
Europe (excluding UK)	275	260	–	–	275	260
UK	660	681	–	111	660	792
Far East	318	293	–	–	318	293
Research & Product Development	101	94	–	–	101	94
	2,118	2,078	–	111	2,118	2,189

Details of Directors' remuneration, pensions and share options are included in the Report on Directors' Remuneration.

12. Net finance costs

	2009 £m	2008 £m
Interest payable on bank loans and overdrafts	(5.6)	(8.5)
Amortisation of debt issue costs	(1.8)	(0.3)
Net interest cost in respect of pension scheme liabilities	(0.9)	–
Other interest payable	(0.3)	(0.1)
Net interest cost on derivative financial instruments	(1.0)	–
Total interest expense	(9.6)	(8.9)
Less: amounts included in the cost of qualifying assets	0.2	–
	(9.4)	(8.9)
Interest income on bank deposits	0.4	0.4
Net interest income on derivative financial instruments	–	1.3
Net interest income in respect of pension scheme liabilities	–	0.1
Interest income	0.4	1.8
Net finance costs	(9.0)	(7.1)
Effect of exceptional write off of unamortised arrangement fee		
Net finance costs	(9.0)	(7.1)
Exceptional item: write off of unamortised arrangement fee	0.8	–
Net finance costs before exceptional item	(8.2)	(7.1)

Borrowing costs of £0.2m are included in the cost of qualifying assets during the year arose on the specific borrowings and are calculated with reference to when the asset became available for use.

£0.8m of unamortised arrangement fees relating to the old facility were expensed on completion of the refinancing as an exceptional charge.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

13. Income tax expense

	2009 £m	2008 £m
Current tax expense		
Current period	5.7	6.2
Adjustment for prior periods	1.1	0.1
	6.8	6.3
Deferred tax expense		
Origination and reversal of temporary differences	3.3	1.4
Adjustment for prior period	(1.8)	0.3
Reduction in tax rate	–	(0.1)
Total deferred tax expense in the Group income statement	1.5	1.6
Income tax expense from continuing operations	8.3	7.8
Income tax expense from discontinued operations (excluding gain on sale)	–	0.1
Total income tax expense excluding tax on sale of discontinued operations and share of income tax of equity accounted investees	8.3	7.9
Share of income tax of equity accounted investees	0.3	0.6
Total income tax expense in the Group income statement	8.6	8.5

Reconciliation of effective tax rate

	2009 %	2009 £m	2008 %	2008 £m
Profit before tax:				
Continuing	100	26.2	86	22.0
Discontinued operations	–	–	14	3.6
Profit before tax	100	26.2	100	25.6
Income tax at UK corporation tax of 28% (2008: 29.5%)	85	7.3	88	7.5
Effect of tax rates in foreign jurisdictions	13	1.1	20	1.7
Effect of UK tax rate change	–	–	(1)	(0.1)
Non-deductible expenses	6	0.5	11	0.9
Tax exempt income	(1)	(0.1)	(15)	(1.3)
Tax incentives	(6)	(0.5)	(4)	(0.3)
Movements in recognition of tax losses	8	0.7	–	–
Change in unrecognised temporary differences	(5)	(0.4)	(3)	(0.2)
Tax included in share of joint ventures and associate profits	1	0.1	(1)	(0.1)
Tax (over)/under provided in prior periods	(8)	(0.7)	5	0.4
Tax on undistributed reserves	7	0.6	–	–
Total income tax expense within the Group income statement	100	8.6	100	8.5

The tax rate for the year depends upon the mix of profits by country, particularly upon the high level of profits generated in North America, and the ability of the Group to recognise deferred tax assets in respect of losses in some of the Group's smaller territories.

Income tax recognised directly in equity

	2009	2008
	£m	£m
Foreign exchange differences on long term intra Group currency loans	0.8	0.4
Loss on financial instruments	(2.3)	(0.9)
Actuarial movement on retirement benefit obligations	(3.7)	(2.4)
Translation of biological assets, intangible assets and finance leases	14.1	1.0
Income tax on income and expense recognised directly in equity	8.9	(1.9)
Share based payments	0.6	(0.4)
Total income tax recognised directly in equity	9.5	(2.3)

14. Dividends

Amounts recognised as distributions to equity holders in the year:

	2009	2008
	£m	£m
Final dividend		
10.0p (2008: 9.1p) per share	5.9	5.3

A dividend of 11.0p per share has been proposed by the Directors for 2009. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and therefore has not been included as a liability in these financial statements.

15. Earnings per share**Basic earnings per share from continuing operations**

The calculation of basic earnings per share from continuing operations at 30 June 2009 is based on the profit attributable to ordinary shareholders of £17.9m (2008: £14.2m) and a weighted average number of ordinary shares outstanding of 58,941,000 (2008: 57,459,000), calculated as follows:

Weighted average number of ordinary shares (basic)

	2009	2008
	000s	000s
Issued ordinary shares at start of the year	59,456	55,931
Effect of own shares held	(568)	(747)
Shares issued on exercise of stock options	53	477
Shares issued in relation to share placement	–	1,798
Weighted average number of ordinary shares in year	58,941	57,459

Diluted earnings per share from continuing operations

The calculation of diluted earnings per share at 30 June 2009 is based on profit attributable to ordinary shareholders of £17.9m (2008: £14.2m) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 59,872,000 (2008: 58,638,000) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2009	2008
	000s	000s
Weighted average number of ordinary shares (basic)	58,941	57,459
Dilutive effect of share options	931	1,179
Weighted average number of ordinary shares for the purposes of diluted earnings per share	59,872	58,638

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

15. Earnings per share (continued)

Adjusted earnings per share

Adjusted earnings per share is calculated on profit before net IAS 41 valuation movements in biological assets, amortisation of acquired intangible assets, share based payments, exceptional items and other gains and losses after charging taxation associated with those profits, of £21.3m (2008: £18.3m) as follows:

	2009 £m	2008 £m restated (see note 2)
Profit before tax from continuing operations	26.2	22.0
Add/(deduct):		
Net IAS 41 valuation movements in biological assets	(2.7)	(6.3)
Amortisation of acquired intangible assets	5.2	5.1
Share based payments	2.0	2.4
Integration and restructuring expenses	–	3.3
Main market listing costs	–	1.6
Environmental settlement	0.6	–
Exceptional write off of unamortised arrangement fee	0.8	–
Other gains and losses	(0.4)	(0.2)
Net valuation movements in biological assets in joint ventures and associates	0.1	(0.6)
Profit before net IAS 41 valuation movements in biological assets, amortisation of acquired intangible assets, share based payments, exceptional items and other gains and losses	31.8	27.3
Adjusted tax charge	(10.5)	(9.0)
Profit before net IAS 41 valuation movements in biological assets, amortisation of acquired intangible assets, share based payments, exceptional items and other gains and losses, after taxation	21.3	18.3

Total operations

Earnings per share for total operations has been calculated as the profit attributable to ordinary shareholders of £17.9m (2008: £17.7m) divided by the weighted average number of ordinary shares (basic and diluted) as calculated above.

16. Intangible assets

	Porcine genetics technology	Multiplier contracts	Customer relationships	Separately identified acquired intangible assets	Software	Total	Goodwill
	£m	£m	£m	£m	£m	£m	£m
Cost							
Balance at 1 July 2007	40.4	3.0	42.0	85.4	–	85.4	60.7
Additions	–	–	–	–	3.7	3.7	0.2
Reclassification from property, plant and equipment	–	–	–	–	2.2	2.2	–
Effect of movements in exchange rates	–	0.1	1.3	1.4	–	1.4	2.1
Balance at 30 June 2008	40.4	3.1	43.3	86.8	5.9	92.7	63.0
Balance at 1 July 2008	40.4	3.1	43.3	86.8	5.9	92.7	63.0
Additions	–	–	–	–	0.3	0.3	–
Effect of movements in exchange rates	–	0.5	7.7	8.2	0.2	8.4	7.5
Balance at 30 June 2009	40.4	3.6	51.0	95.0	6.4	101.4	70.5
Amortisation and impairment losses							
Balance at 1 July 2007	3.2	0.3	4.5	8.0	–	8.0	–
Amortisation for the year	2.0	0.2	2.9	5.1	0.1	5.2	–
Effect of movements in exchange rates	–	–	–	–	–	–	–
Balance at 30 June 2008	5.2	0.5	7.4	13.1	0.1	13.2	–
Balance at 1 July 2008	5.2	0.5	7.4	13.1	0.1	13.2	–
Amortisation for the year	2.0	0.2	3.0	5.2	0.6	5.8	–
Effect of movements in exchange rates	–	0.1	1.2	1.3	–	1.3	–
Balance at 30 June 2009	7.2	0.8	11.6	19.6	0.7	20.3	–
Carrying amounts							
At 30 June 2009	33.2	2.8	39.4	75.4	5.7	81.1	70.5
At 30 June 2008	35.2	2.6	35.9	73.7	5.8	79.5	63.0

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each operating segments is as follows:

	2009	2008
	£m	£m
North America	38.2	31.9
Latin America	14.2	13.6
Europe	11.2	11.0
Far East	6.9	6.5
	70.5	63.0

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

16. Intangible assets (continued)

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the cash-generating units is determined from value in use calculations. The key assumptions for the value in use calculations of both cash-generating units are those regarding discount rates, growth rates and expected changes to selling prices, and direct costs. Management have estimated the discount rate using the weighted average cost of capital of the business, changes in selling prices and direct costs, which are based on past experience and expectations of future change in the market.

The Group prepares cash flows derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows using estimated growth rates beyond the budgeting period.

The key assumptions for the value in use calculations are:

A growth rate of 4.0% (2008: 3.0%) has been used to extrapolate cash flows beyond the budget and strategic plan period. This growth rate does not exceed the anticipated average long-term growth rate for the relevant markets. The change in this key assumption has not caused any impact on the carrying value of the recoverable amounts.

A post tax discount rate of 8.0% (2008: 9.2%) has been applied to cash flow projections, which equates to a pre tax rate of approximately 11.4% (2008: 13.1%). The change in this key assumption has not caused any impact on the carrying value of the recoverable amount.

17. Biological assets

	Bovine £m	Porcine £m	Total £m
Fair value of biological assets			
Balance at 1 July 2007	73.9	65.8	139.7
Increases due to purchases	2.6	70.1	72.7
Decreases attributable to sales	–	(126.4)	(126.4)
Decrease due to harvest	(18.5)	(6.1)	(24.6)
Changes in fair value less estimated sale costs	25.7	61.8	87.5
Effect of movements in exchange rates	0.7	1.7	2.4
Balance at 30 June 2008	84.4	66.9	151.3
Non current biological assets	84.4	42.6	127.0
Current biological assets	–	24.3	24.3
Balance at 30 June 2008	84.4	66.9	151.3
Balance at 1 July 2008	84.4	66.9	151.3
Increases due to purchases	3.6	76.6	80.2
Decreases attributable to sales	–	(128.1)	(128.1)
Decrease due to harvest	(23.4)	(6.5)	(29.9)
Changes in fair value less estimated sale costs	26.0	56.3	82.3
Effect of movements in exchange rates	15.3	10.8	26.1
Balance at 30 June 2009	105.9	76.0	181.9
Non current biological assets	105.9	48.0	153.9
Current biological assets	–	28.0	28.0
Balance at 30 June 2009	105.9	76.0	181.9

Bovine biological assets include £3.0m (2008: £2.8m) representing the fair value of bulls owned by third parties but managed by the Group, net of expected future payments to such third parties, and therefore treated as assets held under finance leases.

There are no movements in the carrying value of the bovine biological assets in respect of sales or other changes during the year.

The current market determined pre-tax rate used to discount expected future net cash flows from the sale of bull semen is the Group's weighted average cost of capital. This has been assessed as 8.0% (2008: 9.2%).

Decreases due to harvest represent the semen extracted from the biological assets. Inventories of such semen are shown as biological asset harvest in note 22.

The aggregate gain arising during the year on initial recognition of biological assets in respect of multiplier purchases was £26.1m (2008: £22.1m).

Bovine	Porcine	Total
£m	£m	£m

Year ended 30 June 2009

Net IAS 41 valuation movement in biological assets*

Changes in fair value of biological assets	26.0	56.3	82.3
Inventory transferred to cost of sales at fair value	(20.6)	(6.5)	(27.1)
Biological assets transferred to cost of sales at fair value	–	(52.5)	(52.5)
	5.4	(2.7)	2.7

Bovine	Porcine	Total
£m	£m	£m

Year ended 30 June 2008

Net IAS 41 valuation movement in biological assets*

Changes in fair value of biological assets	25.7	61.8	87.5
Inventory transferred to cost of sales at fair value	(18.0)	(6.1)	(24.1)
Biological assets transferred to cost of sales at fair value	–	(57.1)	(57.1)
	7.7	(1.4)	6.3

* This represents the difference between operating profit prepared under IAS 41 and operating profit prepared under historic cost accounting, which forms part of the reconciliation to adjusted operating profit.

Additional information

2009	2008
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Quantities

Bovine – number of marketable bulls in stud	169	195
Bovine – number of doses of semen in inventory – stud	8.0m	8.1m
Porcine – number of pigs (own farms)	107,285	94,555
Porcine – number of pigs despatched on a royalty basis and valued at fair value	57,397	66,875

Fair value of agricultural produce – semen, harvested during the period

Bovine	£23.4m	£18.5m
Porcine	£6.5m	£6.1m

2009	2008
No.	No.

Bovine

Total number of bulls in development	1,818	1,459
Bovine – number of doses of semen in inventory from bulls in development	1.3m	1.3m

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

18. Property, plant and equipment

	Land and buildings	Plant, motor vehicles and equipment	Total
	£m	£m	£m
Cost or deemed cost			
Balance at 1 July 2007	15.6	17.1	32.7
Additions	1.4	4.9	6.3
Reclassification to intangible assets	–	(2.2)	(2.2)
Disposals	(1.4)	(0.8)	(2.2)
Effect of movements in exchange rates	1.3	1.0	2.3
Balance at 30 June 2008	16.9	20.0	36.9
Balance at 1 July 2008	16.9	20.0	36.9
Additions	11.4	4.0	15.4
Disposals	(1.4)	(2.5)	(3.9)
Effect of movements in exchange rates	1.9	3.5	5.4
Balance at 30 June 2009	28.8	25.0	53.8
Depreciation and impairment losses			
Balance at 1 July 2007	0.9	4.5	5.4
Depreciation for the year	1.5	2.0	3.5
Disposals	(0.1)	(0.6)	(0.7)
Effect of movements in exchange rates	0.6	0.5	1.1
Balance at 30 June 2008	2.9	6.4	9.3
Balance at 1 July 2008	2.9	6.4	9.3
Depreciation for the year	1.1	3.1	4.2
Disposals	(0.8)	(1.3)	(2.1)
Effect of movements in exchange rates	1.1	2.0	3.1
Balance at 30 June 2009	4.3	10.2	14.5
Carrying amounts			
At 30 June 2009	24.5	14.8	39.3
At 30 June 2008	14.0	13.6	27.6

Leased plant and machinery

At 30 June 2009 plant, motor vehicles and equipment included assets held under finance leases with a carrying value of £4.0m (2008: £3.4m). The associated depreciation charge for the year was £0.7m (2008: £0.6m).

Assets under construction

At 30 June 2009 fixed assets included assets in the course of construction with a carrying value of £12.9m (2008: £1.7m). The majority of the expenditure relates to the construction of a new nucleus herd facility in South Dakota.

19. Equity accounted investees

The Group's share of profit after tax in its equity accounted investees for the year was £1.8m (2008: £2.7m).

	2009	2008
	£m	£m
Balance at 1 July	4.7	3.5
Share of post tax profits of joint ventures and associates retained	1.8	2.7
Dividends received	(2.1)	(1.8)
Effect of movements in exchange rates	0.9	0.3
Balance at 30 June	5.3	4.7

Summary financial information for equity accounted investees, adjusted for the percentage ownership held by the Group:

Year ended 30 June 2009

	Ownership	Current assets	Non-current assets	Biological assets	Total assets	Current liabilities	Total liabilities	Net assets
		£m	£m	£m	£m	£m	£m	£m
Net Assets								
Agrocères – PIC Suínos (Brazil)	49%	2.0	2.2	1.8	6.0	(1.1)	(1.1)	4.9
Hybridschweine Cooperations GmbH (Germany)	50%	0.1	–	–	0.1	–	–	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	0.2	0.4	–	0.6	(0.3)	(0.3)	0.3
		2.3	2.6	1.8	6.7	(1.4)	(1.4)	5.3

	Ownership	Revenues	Net IAS 41 valuation movements in biological assets	Expenses	Operating profit
		£m	£m	£m	£m
Income statement					
Agrocères – PIC Suínos (Brazil)	49%	9.3	(0.1)	(7.3)	1.9
Hybridschweine Cooperations GmbH (Germany)	50%	7.0	–	(6.9)	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	1.6	–	(1.5)	0.1
		17.9	(0.1)	(15.7)	2.1

Year ended 30 June 2008

	Ownership	Current assets	Non-current assets	Biological assets	Total assets	Current liabilities	Total liabilities	Net assets
		£m	£m	£m	£m	£m	£m	£m
Net Assets								
Agrocères – PIC Suínos (Brazil)	49%	2.3	1.9	1.9	6.1	(1.9)	(1.9)	4.2
Hybridschweine Cooperations GmbH (Germany)	50%	0.1	–	–	0.1	–	–	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	0.4	0.3	–	0.7	(0.3)	(0.3)	0.4
		2.8	2.2	1.9	6.9	(2.2)	(2.2)	4.7

	Ownership	Revenues	Net IAS 41 valuation movements in biological assets	Expenses	Operating profit
		£m	£m	£m	£m
Income statement					
Agrocères – PIC Suínos (Brazil)	49%	9.3	0.6	(6.6)	3.3
Hybridschweine Cooperations GmbH (Germany)	50%	7.1	–	(7.2)	(0.1)
Hu Mei Pig Improvement Company Ltd (China)	50%	1.6	–	(1.5)	0.1
		18.0	0.6	(15.3)	3.3

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

20. Available for sale investments

	2009	2008
	£m	£m
Fair value	0.3	0.3

Available for sale investments are in respect of unlisted trade related investments.

21. Deferred tax assets and liabilities

Unrecognised deferred tax assets and liabilities

At the balance sheet date, the Group has unused tax losses with a potential tax benefit of £13.7m (2008: £14.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of £3.3m (2008: £2.6m) of such losses. No deferred tax asset has been recognised in respect of the remaining £10.4m (2008: £11.8m) due to the uncertainty over the availability of future taxable profits.

Deferred tax liabilities totalling £2.8m (2008: £3.9m) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain overseas subsidiaries. No provision is required since the Group is in a position to control the timing and reversal of these differences and it is probable that such differences will not reverse in the foreseeable future.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	(0.9)	(0.6)	2.1	1.4	1.2	0.8
Intangible assets	–	–	32.2	25.2	32.2	25.2
Biological assets	–	–	63.3	52.8	63.3	52.8
Financial instruments	(0.7)	0.3	–	–	(0.7)	0.3
Retirement benefit obligations	(8.4)	(4.5)	(1.7)	(1.4)	(10.1)	(5.9)
Share-based payments	(0.5)	(1.3)	–	–	(0.5)	(1.3)
Short term timing differences	(4.1)	(4.5)	1.6	2.8	(2.5)	(1.7)
Tax loss carry-forwards	(2.1)	(2.2)	(1.2)	(0.4)	(3.3)	(2.6)
Net tax (assets)/liabilities	(16.7)	(12.8)	96.3	80.4	79.6	67.6

Deferred tax assets and liabilities have been offset above to extent that they arise in the same tax jurisdiction.

Movement in temporary differences during the year

	Balance brought forward 1 July 2008	Recognised in income statement	Prior year adjustments	Recognised in equity	Transfers	Foreign exchange difference	Balance carried forward 30 June 2009
	£m	£m	£m	£m	£m	£m	£m
Property, plant and equipment	0.8	0.5	(0.1)	–	–	–	1.2
Intangible assets	25.2	2.9	–	4.1	–	–	32.2
Biological assets	52.8	0.8	–	9.7	–	–	63.3
Financial instruments	0.3	(0.1)	–	(0.9)	–	–	(0.7)
Retirement benefit obligations	(5.9)	(0.5)	–	(3.7)	–	–	(10.1)
Share based payments	(1.3)	0.2	–	0.6	–	–	(0.5)
Short term timing differences	(1.7)	(0.5)	(1.0)	0.3	0.3	0.1	(2.5)
Tax loss carry-forwards	(2.6)	–	(0.7)	–	–	–	(3.3)
	67.6	3.3	(1.8)	10.1	0.3	0.1	79.6

	Balance brought forward 1 July 2007	Recognised in income statement	Prior year adjustments	Recognised in equity	Changes in tax rate	Foreign exchange difference	Balance carried forward 30 June 2008
	£m	£m	£m	£m	£m	£m	£m
Property, plant and equipment	0.6	0.1	0.1	–	–	–	0.8
Intangible assets	28.5	(1.5)	–	(1.8)	–	–	25.2
Biological assets	47.7	2.0	0.3	2.8	–	–	52.8
Financial instruments	1.2	–	–	(0.9)	–	–	0.3
Retirement benefit obligations	(4.8)	1.3	–	(2.4)	–	–	(5.9)
Share based payments	(2.2)	0.1	–	0.8	–	–	(1.3)
Short term timing differences	(0.4)	(1.1)	(0.1)	–	(0.1)	–	(1.7)
Tax loss carry-forwards	(3.0)	0.5	–	–	–	(0.1)	(2.6)
	67.6	1.4	0.3	(1.5)	(0.1)	(0.1)	67.6

22. Inventories

	2009	2008
	£m	£m
Biological assets harvest classed as inventories	20.9	16.3
Raw materials and consumables	0.5	1.2
Goods held for resale	6.6	4.3
	28.0	21.8

At 30 June 2009 inventories are shown net of a provision of £0.2m (2008: £0.2m).

23. Trade and other receivables

	2009	2008
	£m	£m
Trade receivables	46.1	42.1
Other debtors	4.8	4.9
Prepayments and accrued income	2.2	2.1
Other taxes and social security	0.6	2.6
	53.7	51.7

Trade receivables

The average credit period taken on sales of goods is 59 days (2008: 62 days). No interest is charged on the receivables for the first 30 days from the date of the invoice. The Group provides for all receivables based upon knowledge of the customer and historical experience and estimates irrecoverable amounts by reference to past default experience.

There are no customers who represent more than 5% of the total balance of trade receivables.

At 30 June 2009, £30.8m (2008: £27.7m) of trade receivables were not yet due for payment.

Included in the Group's trade receivables balance are debtors with a carrying amount of £15.3m (2008: £14.4m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 65 days (2008: 52 days).

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

23. Trade and other receivables (continued)

Ageing of trade receivables that are past due and presented net of provisions that have been established:

	2009	2008
	£m	£m
0 – 30 days	7.2	8.1
31 – 90 days	4.7	4.3
91 – 180 days	1.5	1.1
Over 180 days	1.9	0.9
Total	15.3	14.4

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. At 30 June 2009 trade receivables are shown net of an allowance for doubtful debts of £3.1m (2008: £2.6m).

Movement in the allowance for doubtful debts

	2009	2008
	£m	£m
Balance at the beginning of the year	2.6	2.2
Impairment losses recognised	0.9	0.3
Amounts written off as uncollectible	(0.5)	(0.1)
Amounts recovered during the year	0.1	0.1
Impairment losses reversed	(0.1)	(0.1)
Effect of movements in exchange rates	0.1	0.2
Balance at the end of the year	3.1	2.6

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

Receivables denominated in currencies other than Sterling comprise £11.6m of receivables denominated in U.S. Dollar (2008: £14.2m), £9.1m of receivables denominated in Euros (2008: £8.5m) and £21.0m of receivables denominated in other currencies (2008: £14.8m).

24. Cash and cash equivalents

	2009	2008
	£m	£m
Bank balances	20.6	19.3

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Included with the bank balances is £3.4m (2008: £4.0m) held in China for future investment but subject to certain local restrictions.

25. Trade and other payables

	2009	2008
	£m	£m
Trade payables	11.9	15.1
Other payables and accrued expenses	24.0	22.1
Other taxes and social security	3.1	4.9
	39.0	42.1

Payables denominated in currencies other than the functional currency comprise £9.9m of payables denominated in U.S. Dollar (2008: £9.1m), £6.6m of payables denominated in Euros (2008: £5.1m) and £10.1m of payables denominated in other currencies (2008: £11.8m). The carrying values of these liabilities are a reasonable approximation of their fair values.

26. Provisions

	Onerous property leases £m	Environmental provision £m	Restructuring £m	Total £m
Balance at 1 July 2007	2.4	1.7	0.1	4.2
Utilisation of provision	(0.2)	(0.5)	(0.1)	(0.8)
Provided during the year	0.6	0.1	–	0.7
Unwinding of discount	0.1	–	–	0.1
Balance at 30 June 2008	2.9	1.3	–	4.2
Utilisation of provision	(1.0)	(1.3)	–	(2.3)
Unwinding of discount	0.1	–	–	0.1
Balance at 30 June 2009	2.0	–	–	2.0

	2009 £m	2008 £m
Non-current	1.8	3.0
Current	0.2	1.2
Balance at 30 June 2009	2.0	4.2

The onerous property provision represents the discounted future costs of properties not occupied by the Group. These costs are computed net of risk weighted rental income and, where necessary, dilapidation and letting expenses and the provision is expected to be utilised over the next 6 years.

The environmental provision related to environmental liabilities in respect of the sale of Oklahoma porcine properties by Sygen International plc to Seaboard Foods prior to the acquisition of Sygen by Genus plc. As explained in note 8, this liability was settled during the year.

27. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 32.

Gearing ratio

The Group's Board of Directors reviews the capital structure on an annual basis. As part of this review, they consider the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end is as follows:

	2009 £m	2008 £m
Debt	108.6	96.8
Cash and cash equivalents	(20.6)	(19.3)
Net Debt	88.0	77.5
Equity	204.6	185.1
Net debt to equity ratio	43%	42%

Debt is defined as long and short-term borrowings, as detailed in note 28.

Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

27. Financial instruments (continued)

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments

	Carrying value	
	2009	2008
	£m	£m
Financial assets		
Derivative instruments in designated hedge accounting relationships	1.7	2.5
Cash and cash equivalents	20.6	19.3
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	(9.8)	(1.3)
Loans and overdrafts	(106.6)	(94.6)
Leasing obligations	(2.0)	(2.2)

Financial risk management objectives

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

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Board of Directors regularly. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the sale of goods in foreign currency and on the purchase of supplies in foreign currencies;
- interest rate swaps to mitigate the risk of rising interest rates; and
- cross currency swap contracts to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Any exposures to exchange rate fluctuations which arise are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2009	2008	2009	2008
	£m	£m	£m	£m
US Dollar (including leases)	(45.1)	(34.5)	2.8	3.7
Australian Dollar	–	(6.3)	–	–
EURO	(10.2)	–	2.8	–

Foreign currency sensitivity analysis

The Group is mainly exposed to movement in the US dollar and the Euro exchange rates.

The following table details the Group's sensitivity to a 10% increase and decrease in the Sterling against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a significant change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Sterling weakens against the relevant currency. For a strengthening of the Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Euro currency impact		US Dollar currency impact	
	2009	2008	2009	2008
	£m	£m	£m	£m
10% currency movement				
Profit or loss	0.6	0.6	1.9	1.5

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts.

The following table details the forward foreign currency contracts outstanding as at the year end:

	Average exchange rate 2009	Foreign currency 2009	Contract value		Fair value	
			2009	2008	2009	2008
			£m	£m	£m	£m
Outstanding contracts						
Buy Czech Koruna	30.55	CZK	2.0	2.4	N/A	–
Buy Canadian Dollar	2.01	CAD	–	4.1	N/A	–
Buy Euro	1.2625	EUR	–	0.2	N/A	–
Sell Polish Zloty	4.2486	PLN	–	1.9	N/A	–
Net investment hedge – currency swap						
Sell US Dollar	1.89	USD	35.0	35.0	(5.7)	(0.1)
					(5.7)	(0.1)

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed centrally by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, using interest rate swap agreements. Hedging activities are reviewed regularly to align with interest rate views and defined risk appetite, thereby ensuring optimal hedging strategies are applied, to minimize the adverse impact of fluctuations in interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1.0% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a significant change in interest rates.

If interest rates had been 1.0% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2009 would decrease/increase by £0.3m (2008: decrease/increase by £nil). This is mainly attributable to the Group's high level of fixed rate borrowing and cash all held at variable rates.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

27. Financial instruments (continued)

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Cash flow hedges

Interest rate swaps

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal amount		Fair value	
	2009	2008	2009	2008	2009	2008
	%	%	£m	£m	£m	£m
GBP IRS						
2 to 5 years	4.74	4.74	35.0	55.0	(1.2)	1.1
	2.17	–	10.0	–	0.1	–
USD IRS						
2 to 5 years	3.20	3.20	36.4	30.1	(1.3)	0.4
EUR IRS						
2 to 5 years	1.91	–	10.2	–	–	–
			91.6	85.1	(2.4)	1.5

The interest rate swaps settle on a quarterly or a monthly basis. The corresponding floating rate on the interest rate swaps is 3 month LIBOR or 1 month LIBOR. The Group settles the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period that the floating rate interest payments on debt impact profit or loss.

Commodity hedges

The Group hedges the pig slaughter price of its by-product animals by using the Chicago Mercantile Exchange (CME) lean hog futures.

Commodity hedge	Average price		Notional principal amount		Fair value	
	2009	2008	2009	2008	2009	2008
	\$	\$	£m	£m	£m	£m
Open contracts from July 2008 to June 2009	–	75.4	–	3.3	–	(0.2)

There are no outstanding commodity hedges at 30 June 2009.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are regularly monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure on financial instruments is controlled by counterparty limits that are reviewed and approved by the Board annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The liquidity risk management framework which is used by the Board was enhanced during the year. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	5+ years £m	Total £m
--	--------------------------------------------------------	----------------------------	------------------	-----------------------------	-----------------	----------------	-------------

2009

Variable interest rate instruments	3.5	3.8	0.7	4.1	113.5	–	122.1
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2008

Variable interest rate instruments	6.0	0.9	1.2	22.0	85.1	–	109.2
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2007

Variable interest rate instruments	6.0	1.0	2.1	33.1	124.7	–	160.9
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The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	5+ years £m	Total £m
--	--------------------------------------------------------	----------------------------	------------------	-----------------------------	-----------------	----------------	-------------

2009

Variable interest rate instruments	1.7	18.6	2.0	–	–	–	20.6
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2008

Variable interest rate instruments	2.0	18.2	0.6	0.7	–	–	19.5
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2007

Variable interest rate instruments	2.0	25.6	0.6	–	–	–	26.2
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The Group has access to financing facilities, the total unused amount of which is £44.1m (2008: £26.3m) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Group expects to maintain current debt to equity ratio within 40 – 60 % limits.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

	Less than 1 month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	5+ years £m	Total £m
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2009

Interest rate swaps	(0.1)	(0.1)	(1.8)	(3.0)	–	(5.0)
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2008

Interest rate swaps	0.2	0.2	0.2	0.8	–	1.4
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2007

Interest rate swaps	0.3	0.3	0.7	3.5	–	4.8
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Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

28. Loans and borrowings

	2009	2008
	£m	£m
Non-current liabilities		
Secured bank loans	103.6	77.0
Unsecured bank loans	0.6	–
Obligations under finance leases	1.0	1.2
	105.2	78.2

Current liabilities

Secured bank loans and overdrafts	2.0	16.6
Unsecured bank loans	0.5	1.0
Obligations under finance lease liabilities	0.9	1.0
	3.4	18.6
Total interest-bearing liabilities	108.6	96.8

Terms and debt repayment schedule

Terms and conditions of outstanding loans and overdrafts were as follows:

			2009	2008
	Currency	Interest rate	£m	£m
Secured revolving credit facility and overdraft	GBP	4.1%	52.9	5.0
Secured term loan A	GBP	5.9%	–	2.5
Secured amortising term loan B	GBP	5.9%	–	47.5
Secured revolving credit facility and overdraft	USD	3.7%	42.5	32.3
Secured revolving credit facility and overdraft	EUR	3.6%	10.2	–
Secured revolving credit facility and overdraft	AUD	8.2%	–	6.3
Finance lease liabilities	USD	5.0%	1.9	2.2
Unsecured bank borrowings	Other	0%	1.1	1.0
Total interest-bearing liabilities			108.6	96.8

Information about the Group's exposure to interest rate and foreign currency risk is shown in note 27.

	2009 £m	2008 £m
Loans and borrowings (excluding finance leases):		
Amounts falling due:		
In one year or less or on demand	3.9	18.0
In more than one year but not more than two years	0.1	17.5
In more than two years but not more than five years	105.8	60.1
	109.8	95.6
Less: unamortised issue costs	(3.1)	(1.0)
	106.7	94.6
Current liabilities	(2.5)	(17.6)
Non current liabilities	104.2	77.0

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the Company and the Group's significant subsidiaries, a list of which appears in note 38.

The Company has refinanced its bank credit facilities with a group of four lending banks in February 2009. These credit facilities comprise a GBP110m multi currency revolving credit facility and a USD60m revolving credit facility with both facilities being repayable on 25 February 2012.

As part of its interest rate strategy the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result bank loan and overdrafts include £35.0m fixed at 4.74% and £10m fixed at 2.17%, USD\$60m (£36.4m) fixed at 3.2%, and EUR12m (£10.2m) fixed at 1.91%. All indicated rates are exclusive of applicable bank margin.

Also included in the above are unsecured loans of £0.3m for an agricultural development loan in USA and a £0.3m loan in Spain. Both of these loans are interest free.

29. Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2009 £m	Interest 2009 £m	Principal 2009 £m	Minimum lease payments 2008 £m	Interest 2008 £m	Principal 2008 £m
Less than one year	0.9	–	0.9	1.1	0.1	1.0
Between one to five years	1.1	0.1	1.0	1.3	0.1	1.2
	2.0	0.1	1.9	2.4	0.2	2.2

Finance lease liabilities are secured over the assets to which they relate.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

30. Retirement benefit obligations

The Group has a number of defined contribution and defined benefit pension schemes covering many of its employees. The principal funds are those in the United Kingdom, the Milk Pension Fund and the Dalgety Pension Fund, which are defined benefit schemes. The assets of these funds are held separately from the assets of the Group and administered by trustees and managed professionally. These schemes are closed to new members.

The financial position of the defined benefit schemes as recorded in accordance with IAS 19 are aggregated for disclosure purposes. The liability split by principal scheme is set out below.

	2009	2008
	£m	£m
The Milk Pension Fund – Genus share	27.7	14.2
The Dalgety Pension Fund	–	–
Other retirement benefit obligations	7.7	6.9
Gross liability	35.4	21.1
Deferred taxation	(10.1)	(5.9)
Net liability	25.3	15.2

Overall, the Group expects to pay £2.0m in contributions to defined benefit plans in the 2009/10 financial year.

The Milk Pension Fund (MPF)

The Milk Pension Fund is that previously operated by the Milk Marketing Board, and was also open to membership of staff working for Milk Marque Ltd (the principal employer now known as Community Foods Group Limited), National Milk Records plc, First Milk Ltd, Dairy Farmers of Britain Ltd, Milk Link Ltd, the Milk Development Council and hauliers associated to First Milk Ltd, Dairy Farmers of Britain Ltd (which went into receivership in June 2009) and Milk Link Ltd. Genus only accounts for its section and its share of any orphan liabilities but discloses details regarding the full potential contingent liability below, as ultimate liabilities are joint and several.

The most recent actuarial valuation of the Milk Pension Fund was at 31 March 2006, as the actuarial work on the 31 March 2009 valuation is yet to be finalised. The valuation of the fund used the projected unit method (for future service, a control period of 3 years was used) and was carried out by professionally qualified actuaries.

The principal actuarial assumptions adopted for the funding valuation as at 31 March 2006, with each being expressed as the excess over the assumption for the annual rate of inflation, were as follows. For the annual rate of return on the investments for discounting liabilities pre-retirement: 4%, and for discounting liabilities post-retirement: 2.05%. For the annual increase in the present and future pensions in payment: nil, for the annual rate of increase in pensionable earnings for past service liabilities: 1%, and for the annual rate of increase in pensionable earnings for future service liabilities: 1%. At the date of the valuation, the market value of the fund's assets amounted to £313m, of which Genus plc's notional share was £110m. The actuarial value of the assets of the whole fund was sufficient to cover 98% of the value of the benefits that had accrued to members after allowing for assumed increases in earnings.

The deficit in the fund as a whole, disclosed by the 31 March 2006 valuation, was £6.8m (of which Genus plc's notional share is £1.9m) and this shortfall is being addressed by additional contributions from the participating employers.

With effect from 1 May 2007, the Group amended the benefit and member contribution structure for future service, which has had the effect of reducing Group contributions in respect of future service accrual. This is reflected in the current valuation of the IAS 19 liabilities. As a result, the contribution rate of the Group in respect of pension payments from 1 May 2007 has been agreed with the Milk Pension Fund at 10.1% of members' pensionable earnings. In addition a contribution of £0.3m per annum will be paid in respect of the past service deficit and a further contribution of £0.3m per annum will be paid towards expenses.

Based on the actuarial assumptions, and allowing for the amortisation of the deficit over the average remaining service of current employees, the actuary has calculated that the Group's pension cost for the scheme in 2009 is £0.6m (2008: £0.7m).

Dalgety Pension Fund

A Deed of Agreement was signed on 23 January 2008 by the company and the trustees of the fund which formed the basis of the funding arrangement agreed for the actuarial valuation of the fund as of 31 March 2006.

Under the agreement the Company agreed to make deficit repair contributions of £2.4m to the fund of which £1.8m were made by 31 December 2007 with a further £0.6m in January 2008. The trustees of the fund also agreed to transfer an amount of £4.8m into the fund from their trustee share of surplus. £2.1m of this amount was in respect of known liabilities with an additional £2.7m transferred as a reserve against future unknown liabilities materialising. As the economic benefit to the Company of this latter amount is not certain, it is treated as a contingent asset.

The most recent actuarial valuation of the Dalgety Pension Fund was at 31 March 2006, since the 31 March 2009 valuation has not been finalised. The valuation of the scheme used the projected unit method and was carried out by professionally qualified actuaries.

The disclosures required under IAS 19 have been calculated by an independent actuary based on accurate calculations carried out as at 31 March 2006 updated to 30 June 2008. For the purposes of their calculations, the Dalgety Pension Fund actuary have offset the value of the annuity policies and the element of the surplus under the control of the Trustees. New employees are no longer able to join the scheme. Under the projected unit method the current service cost will increase as the members approach retirement.

The principal actuarial assumptions adopted in the 2006 valuation were that investment returns on existing assets would be 6.0% per annum before retirement and 3.6% per annum after retirement, that pay increases would average 4.0% per annum and that the annual increase in pensions in payment would be 2.8% per annum. The market value of the assets of the fund at 31 March 2006, excluding additional voluntary contributions is £55.0m.

Following the disposal of several businesses, the Directors and the Trustees made an agreement in 2000 on the future operation of the fund. This agreement apportioned part of the fund surplus for use of the Trustees for augmenting members' benefits.

After offsetting the element of surplus under the control of the Trustees, the market value of the remaining available assets at 31 March 2006 was £18.7m. The value of those assets represents approximately 94% of the value of the residual uninsured liabilities which were £19.9m at 31 March 2006, after allowing for expected future increases in earnings.

Based on the actuarial assumptions, and allowing for the amortisation of the deficit over the average remaining service of current employees, the actuary has calculated that the Group's pension cost for the scheme in 2009 is £0.3m (2008: £0.2m).

Other defined benefit scheme in deficit:

The Group also operates a closed defined benefit scheme for a small number of former employees of the National Pig Development Company Limited. The total market value of scheme assets and liabilities at 30 June 2009 under the provisions of IAS 19 were £2.8m (2008: £3.0m) and £4.1m (2008: £4.1m), respectively. Employer contributions of £150,000 (2008: £90,000) were made into the scheme during the year.

Other unfunded schemes

From the acquisition of Sygen International plc, the Group acquired three unfunded defined benefits schemes and an unfunded retirement health benefit plan, which it now operates for the benefit of the previous group's senior employees and executives.

For the three unfunded defined benefit schemes, based on the methods and assumptions of IAS 19 the scheme liabilities amount to £5.0m (2008: £4.5m) and this amount is included within pension liabilities in the Group's balance sheet. The current cost charged to operating profit amounted to £nil (2008: £nil) and the interest on pension scheme liabilities amounted to £0.3m (2008: £0.3m).

The principal assumptions used to calculate the scheme liabilities were that the discount rate would be 6.0% (2008: 6.5%), that pay increases would average nil% per annum (2008: nil%) and that inflation and pension payments would be 3.2% per annum (2008: 4.0%).

For the unfunded retirement health benefit plan, based on the methods and assumptions of IAS 19, scheme liabilities amount to £1.3m (2008: £1.3m) and this amount is included within retirement benefit obligations in the Group's balance sheet. The current cost charged to operating profit amounted to £nil (2008: £nil) and the interest on plan liabilities amounted to £0.1m (2008: £0.1m).

The principal assumptions used to calculate the plan liabilities were that the discount rate would be 6.0% (2008: 6.5%) and that the long term rate of medical expense inflation would be 7.4% (2008: 8.0%).

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

30. Retirement benefit obligations (continued)

Aggregated position of defined benefit schemes

	2009	2008
	£m	£m
Present value of funded obligations (includes Genus section only for MPF)	139.7	138.7
Present value of unfunded obligations	6.3	5.8
Total present value of obligations	146.0	144.5
Fair value of plan assets (includes Genus section only for MPF)	(112.0)	(126.1)
Restrict recognition of asset	1.4	2.7
Recognised liability for defined benefit obligations	35.4	21.1

Plan assets consist of the following:

	2009	2008
	£m	£m
Equities	51.4	54.3
Gilts and corporate bonds	58.6	67.9
Cash	2.0	1.8
Other	–	2.1
	112.0	126.1

Movement in the liability for defined benefit obligations

	2009	2008
	£m	£m
Liability for defined benefit obligations at the start of the year	144.5	140.7
Benefits paid by the plan	(7.6)	(5.7)
Current service costs and interest	9.9	10.1
Actuarial gains recognised in equity	(2.4)	(0.6)
Gains on curtailments and settlements	–	(0.8)
Contributions by scheme members	0.8	0.8
Exchange rate adjustment	0.8	–
Liability for defined benefit obligations at the end of year	146.0	144.5

Movement in plan assets

	2009	2008
	£m	£m
Fair value of plan assets at the start of the year	126.1	124.8
Contributions paid into the plan	2.8	5.7
Benefits paid by the plan	(7.6)	(5.7)
Expected return on plan assets	8.1	9.1
Actuarial losses recognised in equity	(17.4)	(7.8)
Fair value of plan assets at the end of the year	112.0	126.1

Amounts recognised in the Group income statement

	2009	2008
	£m	£m
Current service costs	0.9	1.0
Interest obligation	9.0	7.8
Expected return on plan assets	(8.1)	(7.9)
Gains on curtailments and settlements	–	(0.2)
	1.8	0.7

The expense is recognised in the following line items in the income statement

	2009	2008
	£m	£m
Administrative expenses	0.9	0.8
Finance costs/(income)	0.9	(0.1)
	1.8	0.7

Actuarial gains and losses recognised directly in equity

	2009	2008
	£m	£m
Cumulative loss/(gain) at the start of the year	5.3	(3.7)
Actuarial loss recognised during the year	15.0	7.2
Additional contributions by trustees	–	1.8
Exchange rate adjustment	0.8	–
Cumulative loss at the end of the year	21.1	5.3

Actuarial assumptions and sensitivity analysis

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2009	2008
Discount rate	6.0%	6.5%
Expected return on plan assets	6.6%	6.7%
Future salary increases	3.8%	5.0%
Medical cost trend rate	7.4%	8.0%
Future pension increases	2.8%	4.0%

The mortality assumptions used are consistent with those recommended by the schemes' actuaries and reflect the latest available tables, adjusted for the experience of the scheme where appropriate. The mortality tables used are the PxA00 tables, with birth year and medium cohort projections, with mortality rates increased by 25% at all ages (2008: PxA00 tables, with birth year and medium cohort projections, with mortality rates increased by 25% at all ages).

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

30. Retirement benefit obligations (continued)

The following table illustrates the expectation of life of an average member retiring at age 65 at the balance sheet date and a member reaching age 65 in 20 years' time.

		2009 (years)	2008 (years)
Retiring at balance sheet date at age 65:	Male	20.8	20.8
	Female	23.4	23.4
Retiring at age 65 in 20 years' time:	Male	23.7	23.7
	Female	26.2	26.2

These assumptions were also used for the other defined benefit schemes.

The overall expected long-term rate of return on assets is 6.5% (2008: 6.7%). The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in the Group income statement.

A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase £m	One percentage point decrease £m
Effect on the aggregate service and interest cost	—	—
Effect on defined benefit obligation	0.1	(0.1)

	2009 £m	2008 £m	2007 £m	2006 £m
The history of experience adjustment is as follows:				
Present value of the defined benefit obligation	146.0	144.5	140.7	145.0
Fair value of plan assets	(110.6)	(123.4)	(124.8)	(122.2)
Deficit in the plan	35.4	21.1	15.9	22.8
Experience adjustments arising on plan liabilities (%)	(1.6)	(0.4)	3.3	(9.2)
Experience adjustments arising on plan assets (%)	(15.5)	(6.2)	2.4	5.3

31. Share based payments

The Group recognised total share based payment expense (including national insurance contributions of £0.3m (2008: £0.4m)) of £2.0m (2008: £2.4m).

Share options

On 6 March 2000 the Group established a share option programme that entitles key management personnel and other senior employees to purchase shares in the Company. Further grants on similar terms were offered to these employee groups as set out below.

As permitted by the transitional arrangements for adoption of IFRS, the recognition and measurement principles in IFRS 2 have not been applied to share option arrangements granted before 7 November 2002.

The terms and conditions of the grants are as set out below. All options are to be settled by physical delivery of shares and meet the criteria for being treated as equity settled as defined by IFRS 2.

Employees entitled	Grant date	Number of instruments	Vesting conditions	Option exercise price	Contractual life of options
(1) 2000 Company share plan	11 June 2002	3,846	Exercisable	173p	10 years
(2) 2004 Company share plan	9 September 2004	14,800	Exercisable	221.5p	10 years
(3) 2004 Company share plan	19 May 2005	32,500	Exercisable	310.5p	10 years
(4) 2004 Company share plan	7 December 2005	5,250	Exercisable	331.5p	10 years
(5) 2004 Company share plan	21 June 2006	321,300	Exercisable	439.75p	10 years
(6) 2004 Company share plan	25 September 2006	50,609	3 years service (*)	472p	10 years
(7) 2004 Company share plan	21 September 2007	166,923	3 years service (*)	582p	10 years
(8) 2004 Company share plan	19 September 2008	166,291	3 years service (*)	775.67p	10 years
Total share options		761,519			

* The options under (1), (2), (3), (4) and (5) are now exercisable. The options under (6), (7) and (8) above can only be exercised if over a three year period the average annual percentage growth in EPS exceeds a minimum of RPI +5% for the same period, unless provisions for 'good leavers' have been met where members retire, leave employment due to ill-health or are made redundant.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options
	2009	2009	2008	2008
Outstanding at start of year	449p	801,166	317p	1,652,981
Forfeited during the year	495p	(82,622)	393p	(51,450)
SAR effected during the year	381p	(62,847)	269p	(288,955)
Exercised during the year	338p	(69,669)	266p	(731,500)
Granted during the year	776p	175,491	582p	220,090
Outstanding at 30 June	535p	761,519	449p	801,166
Exercisable at 30 June		377,696		87,846

The weighted average share price at the date of exercise for share options exercised during the period was 736p.

In the year to 30 June 2009, options were granted on 19 September 2008. The aggregate of the fair values of those options granted was £537,000.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

31. Share based payments (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial model, with the following inputs:

Assumptions applied in valuation models at grant date

	2009	2008
Exercise price of options granted in the year (nil for awards)	776p	582p
Expected volatility (weighted average volatility)	28%	34%
Option life (expected weighted average life)	7 years	7 years
Expected dividends	1.32%	1.54%
Risk-free interest rate (based on government bonds)	4.50%	5.12%

Expected volatility was determined by calculating the historical volatility of the estimated fair value of the Company's share price over the previous 3 years. The option life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Share awards

In addition to the outstanding share options above, a total of 850,698 conditional shares were awarded to Executive Directors and Senior management on 21 June 2006, 21 September 2007, 19 September 2008, 15 October 2008 and 3 March 2009 under the 2004 Performance Share Plan. In accordance with the terms of the plan, participants in the plan have received a conditional annual award of shares or nil cost option award which will vest mainly after three years, with the proportion of the award vesting being based on growth in Group adjusted earnings per share. Further details of the performance conditions attributing to the 2004 Performance Share Plan are given in the report on Directors' remuneration.

In the year to 30 June 2009, awards were granted on 19 September 2008, 15 October 2008 and 3 March 2009. The aggregate of the fair values of those awards granted was £2,129,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model.

	No. of awards 2009	No. of awards 2008
Outstanding at start of year	747,626	885,356
Exercised during the year	(179,222)	(393,214)
Lapsed during the year	(23,492)	(50,786)
Granted during the year	305,786	306,270
Outstanding at 30 June	850,698	747,626

32. Capital and reserves

Share capital

	2009 Number	2008 Number	2009 £m	2008 £m
Authorised				
Ordinary shares of 10p	75,989,400	75,989,400	7.6	7.6

Issued and fully paid

Ordinary shares of 10p	59,525,274	59,455,605	6.0	5.9
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The holders of ordinary shares are entitled to receive dividends as declared from time to time.

The movement in share capital for the period was as follows:

		2009 Number	2008 Number	2009 £m	2008 £m
New shares issued	(1)	–	2,700,000	–	0.2
Issued under the following share option Plans					
- Executive share option Plan (see note 31)	(2)	69,669	731,500	0.1	0.1
Issued to the Employee Benefit Trust	(3)	–	92,761	–	–
		69,669	3,524,261	0.1	0.3

(1) 2,700,000 shares were issued and placed with institutional investors on 1 November 2007, and proceeds were applied to reduce Group debt.

(2) Shares issued directly under share option plans were issued at option prices as follows:

	2009		2008	
	Number	Price	Number	Price
Executive Share Option Plan	8,399	221.5p	3,295	173p
	12,307	310.5p	201,861	192.5p
	36,670	331.5p	247,655	221.5p
	10,197	439.75p	182,554	310.5p
	2,096	582p	83,887	439.75p
			12,248	582p
	69,669		731,500	

(3) An employee benefit trust has been established to facilitate the operation of the Group's long term incentive scheme for Executive Directors and senior management.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

32. Capital and reserves (continued)

Reserve for own shares

The Company's own shares are held by a Qualifying Employee Share Ownership Trust ("QUEST"), an employee benefit trust established to facilitate the operation of the Group's long term incentive scheme for senior management. The amount of the reserve represents the deduction in arriving at shareholder's funds for the consideration paid for the Company's shares purchased by the trust which had not vested unconditionally at the balance sheet date. The number and market value of the ordinary shares held by the employee benefit trust and the QUEST was:

	2009 Number	2008 Number	2009 £m	2008 £m
Shares allocated but not vested	476,070	655,292	2.4	5.3
Unallocated shares	92,334	92,334	0.5	0.7
	568,404	747,626	2.9	6.0

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of financial instruments (and any related tax effect) that hedge the Company's net investment in a foreign subsidiary. In addition, translation gains and losses and the related tax arising on a US dollar denominated intercompany loan to the Group's operations in the USA are recorded in the translation reserve.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments net of taxation.

Hedging and translation reserves

	Hedging reserve £m	Translation reserve £m
Balance at 1 July 2007	2.4	(18.7)
Exchange differences on translation of overseas operations	–	13.1
Loss recognised on net investment hedge	–	(0.9)
Loss recognised on cash flow hedges:		
Commodity hedges	(0.2)	–
Interest swaps	(2.1)	–
Income tax related to gains/(losses) recognised in equity	0.6	(1.4)
Balance at 30 June 2008	0.7	(7.9)
Exchange differences on translation of overseas operations	–	26.9
Gain/(loss) recognised on net investment hedge	–	(11.7)
Gain/(loss) recognised on cash flow hedges:		
Commodity hedges	0.2	–
Interest swaps	(3.4)	–
Income tax related to gains/(losses) recognised in equity	1.1	3.1
Balance at 30 June 2009	(1.4)	10.4

33. Notes to the cash flow statement

	2009	2008
	£m	£m
Profit for the year	17.9	17.7
Adjustment for:		
Net IAS 41 valuation movements on biological assets	(2.7)	(6.3)
Amortisation of intangible assets	5.8	5.2
Share based payment expense	2.0	2.4
Share of profit of joint ventures and associates	(2.1)	(2.7)
Other gains and losses	(0.4)	(0.2)
Finance costs	9.0	7.1
Income tax expense	8.3	7.9
Gain on disposal of discontinued operations	–	(3.4)
Depreciation of property, plant and equipment	4.2	3.5
Loss on disposal of plant and equipment	1.2	0.5
Other movements in biological assets and harvested produce	(4.6)	(2.1)
Decrease in provisions	(2.2)	–
Other	(1.3)	–
Operating cash flows before movement in working capital	35.1	29.6
Increase in inventories	(1.1)	(4.1)
Decrease/(increase) in receivables	1.1	(8.3)
(Decrease)/increase in payables	(6.9)	8.7
Cash generated by operations	28.2	25.9
Interest received	0.4	0.5
Interest and other finance costs paid	(6.9)	(8.5)
Cash flow from derivative financial instruments	(1.0)	1.3
Income taxes paid	(6.6)	(5.7)
Net cash from operating activities	14.1	13.5

The cash impact of exceptional items for the year ended 30 June 2009 was an outflow of £2.0m (2008: £4.1m).

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

33. Notes to the cash flow statement (continued)

Analysis of net debt

	At 1 July 2008	Cash flows	Foreign exchange	Non cash movements	At 30 June 2009
	£m	£m	£m	£m	£m
Cash and cash equivalents	19.3	–	1.3	–	20.6
	19.3	–	1.3	–	20.6
Interest bearing loans – current	(17.6)	(1.2)	–	16.3	(2.5)
Obligation under finance leases - current	(1.0)	0.8	(0.2)	(0.5)	(0.9)
	(18.6)	(0.4)	(0.2)	15.8	(3.4)
Interest bearing loans – non-current	(77.0)	(3.4)	(7.5)	(16.3)	(104.2)
Obligation under finance lease – non current	(1.2)	–	(0.1)	0.3	(1.0)
	(78.2)	(3.4)	(7.6)	(16.0)	(105.2)
Net debt	(77.5)	(3.8)	(6.5)	(0.2)	(88.0)

34. Operating leases

The Group leases various offices under non-cancellable operating lease agreements. The leases have various terms and renewal rights. The Group also leases plant and machines under non-cancellable operating lease agreements.

The total of future minimum lease payments under non-cancellable operating leases are as follows:

	2009	2008
	£m	£m
Less than one year	3.5	1.8
Between one and five years	8.3	6.4
More than five years	3.6	1.0
	15.4	9.2

Total future sublease payments receivable relating to the above operating leases amounted to £3.6m (2008: £4.4m).

35. Capital commitments

At 30 June 2009 outstanding contracted capital expenditure amounted to £1.4m (2008: £9.8m). For 2009, the capital expenditure relates to the construction of a new nucleus herd facility in South Dakota (£0.5m) and additional bull facilities in Wisconsin (£0.9m).

36. Contingencies

At 30 June 2009 Barclays Bank PLC had issued performance bonds and guarantees totalling £0.8m (2008: £0.9m) to the customers of the discontinued Development Consulting business as surety for completion of certain projects undertaken. All bonds and guarantees were issued with full recourse.

The Group is a participating employer of the Milk Pension Fund, a defined benefit scheme administered by Milk Pension Fund Trustees. Although managed on a sectionalised basis the Group, together with the other participating employers, is joint and severally liable for the scheme's obligations. Further details of the pension scheme arrangements are given in note 30.

37. Related parties

Transactions with key management personnel

Key management compensation (including Directors)

	2009	2008
	£m	£m
Salaries and short term employee benefits	2.5	2.6
Post – employment benefits	0.1	0.1
Termination benefits	0.1	–
Share based payment expense	1.4	1.3
	4.1	4.0

Directors

Details of Directors compensation are included in the Report on Directors' Remuneration.

Other transactions with key management personnel

During the prior year, the group paid fees of £4.1m for IT consultancy services. The Salamander Organization Limited ("Salamander"), a party related to Mr J E Hawkins, was paid £0.4m for services supplied by Salamander directly and £1.5m for services supplied by external contractors. Mr Hawkins was at the time chairman of the Salamander board and has a 1% shareholding in Salamander. Mr Hawkins had no involvement in the negotiation of the agreement between the Company and Salamander and the agreement was entered into on an arm's length basis. The external contractors referred to above were provided by Reed Professional Services Limited with effect from 1 November 2007 and were paid £1.4m in the prior period. The agreement with Salamander was terminated on 20 January 2008.

On 6 November 2007, the Company disposed of its Development Consulting business after a competitive tender process to the management team and a former Director, Mr D Timmins, who resigned as Director from the Group on 2 April 2007. £0.3m deferred consideration arising from the sale of Development consulting business was received on 23 December 2008. In addition the Group has a remaining contingent liability in relation to performance bonds (see note 36).

Other related party transactions

	Transaction value		Balance outstanding	
	2009	2008	2009	2008
	£m	£m	£m	£m
Sale of goods and services				
Joint ventures and associates	1.2	6.4	0.1	0.4

All outstanding balances with joint ventures and associates are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances are secured.

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2009

38. Group entities

The principal subsidiaries of Genus plc and their main activities are set out below. All are 100% owned by Genus plc. Except where shown, all of the companies are registered in England and Wales. The companies listed below include all those which principally affected the amount of the profit and assets of the Group. A full list of subsidiary and other related companies will be annexed to the next annual return of Genus plc to be filed with the Registrar of Companies.

Subsidiary companies	Holding		Nature of Business
ABS Global Inc. (incorporated in United States)	US\$1 capital stock	(1)	Supply of dairy and beef semen
ABS Italia S.r.l. (incorporated in Italy)	€1 quota capital	(1)	Supply of dairy and beef semen
ABS Mexico S.A. de C.V. (incorporated in Mexico)	US\$1 common stock		Supply of dairy and beef semen
ABS Pecplan Ltda. (incorporated in Brazil)	RS1 quota stock		Supply of dairy and beef semen
ABS Global (Canada) Inc (incorporated in Canada)	CN\$1 common shares	(1)	Supply of dairy and beef semen
Bovec SAS (incorporated in France)	€1 capital stock	(1)	Supply of dairy and beef semen
Genus Australia Pty Ltd (incorporated in Australia)	AU\$1 ordinary shares	(1)	Supply of dairy and beef semen
Genus Breeding Limited	£1 ordinary shares		Supply of dairy and beef semen
Promar International Limited	£1 ordinary shares		Market research and consultancy
PIC Andina S.A. (incorporated in Chile)	Peso 1 ordinary shares	(1)	Supply of pigs and semen
PIC Espana S.A. (Spain) (incorporated in Spain)	€1 capital stock	(1)	Supply of pigs and semen
PIC USA, Inc (incorporated in United States)	US\$1 capital stock	(1)	Supply of pigs and semen
PIC Polska Sp. (incorporated in Poland)	PLN1 common stock	(1)	Supply of pigs and semen
Pig Improvement Company Deutschland GmbH (incorporated in Germany)	€1 capital stock	(1)	Supply of pigs and semen
Pig Improvement Company Mexico S.A. de C.V. (incorporated in Mexico)	Peso 1 quota stock	(1)	Supply of pigs and semen
Pig Improvement Company UK Limited	10p ordinary shares	(1)	Supply of pigs and semen
PIC (Zhangjiagang) China (incorporated in China)	US\$ ordinary shares	(1)	Supply of pigs and semen

(1) Held by subsidiary undertaking

Independent Auditors' Report – Parent Company Financial Statements

Independent auditors' report to the members of Genus plc

We have audited the parent company financial statements of Genus plc for the year ended 30 June 2009 which comprise the Parent Company Balance Sheet and the related notes 39 to 53. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections 495, 496 and 497 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, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Other matter

We have reported separately on the group financial statements of Genus plc for the year ended 30 June 2009.



William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom

9 September 2009

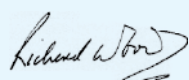
Parent Company Financial Statements

Balance Sheet as at 30 June 2009

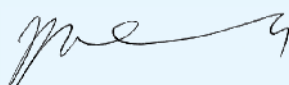
	Note	2009 £m	2008 £m
Fixed assets			
Tangible assets	41	0.4	0.5
Investments in subsidiaries	42	235.5	227.1
		235.9	227.6
Current assets			
Debtors	43	39.6	38.8
Cash at bank and in hand		2.2	1.2
		41.8	40.0
Creditors: Amounts falling due within one year	45	(35.1)	(55.9)
Net current assets/(liabilities)		6.7	(15.9)
Total assets less current liabilities		242.6	211.7
Creditors: Amounts falling due after more than one year	46	(111.6)	(77.1)
Net assets		131.0	134.6
Capital and reserves			
Called up share capital	49	6.0	5.9
Share premium account	50	111.7	111.7
Own shares	50	(0.1)	(0.1)
Profit and loss account	50	14.8	16.2
Hedging reserve	50	(1.4)	0.9
Equity shareholders' funds	51	131.0	134.6

These financial statements were approved by the Board of Directors on 9 September 2009.

Signed on behalf of the Board of Directors



R K Wood
Chief Executive



J G Worby
Finance Director

Notes to the Parent Company Financial Statements

for the year ended 30 June 2009

39. Significant accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The accounting policies have been applied consistently throughout the current and prior year.

The principal accounting policies are summarised below.

The Company's financial statements are included in the Genus plc consolidated financial statements for the year ended 30 June 2009. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Genus Group.

Fixed assets and depreciation

Fixed assets are stated at cost, together with any incidental expenses of acquisition or at their latest valuation, less depreciation and any provision for impairment. Depreciation is calculated to write off the assets to their estimated residual values over their estimated useful lives on a straight line basis. The rates of annual depreciation on tangible fixed assets are as follows:

Leasehold land and buildings	period of lease
Equipment	3 – 20 years
Motor vehicles	3 – 5 years

The carrying value of fixed assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed assets investments are stated at cost less provision for impairment.

Pensions

A number of employees are members of defined contribution pension schemes. Contributions are charged to profit and loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The assets of these schemes are held separately from those of the Company.

Certain current and former employees of the Company are members of one of the Group's defined benefit pension schemes, further details of which are given in note 30 of the Group's financial statements. The schemes are all multi-employer defined benefit schemes, the assets and liabilities of which are held independently from the Group. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Taxation

Current tax, including UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and the laws that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date.

This is subject to deferred taxation assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements and which are capable of reversal in one or more subsequent periods.

Deferred taxation is recognised in respect of the future remittance of retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Notes to the Parent Company Financial Statements (continued)

for the year ended 30 June 2009

39. Significant accounting policies (continued)

Treasury shares

The Company has adopted UITF Abstract 38, Accounting for ESOP Trusts, which requires the assets and liabilities associated with the Company's investment in its own shares to be recognised in the Company's financial statements where there is de facto control of the assets and liabilities.

The Company's own shares held by a Qualifying Employee Share Ownership Trust ("QUEST") remain deducted from shareholders' funds until they vest unconditionally with employees.

Employee share schemes

Executive Directors and Chief Operating Officers of the Company receive part of their remuneration in the form of share awards which vest upon meeting performance criteria over a three year period.

The cost of such awards is measured by reference to the fair value of the shares at the date of the award. At the end of each financial reporting period an estimate is made of the extent to which those performance criteria will be met at the end of three years and an appropriate charge recorded in the profit and loss account together with a corresponding credit to profit and loss reserves. Changes in estimates of the number of shares vesting may result in charges or credits to the profit and loss account in subsequent periods.

Share-based payments

The Company has implemented the generally accepted accounting principle for accounting for share-based payments with its subsidiary undertaking under UITF 44, whereby the Company has granted the rights of its shares to the employees of its subsidiary undertaking under an equity-settled arrangement and the subsidiaries have not reimbursed to the Company for these rights. Under this arrangement, the Company treats the share-based payment recognised in the subsidiary's accounts as a cost of investment in the subsidiary and credits equity with an amount equal to the share-based payment recognised by these subsidiaries in their accounts.

Derivative financial instruments and hedging

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Company uses interest rate swaps to hedge interest rate risk. The Company also uses forward foreign currency contracts (implemented through a medium term US dollar cross currency borrowing and related interest rate swap) to hedge Group exposure to translation risk associated with US dollar net assets of subsidiary entities. Forward foreign currency contracts do not qualify for hedge accounting in the parent company financial statements, as the hedged item is not in its balance sheet.

The use of financial derivative instruments is governed by the Group's policies approved by the Board of Directors, which provides written principles on the use of financial derivatives. Information about the Group's financial risks, the management thereof, and the use of financial instruments and their impact on the Group's risk, profile, performance, and financial condition is included in the notes to the Group financial statements.

The fair value of the US dollar and interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

Where a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

When a hedging instrument expires or is sold, terminated or exercised, or the Company revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit and loss account immediately.

When a hedging instrument expires or is sold, terminated or exercised, or the Company revokes designation of the hedge relationship, the cumulative gain or loss at that point remains in equity until such point as the investment to which it relates is disposed.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains and losses reported in the profit and loss account.

Debt

Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Finance costs

Finance costs of debt are charged to the profit and loss account over the term of the debt at a constant rate on the carrying value of the debt to which they relate.

40. Employees

Staff costs including Directors' remuneration during the year amounted to:

	2009	2008
	£m	£m
Wages and salaries	2.1	2.6
Social security costs	0.4	0.2
Pension costs	0.2	–
Compensation for loss of office	0.1	–
Share based payments	1.0	0.6
	3.8	3.4

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

	2009	2008
	No.	No.
Administration	16	17

Details of Directors' remuneration, pensions and share options are included in the Report on Directors' Remuneration.

41. Tangible fixed assets

	Leasehold land and buildings	Motor vehicles and equipment owned	Total
	£m	£m	£m
Cost			
At 1 July 2008	0.2	0.7	0.9
Additions	–	0.1	0.1
At 30 June 2009	0.2	0.8	1.0
Depreciation			
At 1 July 2008	–	0.4	0.4
Charge for the year	0.1	0.1	0.2
At 30 June 2009	0.1	0.5	0.6
Net book value			
At 30 June 2009	0.1	0.3	0.4
At 30 June 2008	0.2	0.3	0.5

Notes to the Parent Company Financial Statements (continued)

for the year ended 30 June 2009

42. Investments

	Shares in subsidiary undertaking £m
Cost	
At 1 July 2008	244.0
Additions	11.9
Disposals	(3.5)
At 30 June 2009	252.4
Provision for impairment	
At 1 July 2008 and 30 June 2009	16.9
Net book value	
At 30 June 2009	235.5
At 30 June 2008	227.1

Principal Subsidiary Undertakings

The principal subsidiaries of Genus plc and their main activities are given in note 38.

43. Debtors

	2009 £m	2008 £m
Amounts due within one year		
Amounts owed by Group undertakings	16.1	15.7
Group relief receivable	10.7	12.9
Corporation tax recoverable	–	0.5
Other debtors	0.3	0.3
Other taxes and social security	0.3	0.4
Prepayments and accrued income	0.1	0.1
Deferred tax	1.2	0.5
	28.7	30.4
Amounts due after more than one year		
Amounts owed by Group undertakings	–	7.0
Derivative financial assets		1.4
Amounts owed by Group undertakings - Derivative financial assets	10.9	–
	39.6	38.8

At the balance sheet date the amounts owed by Group undertakings were £16.1m (2008: £22.7m). The carrying amount of these assets approximates their fair value. There are impaired receivable balances of £1.1m (2008: £0.8m). Of the amounts owed by group undertakings, £4.6m (2008: £7.0m) are interest bearing.

44. Deferred tax

The movements in deferred taxation are as follows:

	2009	2008
	£m	£m
At the start of the year	0.5	–
Recognised in equity	0.7	0.5
At the end of the year	1.2	0.5

The amounts provided are as follows:

	2009	2008
	£m	£m
Derivatives	0.9	(0.3)
Share based payments	0.3	0.5
Other timing differences	–	0.3
	1.2	0.5

The amounts unprovided are as follows:

	2009	2008
	£m	£m
Losses	1.6	3.5

Unrecognised deferred tax assets

At the balance sheet date, the Company has unused tax losses with a potential tax benefit of £1.6m (2008: £3.5m) available for offset against future profits. A deferred tax asset has been recognised in respect of £nil (2008: £nil) of such losses. No deferred tax asset has been recognised in respect of the remaining £1.6m (2008: £3.5m) due to the uncertainty over the availability of future taxable profits.

45. Creditors: amounts falling due within one year

	Note	2009	2008
		£m	£m
Bank loans and overdrafts	47	1.6	15.7
Trade creditors		0.3	0.8
Other creditors		0.3	0.9
Amounts owed to Group undertakings		30.7	36.1
Accruals and deferred income		2.2	2.4
		35.1	55.9

Included within amounts owed to Group undertakings are amounts of £23.5m (2008: £20.6m) which are interest bearing and payable on demand.

46. Creditors: amounts falling due after more than one year

	Note	2009	2008
		£m	£m
Bank loans and overdrafts	47	103.6	77.0
Derivative financial liabilities		8.0	0.1
		111.6	77.1

Notes to the Parent Company Financial Statements (continued)

for the year ended 30 June 2009

47. Loans and borrowings

	2009	2008
	£m	£m
Loans and borrowings comprise amounts falling due:		
In one year or less or on demand	3.0	16.1
In more than one year but not more than two years	–	17.5
In more than two years but not more than five years	105.3	60.1
	108.3	93.7
Less: unamortised issue costs	(3.1)	(1.0)
	105.2	92.7
Amounts falling due within one year	(1.6)	(15.7)
Amounts falling due after more than one year	103.6	77.0

The bank loans, overdrafts and loan notes are secured by a fixed and floating charge over the assets of the Company and the Group's significant subsidiaries, a list of which appears in note 38.

The Company has refinanced its bank credit facilities with a group of four lending banks in February 2009. These credit facilities comprise a GBP110m multi currency revolving credit facility and a USD60m revolving credit facility with both facilities being repayable on 25 February 2012.

As part of its interest rate strategy the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result bank loan and overdrafts include £35.0m fixed at 4.74% and £10m fixed at 2.17%, USD\$60m (£36.4m) fixed at 3.2%, and EUR 12m (£10.2m) fixed at 1.91%. All indicated rates are exclusive of applicable bank margin.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and overdrafts were as follows:

	Currency	Interest rate	2009 £m	2008 £m
Secured term loan A	GBP	5.9%	–	2.5
Secured amortising term loan B	GBP	5.9%	–	47.5
Secured revolving credit facility and overdraft	GBP	4.1%	52.5	5.0
Secured revolving credit facility and overdraft	USD	3.7%	42.5	31.8
Secured revolving credit facility and overdraft	EUR	3.6%	10.2	–
Secured revolving credit facility and overdraft	AUD	8.2%	–	5.9
Total interest-bearing liabilities			105.2	92.7

48. Derivatives and other financial instruments

Fair values

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

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Interest rate swap treated as cash flow hedge	(2.3)	(2.3)	1.4	1.4
Cross currency swap – external	(5.7)	(5.7)	(0.1)	(0.1)
Cross currency swap – internal	10.9	10.9	–	–
	2.9	2.9	1.3	1.3

Hedges

The Company's policy is to monitor net transactional currency exposures and future contracted sales, in order to hedge such exposures in the Group, where appropriate. There were short term forward contracts totalling £2.0m (net) entered into at 30 June 2009 (2008: £4.8m (net)).

The recognised loss included in the profit and loss account on forward exchange contracts taken out in previous years amounted to £0.1m (2008: £nil). The Company has entered into interest rate swaps and a cross currency swap in order to manage its interest rate profile and to partially match the value of the Group's net assets held in the USA.

Other information

Additional disclosure on financial instruments can be found in note 27.

49. Called up share capital

Share capital

	2009 Number	2008 Number	2009 £m	2008 £m
Authorised				
Ordinary shares of 10p	75,989,400	75,989,400	7.6	7.6
Issued and fully paid				
Ordinary shares of 10p	59,525,274	59,455,605	6.0	5.9

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

The movement in share capital for the year was as follows:

		2009 Number	2008 Number	2009 £m	2008 £m
New shares issued	(1)	–	2,700,000	–	0.2
Issued under the following share option plans					
– Executive Share Option Plan (see note 31)	(2)	69,669	731,500	0.1	0.1
Issued to the Employee Benefit Trust	(3)	–	92,761	–	–
		69,669	3,524,261	0.1	0.3

(1) 2,700,000 shares were issued and placed with institutional investors on 1 November 2007, and proceeds were applied to reduce Group debt.

(2) Shares issued directly under share option plans were issued at option prices as follows:

	2009		2008	
	Number	Price	Number	Price
Executive Share Option Plan	8,399	221.5p	3,295	173p
	12,307	310.5p	201,861	192.5p
	36,670	331.5p	247,655	221.5p
	10,197	439.75p	182,554	310.5p
	2,096	582p	83,887	439.75p
			12,248	582p
		69,669	731,500	

(3) An employee benefit trust has been established to facilitate the operation of the Group's long term incentive scheme for Executive Directors and senior management.

Reserve for own shares

The Company's own shares are held by a Qualifying Employee Share Ownership Trust ("QUEST") and an employee benefit trust established to facilitate the operation of the Group's long term incentive scheme for senior management. The amount of the reserve represents the deduction in arriving at shareholder's funds for the consideration paid for the Company's shares purchased by the trust which had not been vested unconditionally at the balance sheet date. The number and market value of the ordinary shares held by the employee benefit trust and the QUEST was:

	2009 Number	2008 Number	2009 £m	2008 £m
Shares allocated but not vested	476,070	655,292	2.4	5.3
Unallocated shares	92,334	92,334	0.5	0.7
	568,404	747,626	2.9	6.0

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxation.

Notes to the Parent Company Financial Statements (continued)

for the year ended 30 June 2009

49. Called up share capital (continued)

Share options

On 6 March 2000 the Group established a share option programme that entitles key management personnel and other senior employees to purchase shares in the Company. Further grants on similar terms were offered to these employee groups as set out below.

As permitted by the transitional arrangements for adoption of FRS 20, the recognition and measurement principles in FRS 20 have not been applied to share option arrangements granted before 7 November 2002.

The terms and conditions of the grants are as set out below. All options are to be settled by physical delivery of shares and meet the criteria for being treated as equity settled as defined by FRS 20.

Employees entitled	Grant date	Number of instruments	Vesting conditions	Option exercise price	Contractual life of options
(1) 2000 Company share plan	11 June 2002	3,846	Exercisable	173p	10 years
(2) 2004 Company share plan	9 September 2004	14,800	Exercisable	221.5p	10 years
(3) 2004 Company share plan	19 May 2005	32,500	Exercisable	310.5p	10 years
(4) 2004 Company share plan	7 December 2005	5,250	Exercisable	331.5p	10 years
(5) 2004 Company share plan	21 June 2006	321,300	Exercisable	439.75p	10 years
(6) 2004 Company share plan	25 September 2006	50,609	3 years service (*)	472p	10 years
(7) 2004 Company share plan	21 September 2007	166,923	3 years service (*)	582p	10 years
(8) 2004 Company share plan	19 September 2008	166,291	3 years service (*)	775.67p	10 years
Total share options		761,519			

* The options under (1), (2), (3), (4) and (5) are now exercisable. The options under (6), (7) and (8) above can only be exercised if over a three year period the average annual percentage growth in EPS exceeds a minimum of RPI +5% for the same period, unless provisions for 'good leavers' have been met where members retire, leave employment due to ill-health or are made redundant.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options
	2009	2009	2008	2008
Outstanding at start of year	449p	801,166	317p	1,652,981
Forfeited during the year	495p	(82,622)	393p	(51,450)
SAR effected during the year	381p	(62,847)	269p	(288,955)
Exercised during the year	338p	(69,669)	266p	(731,500)
Granted during the year	776p	175,491	582p	220,090
Outstanding at 30 June	535p	761,519	449p	801,166
Exercisable at 30 June		377,696		87,846

The weighted average share price at the date of exercise for share options exercised during the period was 736p.

In the year to 30 June 2009, options were granted on 19 September 2008. The aggregate of the fair values of those options granted was £537,000.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial model, with the following inputs:

Assumptions applied in valuation models at grant date

	2009	2008
Exercise price of options granted in the year (nil for awards)	776p	582p
Expected volatility (weighted average volatility)	28%	34%
Option life (expected weighted average life)	7 years	7 years
Expected dividends	1.32%	1.54%
Risk-free interest rate (based on government bonds)	4.50%	5.12%

Expected volatility was determined by calculating the historical volatility of the estimated fair value of the Company's share price over the previous 3 years. The option life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Share awards

In addition to the outstanding share options above, a total of 850,698 conditional shares were awarded to Executive Directors and Senior management on 21 June 2006, 21 September 2007, 19 September 2008, 15 October 2008 and 3 March 2009 under the 2004 Performance Share Plan. In accordance with the terms of the plan, participants in the plan have received a conditional annual award of shares or nil cost option award which will vest mainly after three years, with the proportion of the award vesting being based on growth in Group adjusted earnings per share. Further details of the performance conditions attributing to the 2004 Performance Share Plan are given in the report on Directors' remuneration.

In the year to 30 June 2009, awards were granted on 19 September 2008, 15 October 2008 and 3 March 2009. The aggregate of the fair values of those awards granted was £2,129,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model.

	No. of awards 2009	No. of awards 2008
Outstanding at start of year	747,626	885,356
Exercised during the year	(179,222)	(393,214)
Lapsed during the year	(23,492)	(50,786)
Granted during the year	305,786	306,270
Outstanding at 30 June	850,698	747,626

50. Reserves

	Share premium account £m	Profit and loss account £m	Hedging reserve £m	Own shares £m
At 1 July 2008	111.7	16.2	0.9	(0.1)
Profit for the financial year	–	3.4	–	–
Dividends paid	–	(5.9)	–	–
Share based payments, net of tax	–	1.1	–	–
Fair value movement on cash flows hedge, net of tax	–	–	(2.3)	–
At 30 June 2009	111.7	14.8	(1.4)	(0.1)

For information on dividends see note 14.

51. Reconciliation of shareholders' funds

	2009 £m	2008 £m
Shareholders' funds at 1 July	134.6	114.1
Retained profit for the year	3.4	5.9
New share capital subscribed	0.1	0.3
Premium on shares issued	–	19.2
Own shares released on vesting of share awards	–	0.1
Dividend paid	(5.9)	(5.3)
Share based payments, net of tax	1.1	1.8
Fair value movement on cash flow hedges, net of tax	(2.3)	(1.5)
Shareholders' funds at 30 June	131.0	134.6

52. Related party transactions

The Company is exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Genus Group.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of other related party transactions are disclosed in note 37 in the Group's financial statements.

53. Contingencies

At 30 June 2009 Barclays Bank PLC had issued performance bonds and guarantees totalling £0.8m (2008: £0.9m) to the customers of the discontinued Development Consulting business as surety for completion of certain projects undertaken. All bonds and guarantees were issued with full recourse.

The Group is a participating employer of the Milk Pension Fund, a defined benefit scheme administered by Milk Pension Fund Trustees. Although managed on a sectionalised basis the Group, together with the other participating employers, is joint and severally liable for the scheme's obligations. Further details of the pension scheme arrangements are given in note 30.

Three Year Record – Consolidated Results

The 2009, 2008 and 2007 information included in the three year record below is in accordance with IFRS as adopted for use in the European Union.

Financial results

	Year ended 30 June 2009	Year ended 30 June 2008	Year ended 30 June 2007
	£m	£m	£m
Revenue from continuing operations	280.4	247.1	233.8
Adjusted operating profit from continuing operations*	38.1	32.3	28.7
Adjusted profit before tax*	32.0	27.9	20.0
Basic adjusted earnings per share*	36.1p	31.8p	24.6p
Diluted adjusted earnings per share*	35.6p	31.2p	23.9p
Operating profit from continuing operations	33.0	26.2	28.4
Profit before tax from continuing operations	26.2	22.0	19.9
Profit after tax from continuing operations	17.9	14.2	12.7
Profit for year	17.9	17.7	14.6
Basic earnings per share	30.4p	30.8p	26.6p
Diluted earnings per share	29.9p	30.2p	25.8p
Net assets	204.6	185.1	150.9
Net debt	88.0	77.5	111.1

* Adjusted operating profit, adjusted profit before tax and adjusted basic and diluted earnings per share are before fair value adjustments on biological assets, amortisation of acquired intangible assets, share based payment expense, exceptional items and other gains and losses.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in Genus plc, please send this document and the accompanying documents to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2009 Annual General Meeting of Genus plc (the "Company") will be held at Buchanan Communications, 45 Moorfields, London EC2Y 9AE on 12 November 2009 at 2.30pm for the following purposes:

To consider and if thought fit, to pass the following resolutions, of which numbers 1 to 7 will be proposed as ordinary resolutions and numbers 8 to 10 as special resolutions.

Ordinary Business

1. To receive and approve the Company's audited financial statements and directors' and auditors' reports for the year ended 30 June 2009.
2. To approve the directors' remuneration report for the year ended 30 June 2009.
3. To declare and approve a final dividend of 11 pence per ordinary share, payable to shareholders on the register of members at the close of business on 11 December 2009.
4. To elect Mike Buzzacott as a director of the Company who, being eligible, submits himself for election.
5. To re-elect Barry Furr as a director of the Company who retires by rotation and, being eligible, offers himself for re-election.
6. To re-appoint Deloitte LLP as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting of the Company at which financial statements are laid and to authorise the directors to agree the auditors' remuneration.
7. THAT the directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £1,646,412 being 16,464,126 ordinary shares of 10 pence each ("Ordinary Shares"), such authority to expire on the conclusion of the Company's Annual General Meeting next following but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Business

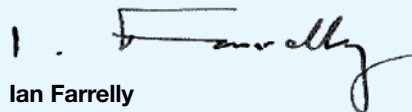
8. THAT subject to and conditional on the passing of resolution 7, the directors be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) to section 94(3A) of the Act) for cash pursuant to the authority conferred by resolution 7 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - 8.1 in connection with an offer of such securities by way of rights issue; and
 - 8.2 otherwise than pursuant to sub-paragraph 8.1 above up to an aggregate nominal amount of £297,626 being 2,976,263 Ordinary Shares representing not more than 5 per cent of the issued share capital of the Company as at 30 June 2009, and shall expire on the conclusion of the Company's Annual General Meeting next following save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution 7" were omitted.In this resolution, 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory.
9. THAT subject to and in accordance with article 9 of the Company's articles of association, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of Ordinary Shares on such terms as the directors think fit provided that:

Notice of Annual General Meeting

- 9.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 5,952,527 (representing 10% of the Company's issued ordinary share capital as at 30 June 2009);
- 9.2 the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 10 pence;
- 9.3 the maximum price, exclusive of any expenses, which may be paid for an Ordinary Share is an amount equal to the higher of:
- (a) 105% of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately before the day on which such share is contracted to be purchased; and
 - (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and
- 9.4 the authority conferred by this resolution shall expire on the conclusion of the Company's Annual General Meeting next following or 18 months after the date of its passing (whichever occurs first), except that the Company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which will or may be completed by or executed wholly or partly after the expiration of this authority.
10. THAT a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice and that such authority shall expire on the conclusion of the Company's Annual General Meeting next following.

Registered office:
Belvedere House
Basing View
Basingstoke
RG21 4HG
Registered in England and Wales with number 02972325

By order of the Board



Ian Farrelly

Group Company Secretary & General Counsel

9 October 2009

Notice of Annual General Meeting

NOTES:

This notice is being sent to all members and to any person nominated by a member of the Company under section 146 of the Companies Act 2006 (the “2006 Act”) to enjoy information rights. Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006, is available from www.genusplc.com.

Members will find an attendance card and a form of proxy enclosed with this notice. If you are attending the Annual General Meeting, you should bring the attendance card with you. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, vote and speak at the Annual General Meeting. Any member so entitled may appoint one or more proxies to attend, speak and to vote instead of him. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint one or more proxies are set out in the notes to the proxy form. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

To be valid, a duly executed form of proxy for use at the Annual General Meeting together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a duly certified copy of such power or authority must be deposited at the offices of Equiniti Registrars, SEA10845, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZJ at least 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Alternatively, proxies may be appointed by having an appropriate CREST message transmitted, if you are a user of the CREST system (further details are below). In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Completion and return of a form of proxy will not preclude shareholders from attending the Annual General Meeting and voting in person if they wish to do so.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the 2006 Act (“nominated persons”). Nominated persons may have a right under an agreement with the registered member who hold shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the Annual General Meeting is 6.00pm on 10 November 2009 (or if the Annual General Meeting is adjourned, members on the register of members not later than 6.00pm on the day that is two days prior to the reconvened Annual General Meeting). Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Copies of contracts of service and letters of appointment between the directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours until the conclusion of the Annual General Meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this Annual General Meeting to be held on 12 November 2009 at 2.30pm and any adjournment(s) thereof by using the procedures described in the CREST Manual found on the Euroclear website www.euroclear.com/CREST. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK and Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting

Notice of Annual General Meeting

service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

As at 30 June 2009 the Company's issued share capital comprised 59,525,274 ordinary shares of 10 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 30 June 2009 is 59,525,274. The Company's website, referred to above, will include information on the number of shares and voting rights.

Under section 319A of the Companies Act 2006, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information; the answer has already been given on a website in the form of an answer to a question; or it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

Voting on all resolutions will be conducted on a show of hands. Except as provided above, members who have general queries about the Annual General Meeting should call Equiniti registrars on 0871 384 2290. No other methods of communication will be accepted. You may not use any electronic address provided either in this notice of Annual General Meeting; or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Advisors

Genus plc

Secretary & Registered Office

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Photographs of Picston Shottle (p.16 & 20) & Garrison (p.22)
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