This is where it starts

the 'Genus Effect'

World class animal genetics - the choice of leading farmers and food producers worldwide

ANNUAL REPORT AND ACCOUNTS 2006

Genus


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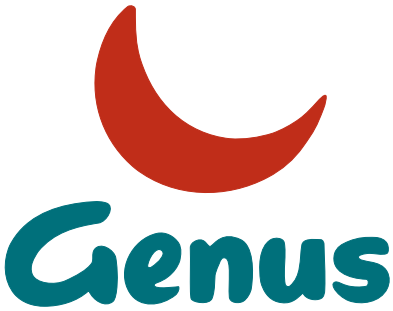
The Genus Board (see page 13)



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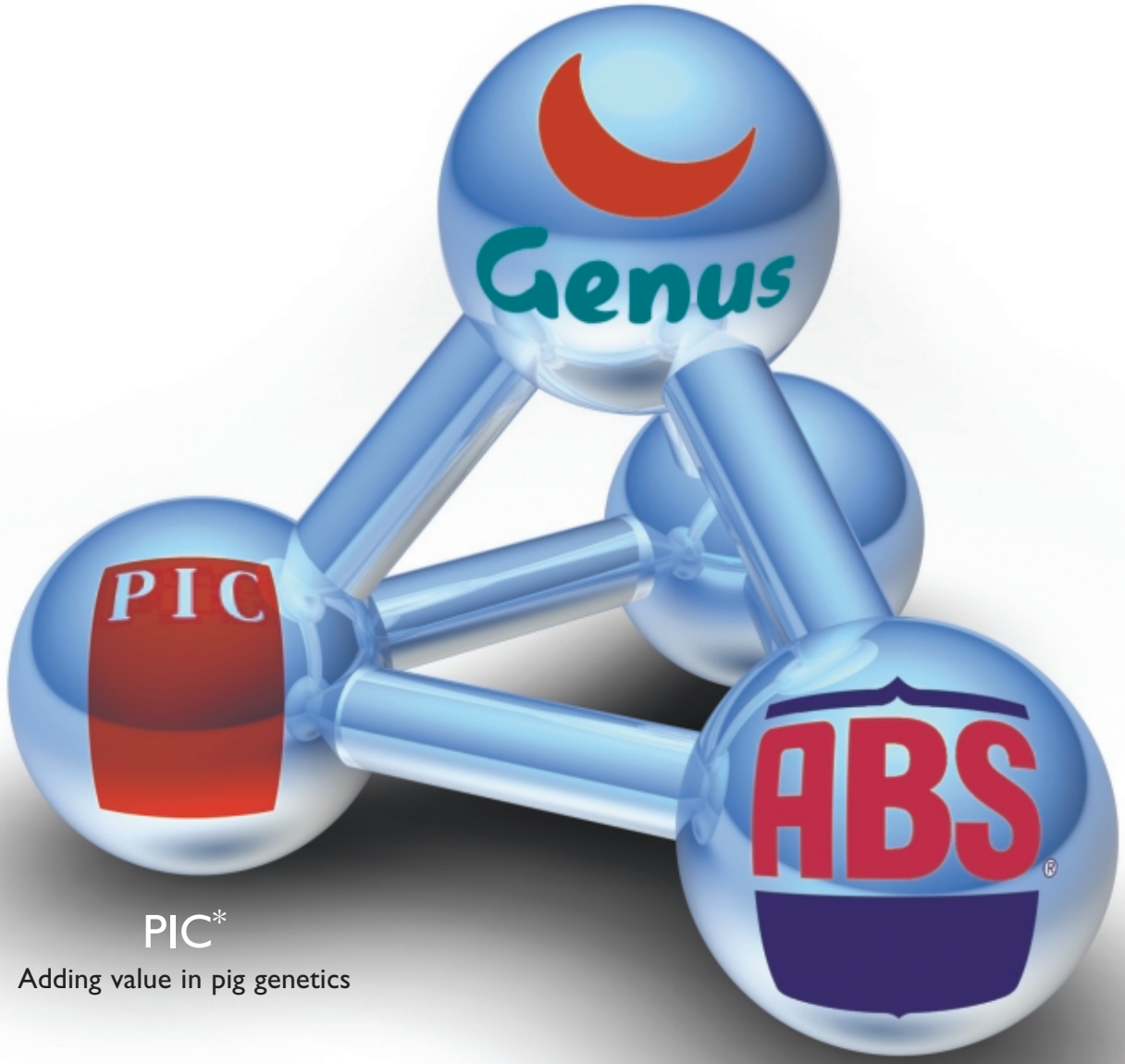
World class animal genetics



PIC*
Adding value in pig genetics

ABS*
Adding value in bovine genetics

Adding value for shareholders

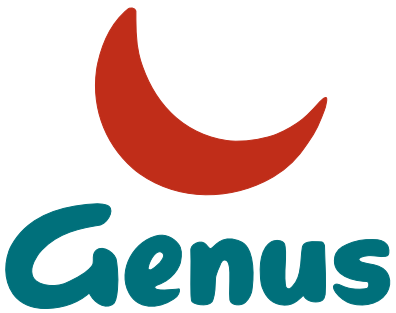
* PIC and ABS are brand names of Genus plc and registered trade marks.

contents

'The Genus Effect'

Genus' world class animal genetics offer the potential to improve profitability for farmer and food producing customers. We call this the "Genus Effect".

Richard Wood, Chief Executive



Chairman's Statement

The 15 month period to 30 June 2006 was one of momentous change and strong financial results for Genus.

The 15 month period to 30 June 2006 was one of momentous change and strong financial results for Genus. The successful acquisition of Sygen International plc ("Sygen") in December 2005 and the strong performance of the historical Genus businesses has positioned Genus as the world's leading animal genetics company.

The acquisition of Sygen has brought together the market leader in bovine genetics with the market leader in porcine genetics to create a multi-species company, with added research opportunities and a broad international spread business.

The two businesses are being integrated successfully, ahead of plan and realising synergies which have exceeded expectations. Similarly, net debt has been reduced beyond our initial expectations.

The Board has decided to divest the loss making shrimp business and non-core businesses to concentrate Genus' resources and investment on its core bovine and porcine businesses. This strategy will also hasten the reduction in net debt and will drive the opportunity to introduce further species in due course.

Group Performance

It is unusual to be reporting on a 15 month period and direct comparisons with the prior year are distorted by the extended 15 month reporting period and the Sygen acquisition within the period. Certain comparisons are therefore given in this Statement on an unaudited proforma basis.

Group turnover on continuing operations for the period to June 2006 was £244.5m (year ended 31 March 2005 ("2005" or "prior year"): £113.9m) with Group operating profit from continuing operations being £22.3m before exceptional items and goodwill amortisation (2005: £10.4m). However, profit before tax was reduced to £2.8m (2005: £8.1m) due to exceptional items and amortisation of goodwill arising from the Sygen acquisition in addition to a higher interest charge of £6.6m. This reflected the increased level of debt required to fund the acquisition of Sygen and was partially offset by gains on property divestments of £1.9m.

Adjusted earnings after tax (before exceptional items and amortisation of goodwill) was £11.3m (2005: £6.9m) resulting in adjusted basic earnings per share increasing to 25.0p (2005: 19.0p) (note 6). In the three month period ended 30 June 2006, operating profit from continuing operations, including joint ventures, amounted to £5.7m.

On an unaudited proforma basis for the 12 months ended 30 June 2006, turnover from continuing operations before shrimp genetics was £267.5m, which was up £20.5m (8.3%) (12 months ended 30 June 2005: £247.0m). Operating profit from continuing operations before shrimp genetics also on a proforma basis increased by £6.8m (39.5%) to £24.0m (2005: £17.2m).

In line with the Board's stated objective of divesting non-core businesses in order to concentrate resources and investment on the higher growth bovine and porcine businesses, the Group's businesses in veterinary and dental wholesaling were sold during the period for a total of £8.1m in cash. In addition, the Brazilian shrimp business, which was part of the Sygen operation, was sold in the period for US$6m (£3.25m) in cash.

Exceptional items included within operating profit were £1.8m relating to the integration and restructuring of Sygen and, as already reported, £0.9m relating to the restructuring of the UK bovine operation and the closure of non-core consulting operations.

These exceptional costs, the loss on discontinued operations, asset impairment and goodwill amortisation, reduced the Group's operating profit by £13.6m, of which approximately £11m was non-cash, from £22.3m to £8.7m (2005: £9.2m).

Net cash in flow from operating activities before change of control payments arising on the acquisition of Sygen for the period was £21.8m (2005: £8.7m). Positive cash flow, together with cash generated from the divestments and surplus property disposals, reduced net debt to £116.9m at the period end, beating expectations.

Acquisition of Sygen

Sygen International plc, the porcine and shrimp genetics company, was acquired in December 2005 for a consideration, excluding fees, of £189m. The acquisition was financed by new bank borrowing facilities totalling £180m and an institutional placing of 16.9 million new ordinary shares at 325p per share, to raise £53m (net of expenses).

Genus

The Board is pleased to report that savings anticipated through the integration of Sygen have been realised and implementation is ahead of plan. Synergy savings of some £6m on an annualised basis have been attained by the end of the financial period. This total is expected to rise to £7.5m by the end of the 07/08 fiscal period from further identified cost savings and efficiency improvements.

The enlarged Group's performance is benefitting from a global presence in complementary markets and added research opportunities across more species.

Dividend

The Board has continued confidence in its long-term strategy for growth and to reflect this, the Board is recommending a dividend of 8.25 pence per ordinary share be payable. This represents a 10% increase on the dividend payable in 2005 and is being recommended notwithstanding the increased number of shares in issue and the higher gearing resulting from the Sygen acquisition. Subject to shareholder approval at the Company's AGM to be held on 16 November 2006, this dividend will be paid on 1 December 2006 to shareholders on the register at the close of business on 3 November 2006.

Move to the Official List

At the time of the acquisition of Sygen in December 2005, we stated our intention to move from AIM to the Official List. It remains the Board's intention to move to the Official List to attract increased levels of institutional investment and to ensure the strategic growth of the enlarged group. Whilst the Board believes such a move to be in the best interests of the Company and that it should be made, the Board has determined that shareholders should be given the opportunity to consider the proposed move. Accordingly, at the Annual General Meeting to be held on 16 November 2006 we will be asking for shareholder approval for Genus to move to the Official List.

Share Capital

The Board will continue its strategy of restructuring the share register to improve liquidity by operating a further voluntary buyback scheme aimed at reducing the number of investors with very small shareholdings (ie less than 1,000 shares). Acquired shares will be aggregated, held by the Company in treasury and then placed with institutional investors. It is hoped that the new scheme, which is expected to be implemented later in the year, will repeat the success of a similar scheme implemented in November 2004.

Research & Development – Board Appointment

To reflect the increased size of Genus and its commitment to research and development investment, which is currently in excess of £12m per annum, we expect to set up an R&D Steering Group which will comprise leading scientists in biotechnology and animal genetics from around the world. In addition, we are in the process of recruiting a new non-executive director who has relevant research and development experience in order to strengthen the R&D unit within the Group.

Employees

I would like to thank the Sygen staff for their positive co-operation in a period of considerable change and for their participation in the success of the Sygen integration. Existing Genus staff have achieved strong results, and I would like to thank them for their considerable efforts. I look forward to working with all Genus employees in achieving an even more substantial future for the enlarged Group.

Outlook

The Sygen acquisition has given Genus the benefits of greater critical mass, economies of scale, reduced dependency on one animal species, increased geographical presence with a non-overlapping customer base and combined research and development programmes. Genus will continue to benefit from the increased opportunities resulting from the acquisition. Taken with the strong underlying performance of the original Genus business and the good start to the new financial year, we view the Group's future positively. The Genus Group is now materially stronger and more competitive than before.

For the year ahead, our new bulls, continued strength of the porcine lines, synergy savings and improvements in operational efficiencies, should support strong profit generation. We also believe the greater emphasis on research will benefit the Group in the long term.

John Hawkins
Chairman

Chief Executive's Review

The successful acquisition of Sygen International plc and the strong performance of the historical Genus businesses has positioned Genus as the world's leading animal genetics company.

The Genus Business

Genus' world class animal genetics are used in the section of the food chain producing quality foods and are the choice of leading farmers worldwide. These animal genetics offer the potential to improve profitability for farmer and food producing customers by enabling them to increase output of consistently high quality products with higher value. We call this the "Genus Effect".

World Agricultural Markets

Market conditions have been stable in the USA for both bovines and porcines. Milk production was up by 5% on last year as cow numbers rose. Beef prices fell as farmers put surplus animals to market early in order to protect against increasing feed prices.

US pig prices were 15% lower than last year but, with prices still between $40 and $50/cwt, due to the presence of foot and mouth disease in Brazil and avian flu in other parts of the world, most producers remained profitable. The potential for US farmers to export pig production has bolstered pig prices during the last six months of the reported period and has resulted in continued buoyant market conditions, compared with the slight decline predicted.

Conditions remained favourable in Latin America for milk producers but the extensive outbreak of foot and mouth disease in Brazil has severely curtailed beef and pig exports so that prices fell sharply. There was some pricing 'over-spill' into Argentina.

In Europe, farmer concern over changes in the EU price support mechanism, introduced in 2005, remains but the response has been less acute than expected and markets have returned to more normal levels. However, the change in price support and the established pattern of lower milk prices, prevailing for the last few years, is driving farmers to increase their operations or opt out of the business. As a result, cow numbers are falling as smaller farmers leave the industry. The larger farmers are, of course, the most important for the future of Genus. Following the announcement of the lifting of the export ban on UK animals, prices for calves are rising steeply and we are also seeing market conditions improving in the UK for dairy farmers.

EU pig prices continued to strengthen during the June quarter and this trend is expected to hold for the next few months as consumption of pork exceeds supply.

Throughout the period, most Far Eastern market prices for pigs remained significantly below last year. However, China has shown a sustained improvement over the last two months after a long period of weak market conditions.

The world market for shrimps has continued to be depressed, due to the imbalance in supply and demand despite various outbreaks of disease last year.

Operating Progress

Following completion of the Sygen acquisition in December 2005, the Sygen Board left the business. We undertook an extensive communications exercise with all staff and established a new, integrated business structure with an emphasis on geographical rather than product spread. This reorganisation was made in order to focus efforts on positive evolution rather than the defence of old ideas and business practices.

We have concentrated on the integration of Sygen and resulting synergies from the acquisition since December 2005 and are pleased to report the potential synergies have exceeded our initial expectations. We have also sold the Brazilian operations of the loss making Sygen shrimp business and are actively pursuing the divestment of the related businesses in Thailand and Mexico.

The historical Genus businesses have reported strong results. We have increased operating profit across Bovine Genetics, Animal Health and Development Consulting despite variable conditions across international markets. We have also sold two, non-core operations, namely the veterinary and dental wholesale businesses.

Integration of Sygen

We have concentrated on five main areas:-

1. Research & Development

- Reset priorities using commercial targeting.
- Overlapping infrastructures have been eliminated by combination and we have created a fundamental research facility of excellence in Wisconsin whilst reducing cost.

Genus

2. Synergy Cost Savings

- The Sygen operations in Kentucky have been closed and the move of sales and sales support staff for the porcine business to offices near to Nashville, Tennessee, took place in September 2006.
- The Sygen offices in Oxford have been closed and the transfer of most of the UK back office functions to the Genus offices in Nantwich, Cheshire, is underway. Continuing head office staff have been transferred to the Genus head office in Basingstoke.
- The merging of back offices in the USA is almost complete with other regions to follow.

3. Investment in Core Business

- Sanctioned an investment of £1.5m in a nucleus porcine herd and operations in Russia.

4. SyAqua Strategy

- Strategic decision taken to divest the SyAqua shrimp businesses.
- Secured intellectual property and potentially saleable shrimp parent lines.
- Brazilian shrimp business sold.

5. Global Systems

- Engaged consultants to assist in the implementation of a global system aimed at improving business processes and harmonising financial reporting.

Cost savings identified at the time of the acquisition have already been realised and are well ahead of the Board's expectations. In addition, we have identified further areas of synergy savings which we are now reviewing and evaluating, such as the possible consolidation of the businesses within Latin America.

We have made structural changes to the European porcine business which have resulted in improved and consistent profitability for the first time for some years. On a proforma basis, European operations made a profit of £1.8m for the 12 months ended 30 June 2006 which is the best result in a decade.

Bovine Genetics – 49% of Group Turnover Continuing Operations

In stable market conditions, the increases to the sales force in the USA, Canada and Europe, both this year and last year, resulted in total sales volume rising in the period to 12.9 million doses. This equates to 10.3 million doses for a prorata 12 month period and compares favourably with the 9.5 million doses sold in the year ended 31 March 2005.

As previously reported, the new high ranking bulls added to the stud from the increasingly successful R&D programme, helped increase average prices of semen for the 12 month period ended 31 March 2006 by 12% in the beef sector and by 10% in dairy. Further small increases in average selling prices were achieved in the three month stub period to 30 June 2006, when compared with the same quarter last year.

Operating profit before exceptional items and goodwill amortisation was £13.0m (2005: £10.3m) which is stated after the FRS17 charge of £1.0m (2005: £0.4m). The three month extended period to 30 June 2006 was impacted by a weakening of the US dollar and adjustments relating to the prior year amounting in total to £0.6m. This quarter was also adversely impacted by seasonality. However, we are pleased to report a strong start to the new financial year relative to the comparative period.

Notable amongst a number of successes in Europe has been the growth of sales and profits in Italy. Last year the business introduced the contract 'Reproductive Management Service' successfully pioneered with large farmers in the USA, whereby customers sign-up for a contract mating service for their cows. Computer based mating programmes are used and the service binds the customer to use Genus semen and insemination services in order to achieve measurable improvements in fertility for the herd. In its first year of operation in Italy, more than 10,000 cows have been contracted for the service and this has increased sales by 18% to £3.9m (2005: £3.3m).

In Latin America, operating profit was flat because of foot and mouth disease in Brazil but the Mexican business remained strong and the new Argentinian operation made a small profit in its first year.

Porcine Genetics – 33% of Group Turnover Continuing Operations

In the seven months since Genus acquired this business it has performed ahead of both budget and the same

period last year. The main drivers have been the shift towards more royalty type income from the USA, improving profit generation in Europe, strong trading in Latin America overall, despite foot and mouth disease in Brazil, and reduced operating costs in all regions. These have more than offset a slight softening of pig meat prices in the USA and very low prices in the Far East. Gross margin has been on an increasing trend, resulting in a gross margin of 35%, up from 32% in the 12 months ended 2005.

Operating profit before exceptional items and goodwill amortisation for the period since acquisition was £11.8m, an increase of £3.7m (46%) over the comparable period prior to Genus' ownership.

The European business has also benefited strongly from lower operating costs and has been profitable throughout the period, assisted by post acquisition savings, such as the divestment of the business in Denmark. We are making further changes, the most significant being the reduction of inhouse production costs and the generation of further synergy savings. These changes will be made during the new financial year. With sales at a similar level to the USA, Europe had been loss-making for many years because of the fragmented nature of the market.

In the growing Latin American market, an outbreak of foot and mouth disease has temporarily reduced the contribution from the joint venture in Brazil but the Mexican and Chilean businesses remained strong.

The Far Eastern markets, which are the smallest porcine region, have been depressed throughout the period, suffering from disease outbreaks, over-supply and resultant low pig meat prices.

Both the subsidiary and joint venture in China suffered reversals but the downturns in other markets were less acute. Overall, the business remained profitable in all its markets, although substantially down on last year. Nevertheless, the Far East is the area with the highest growth potential in the long-term because of population density, the increasing level of protein consumption and the massive number of pigs farmed. However, most of the farms are small and inefficient and it will take time before the industry consolidates into the large units similar to those which are the principal customers in the USA and Europe.

The other area of high growth potential is Eastern Europe. In this market, a high level of investment is being made in large intensive pig units and we believe that opportunities exist to grow with that change by investing selectively in countries as new farms are established. In this regard, we have invested £1.5m in Russia to set up a nucleus farm to supply two newly established farm customers. The investment will protect our intellectual property and reduce transport costs from alternative supply sources in Europe and, overall, considerably enhance our presence and reputation in that market.

Shrimp Genetics - 2% of Group Turnover Continuing Operations

Having reviewed the prospects for the business carefully, we have decided that resource and investments are better directed at achieving the growth and synergies available in the larger bovine and porcine businesses. The shrimp market is volatile and customers are not yet prepared to pay for the added-value potential from expensive research, all of which is of a long-term nature in any event. Accordingly, we have decided that the business should be divested at the earliest opportunity. In that regard, we sold the Brazilian operations of the Sygen shrimp business to an MBO team for US$6m (£3.25m) in cash. A sale of the loss-making Thailand shrimp business is well advanced and some initial interest has been received for the Mexican shrimp business.

Animal Health and Development Consulting – 16% of Group Turnover Continuing Operations

The Animal Health division had a very successful period underpinned by a strong performance from the licensed pharmaceuticals business. It achieved an operating profit from continuing operations, before goodwill amortisation, of £2.2m, despite having divested the veterinary and dental wholesaling businesses. In May 2006, two residual freehold properties were sold for £1.5m, realising a book profit of £0.8m. Sales in the licensed pharmaceutical business for the 15 month period amounted to £8.8m, which was £0.4m (5%)

ahead of the comparable period and generated an operating profit of £2.2m. Both sales and profit growth have arisen from the successful launch of a number of new products together with a stalwart defence of established products, against aggressive competition.

The Development Consulting business generated an operating profit of £1.1m in the period, £0.1m (10%) higher than for the comparable 15 month period, despite the disruption arising from the nearby Buncefield Oil Depot explosion on 11 December 2005. The team proved its expertise in project management for which it earns its overseas consultancy contracts, by operating a virtual office for a few weeks and then by relocating to new temporary offices while, at the same time, winning both new contracts and contract extensions. More recently, two large long term contracts have been won.

Research & Development

On an historical basis, the combined businesses of Genus and Sygen have together spent around £12m per year on R&D. The majority of expenditure, in both cases, has been on the development of elite animals by traditional selection processes. This has produced a successful and competitive product range in both bovines and porcines.

In this regard, Boar 380 is making strong in-roads into world markets which, together with other well established products, will maintain our competitive edge over the next few years. For Europe and the Far East, it will be important that new products are developed from the extensive porcine nucleus programmes to meet niches in the various markets.

The increasing success of the bull selection programme has been reported over the last two years, following changes to the five year development and testing process made in 2000. These changes have resulted in a further significant strengthening of the stud this year. In particular, we are pleased to announce that a new bull, called Bolton, entered the US ranking as number one. Bolton is very highly rated in a very wide variety of traits and is likely to sell well at high prices worldwide.

The newly amalgamated R&D programme will continue to invest most of its expenditure on traditional selection programmes.

In the fundamental research which augments this selection process, Sygen concentrated most expenditure on genomics whilst Genus spread its investment across a number of projects, including sexed semen, health, fertility and, most importantly, semen physiology.

To direct Genus' strategy for onward research investment, a new Research & Development Steering Group is in the process of being established. It will review independently Genus' overall level of research investment and prioritise the areas of research conducted by the Company. The over-riding objective will be to achieve an early commercial breakthrough.

We have been in the process of creating a new centre of excellence for this research in the extensive Genus laboratories in Wisconsin, USA.

Evaluation of Sygen's genomic research has shown that some gene markers have a particularly positive impact if used in the selection of low heritability robustness traits. Future genomics research will be concentrated in this area.

Business Process and Information Technology

Consultants have been engaged to support the implementation of an integrated global system to improve business processes in bovine genetics and to enhance consolidated financial reporting capabilities for the Company. This new system will be based on the Oracle eBusiness Suite already deployed in Sygen. The target date for implementation is September 2007, and it is anticipated that significant cost savings will be realised from the 2007/08 fiscal year. These savings will arise in both the IT function and in the businesses as a result of having one common system worldwide and from creating improved business efficiencies.

Richard Wood
Chief Executive

Finance Director's Review

By careful cash management we have driven debt down to £117m, compared to a peak of £130m following the Sygen acquisition, which was better than plan.

The unaudited proforma results of the continuing operations of the Group excluding the shrimp business for the 12 months ended 30 June 2006 are as follows:

	12 months ended 30 June 2006 £m	12 months ended 30 June 2005 £m
Turnover - Continuing operations	**267.5**	247.0
Operating Profit before goodwill amortisation and exceptional items - Continuing operations	**24.0**	17.2

The reconciliation of unaudited proforma operating profit before goodwill amortisation and exceptional items figures to statutory accounts is as follows:

For the 12 months ended 30 June 2006

	As recorded in proforma table above 12 months to 30 June 2006 £m	Less pre-acquisition Porcine £m	Add results for period 1 April 2005 to 30 June 2005 £m	**As reported for the 15 months to 30 June 2006 excluding shrimp business £m**
Continuing operations	**24.0**	(4.2)	2.4	**22.2**

For the 12 months ended 30 June 2005

As recorded in proforma table above 12 months to 30 June 2005 £m	Less pre-acquisition Porcine £m	Less results for period 1 April 2005 to 30 June 2005 £m	Add results for period 1 April 2004 to 30 June 2004 £m	Less discontinued activities – Animal Health £m	**As reported for the 12 months to 31 March 2005 £m**
Continuing operations					
17.2	(6.9)	(2.4)	2.7	(0.2)	**10.4**

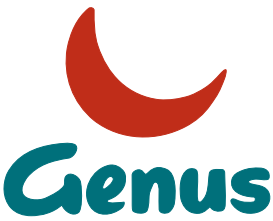
Operating Results

Adjusted operating profit was £22.6m after adding £5.3m for the 3 month stub period to the £16.9.m achieved and reported in the Interim Results for the 12 month period ended 31 March 2006 ("Interim Results") (2005: £10.9m).

The historical Genus businesses had strong results for the 15 month period with the operating profit from continuing operations before goodwill amortisation and exceptional items of all businesses ahead of the prior year on a proforma basis.

Following the decision to divest the shrimp business, an exceptional charge of £2.3m for the impairment of net assets had already been made in the Interim Results. Other exceptional items of £2.7m in the 15 month period to 30 June 2006, comprised £1.7m relating to the integration and restructuring of the porcine genetics business, £0.9m relating to the restructuring of the UK bovine operation and closure of the strategic consulting business and £0.1m relating to the integration of the shrimp business.

A charge of £2.2m for an exceptional impairment of goodwill was made at 30 September 2005 in the interim



results for the six months ended on that date in relation to the sale of the veterinary wholesale business which was sold in October 2005.

Group operating profit, including share of joint ventures, amounted to £9.5m (2005: £9.2m). Profit on disposal of fixed assets of £1.9m comprised mainly surplus freehold properties including the residual veterinary wholesale properties, former rearing and lay off sites in bovine UK and a pig farm in Portugal. This profit largely offset the loss on sale of the wholesale businesses.

Profit before tax was £2.8m (2005: £8.1m). Loss after tax was £0.3m (2005: profit £5.9m). Adjusted basic earnings per share was 25.0p (2005: 19.0p) and basic loss per share was 0.6p (2005: 16.3p profit).

Interest Payable

Net interest payable increased to £6.6m from £1.4m as a result of the debt financing element of the purchase consideration for Sygen. Interest payable, excluding similar charges such as amortisation of debt issue costs, amounted to £6.2m and was 3.6 times covered by operating profit from continuing operations before exceptional items and goodwill amortisation (2005: 9.7 times).

Taxation

The effective tax rate on adjusted earnings was 32.5% compared to 28.0% in the prior year. This was due to the expected higher rate of tax for the Sygen business and a first time credit in the prior year for research and development claims. The future effective tax rate on adjusted earnings is expected to be around 35%.

Earnings Per Share and Dividend

For the extended 3 month period ended 30 June 2006, which is seasonally a low trading quarter, the adjusted earnings per share of 4.2p to add to the 20.8p achieved for the 12 months ended 31 March 2006 (2005: 19.0p) to give 25.0p earnings per share for the reported 15 months period ended 30 June 2006. This increase was achieved after the first time adoption of FRS 17, Accounting for Retirement Benefits, which reduced after tax earnings by £0.7m (2005 restated: £0.4m) equivalent to 1.5p per share (2005 restated: 1.3p per share). Adjusted earnings is also stated after the non-cash expense for the Long Term Incentive Plan ("LTIP"), which has increased by £0.8m to £0.9m (2005: £0.1m) primarily reflecting the more favourable outlook of the Group following the successful acquisition of Sygen.

The Board is recommending a dividend of 8.25p per share (2005: 7.5p). On a higher number of shares due to the share placing for the Sygen acquisition, the proposed dividend payment will increase by £1.8m to £4.6m (2005: £2.8m), which is 2.5 times covered by adjusted earnings (2005: 2.9 times).

Financing and Cash Flow

To finance the consideration for the acquisition of Sygen and to provide ongoing working capital and financing facilities, the Company secured bank credit facilities of £180m in October 2005 and raised net proceeds of £53m in December 2005 by a placing of 16.9 million new ordinary shares at 325p per share.

The Company's secured bank credit facilities comprise 3 and 5 year term loans of £35m and £75m respectively, and a 5 year £70m multi-currency revolving credit facility. £15m of the term loans have already been repaid and net debt had reduced from a peak of £130m to £116.9m by the period end, which was better than plan.

During the period, the veterinary and dental wholesaling business and the Brazilian shrimp business were sold for a total of £11.35m. Sale proceeds of surplus properties in veterinary wholesale, bovine and porcine during the period amounted to £4.0m, generating a book profit of £1.9m.

Net cash inflow from operating activities before change of control payments for the period was £21.8m (2005: £8.7m). Reported net cash inflow from operating activities was £16.2m (2005: £8.7m).

Balance Sheet and Shareholder Funds

Shareholder funds increased to £101.4m (2005 restated: £51.3m), largely reflecting the placing of 16.9m shares at £3.25 per share in connection with the acquisition of Sygen, less the retained loss of £3.1m. The increase in gearing at 30 June 2006 to 54% (2005: 13%) was due to the Sygen acquisition financing.

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 these risks.

The Group's borrowings at the end of the year were materially comprised of bank borrowings, provided by Barclays Bank plc.

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 and these policies are summarised below.

- Interest Rate Risk

  The Group borrows principally in sterling, US dollars and Australian dollars. Interest rate swaps are used to generate the desired interest profile and to manage exposure to interest rate fluctuations. At the year end, the Company had the following interest rate hedges in place:

  (i) 5 year fixed rate of 4.74% on £95m of sterling borrowings

  (ii) 5 year fixed rate of 5.05% on US dollar borrowings, swapped for sterling borrowings, on US$ equivalent of £35m.

  (iii) Fixed interest loans of Australian dollars of £4.5m equivalent.

  As at 30 June 2006, 90% of borrowings had fixed rates.

- 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 operates a policy to settle inter-company trading balances on a monthly basis to minimise foreign currency exposure.

  Translational 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. The policy is to hedge material exposure to overseas net assets to minimise risk to fluctuations in the Group's net assets from translation. In January 2006, following the acquisition of Sygen, the Company entered into a currency swap by effectively exchanging £35m of debt for US$61.5m debt for a 5 year term. The fair value of this instrument at 30 June 2006 yields a favourable position of £1.1m, which has been credited as a currency translation difference in the Consolidated Statement of Total Recognised Gains and Losses.

- Liquidity Risk

  The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and a multi-option revolving credit facility. At the period end, only 10% of the Group's borrowings were repayable within one year. Short term flexibility is achieved through a Sygen £70m multi-option currency facility. At 30 June 2006, the Group had undrawn committed facilities of £22.1m and £22.9m cash.

Acquisitions

On 2 December 2005, the Group acquired the entire issued share capital of Sygen International plc for a total cash consideration of £193.2m (including £4.2m by way of fees). The consideration was financed by a placing of 15.9 million shares at £3.25, and new bank borrowings. From the date of acquisition to 30 June 2006, Sygen contributed £86.7m to turnover and £11.8m to profit before interest, exceptional items and goodwill amortisation.

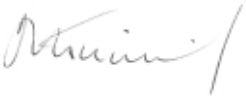
As part of the retail acquisition strategy for the bovine business in Australia, four small acquisitions were completed in the period for a total consideration of £5.2m.

Adoption Of International Financial Reporting Standards

For Genus plc, an AIM listed company, the effective date for adoption of IFRS is for the financial year commencing on or after 1 January 2007.

The Group has established a project team to plan for and achieve a smooth transition to IFRS. The project team is looking at all implementation aspects, including changes to accounting policies, systems impacts and the wider business issues that may arise.

The Group has not yet determined the full effects of adopting IFRS. Our preliminary view is that the major differences between our current accounting practice and IFRS will be in respect of accounting for business combinations, agricultural assets, deferred tax, research and development costs and share-based payments.



David Timmins
Finance Director

Genus

The Genus Board

John Hawkins (52), 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, non-executive Chairman of The Salamander Organization Limited and All New Video plc, and a non-executive director of Psion Plc. Prior to this, he was Chief Executive of Anite Group plc and before that was with Philips Electronics for nineteen years, including as European President of Philips Media.

Richard Wood (61), Chief Executive
Richard Wood is a graduate chartered chemical engineer. He was appointed Chief Executive of Genus in January 1997. Prior to this he worked for seven 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. Before that he worked for ICI for twenty three years including as Managing Director of ICI Seeds UK.

David Timmins (53), Finance Director
David Timmins is a graduate chartered accountant, qualifying with KPMG in London. He joined Genus as Finance Director in March 2004 from Robotic Technology Systems Plc, where he was Finance Director for the previous five years.

Edwin White (65), Senior Non-Executive Director
Edwin White joined the Board in October 1994 and is the Senior Non-Executive Director and Chairman of the Remuneration Committee. He is a Somerset farmer and businessman. He is a non-executive director of the Royal Bath and West of England Society and Chairman of the South West Dairy Show.

John Worby (55), Non-Executive Director
John Worby is a graduate chartered accountant. He joined the Board in September 2004 and is Chairman of the Audit Committee. 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). Prior to that, he was Group Treasurer of Unigate Plc and Finance Director of Wincanton Ltd.

Ian Farrelly (38), Company Secretary
Ian Farrelly is a qualified solicitor. He joined Genus as Company Secretary in June 2006 from Microgen Plc where he was Group General Counsel, having previously been Group Solicitor & Company Secretary of Diagonal Plc and Solicitor to Hays Plc.

Chief Operating Officers

Ian Biggs (48), 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 Sygen acquisition, 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 to commercialise technology based on animal cloning using somatic cells. 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 head of North American operations.

Philip Acton (48), Chief Operating Officer - Europe & Asia

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

Steve Amies (55), Chief Operating Officer - Product Development & Strategy

Steve Amies is an agricultural graduate from Reading University. He joined Genus in 1994 and has been Managing Director of the Genus' UK and European breeding business. In 2004, he became Head of Corporate Strategy and on completion of the Sygen acquisition in December 2005, he became Head of Product Development & Strategy.

Directors' Report

The directors present their annual report and the audited financial statements for the 15 month period ended 30 June 2006.

Results and dividends

The loss for the period after taxation was £265,000 (year to 31 March 2005: £5,903,000 profit). The directors are pleased to recommend the payment of a dividend of 8.25p pence per ordinary share amounting to £4,557,218 (2005: 7.5 pence per share amounting to £2,788,000) payable on 1 December 2006 to shareholders on the register at the close of business on Friday 3 November 2006. The loss transferred to reserves is £3,076,000 (2005: £3,604,000 profit).

Activities, business review and future developments

The principal activities of the Group during the period were the global application of quantitative genetics and biotechnology to animal breeding in the bovine and porcine sectors; consultancy advice to farmers and international policy makers and the marketing of licensed pharmaceutical products to veterinary surgeons.

A review of the business and its future developments, risks and uncertainties is contained in the Chief Executive's Review on pages 6 to 9 and the Finance Director's Review on pages 10 to 12. The Finance Director's Review contains a description of treasury policies and financial instruments used by the Company, which should be read in conjunction with note 21 to the accounts. The Corporate Governance report on page 24 also summarises the key risks facing the Group.

The directors use a variety of key performance indicators to manage the business and its financing, such as revenue, margin, earnings per share, cash flow and the level of debt. The key non-financial indicators are productivity measures as well as the success of the product development programme.

Charitable and political donations

During the period the Group made no charitable donations (year to 31 March 2005: £9,000). There were no contributions for political purposes (2005: £nil).

Directors and their interests

The directors holding office during the period were:

J E Hawkins	-	Non-Executive Chairman
R K Wood	-	Chief Executive
D P Timmins	-	Finance Director
E W White	-	Senior Non-Executive Director
J G Worby	-	Non-Executive Director

The interests of the directors, who held office at the end of the financial period, in the ordinary shares of the Company, other than with respect to options to acquire ordinary shares (which are detailed in the analysis of options included in the Report on Directors' Remuneration), are as follows:

	Shareholdings At 30 June 2006 No	Shareholdings At 31 March 2005 No
John E Hawkins	15,000	15,000
Richard K Wood	59,400	59,400
David P Timmins	424	-
Edwin W White	30,002	30,002
John G Worby	10,000	10,000
Total	114,826	114,402

At the Annual General Meeting, in accordance with the Articles of Association and best practice, John Hawkins and Edwin White will retire as a directors by rotation, and, being eligible, offer themselves for re-election. The Board considers that John Hawkins and Edwin White continue to make an effective and valuable contribution to the Board and demonstrate commitment to their respective roles of Chairman and Senior Non-Executive Director. Biographical details of John Hawkins and Edwin White are given on page 13.

Research and development

Further details relating to the Group's programme of Research & Development are contained in the Chief Executive's Review on pages 6 to 9.

Employment policies

The Group's policies respect the individual regardless of sex, 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.

The Group places considerable value on the involvement of its employees and has continued to keep them 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, the company magazine and the Group's intranet.

Environmental policy

The directors recognise and accept that concern for the environment is an essential part of business strategy and seek to minimise risk to the environment by effective management of the Group's activities.

Suppliers

The Group endeavours to agree the terms of payment with suppliers prior to placing business. This ensures that suppliers are aware of these terms in advance. It is the Group's policy to settle liabilities by the due date. At 30 June 2006 the Company had an average of 48 days' purchases outstanding in trade creditors (at 31 March 2005: 46).

Major interests in shares

As at 18 September 2006, the following material interests in the Company's issued ordinary share capital were held: NFU Mutual 10.89%, M&G Investment Management 9.14%, Jupiter Asset Management 5.76%, Artemis Investment Management 4.23%, Landsdowne Partners 3.3%. No other person has notified an interest in the ordinary shares of the Company which is required to be disclosed to the Company in accordance with Sections 198 – 208 of the Companies Act 1985.

Special business at the Annual General Meeting

At the Annual General Meeting on 16 November 2006 resolutions 1 to 7 are termed ordinary business, while resolutions 8 to 11 will be special business. The ordinary business includes:

- approval of the Company's audited accounts and Directors' report for the 15 months ending on 30 June 2006
- approval of the Directors' remuneration report for the 15 months ending on 30 June 2006
- declaration of a final dividend of 8.25 pence per ordinary share
- re-election of those directors required to retire by rotation
- re-appointment of the Company's auditors
- grant of authority to the Directors to allot authorised and unissued ordinary shares up to an aggregate nominal amount of £1,841,300 without having to obtain prior approval from shareholders on each occasion

The special business covers the following matters:

- the proposed admission of the Company's share capital to the Official List and to trading on the London Stock Exchange plc's main market
- partial disapplication of pre-emption rights attaching to the Company's shares
- renewal of the directors' authority to buy back shares
- the adoption of new Articles of Association by the Company

The resolutions are set out in the Notice of Annual General Meeting on pages 65 to 66.

Resolution 8 seeks shareholder approval to the Company's proposed move from AIM to the Official List of the United Kingdom Listing Authority. The directors stated in the circular sent to shareholders in connection with the successful offer made for Sygen International plc in November 2005 the Board's intention that the Company moves the listing of its shares from AIM to the Official List. Your Board remains of the view, in recognising the diversity of the business of the Group and its international spread in successfully integrating the Sygen business with the existing business of the Group that it is now more appropriate for the Company to be admitted to the Official List than being AIM traded. Although the Company is not required to seek shareholder approval to such a move and has received

formal confirmation from AIM Regulation to this effect, the Directors feel it appropriate to seek shareholder approval for such a step in the Company's development. The Directors believe that the Company will be well placed to achieve greater liquidity in its shares and to raise its profile with investors as a company whose shares are admitted to listing on the Official List.

The passing of resolution 9, 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 £276,195, being 5% of the equity share capital in issue as at the date of the notice. In addition, £552,390 in nominal value, (an additional 10% of the issued share capital) can be used to allot ordinary shares in the Company in place of ordinary shares which have been purchased by the Company as one or more market purchases pursuant to the authority conferred by resolution 10.

The passing of resolution 10, 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 £552,390 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 10p (exclusive of expenses) and the maximum will be limited to 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). The directors intend to offer a voluntary buy-back scheme to shareholders in the future similar to that offered in late 2004 pursuant to which this authority will be utilised.

Resolution 11, another special resolution, will approve new articles of association in place of the Company's existing articles of association which were adopted in 1999 and are now out of date in several respects. The Board considers that given the changes that are necessary to reflect the significant recent legislative, regulatory and best practice developments and to prepare the Company for its proposed admission to the Official List, the simplest and most practical course of action is for the Company to adopt a new set of articles of association. Details of the key changes proposed are set out in appendix 1 on page 66. Minor, administrative and presentation changes are not noted.

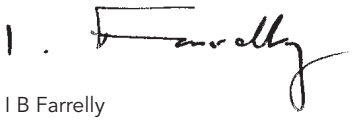
In the opinion of the directors, the passing of these resolutions is in the best interests of the shareholders.

Auditors and Audit Information

Deloitte & Touche LLP are willing to continue in office as auditors and a resolution to re-appoint them and fix their remuneration will be put to the forthcoming Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and (b) 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 s234ZA of the Companies Act 1985.

By order of the Board



I B Farrelly
Secretary
20 September 2006

Directors' Remuneration

The Remuneration Committee comprises three non-executive directors – Edwin White (Chairman), John Hawkins and John Worby. The 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 in order to attract, retain and motivate high quality executives capable of achieving the Group's objectives.

Remuneration Policy

The Remuneration Committee policy for executive directors' pay is to provide basic salaries and benefits of car, fuel and private health insurance at a rate competitive with that paid to directors of similar sized international public companies. Incentives are approached in a similar manner. A short term bonus is paid on the improvement in profits and achievement of specific personal objectives, subject to a maximum bonus payable of 100% of annual salary. This bonus is pensionable in the case of David Timmins.

Long term incentives are provided under the Genus plc 2004 Performance Share Plan and the Genus plc 2004 Executive Share Option Plan. Under the Performance Share Plan, incentives are driven by achievement of growth in underlying earnings per share (as defined in note 9 to the accounts) over a three year period and take the form of either conditional share awards or nil-cost options. Under the 2004 Executive Share Option Plan, vesting of options is also conditional on achievement of growth in underlying earnings per share over a three year period. Grants under this plan are used to incentivise middle and senior management; executive directors do not participate in this plan.

The Board, on the recommendation of the Committee, made conditional share awards during the period ended 30 June 2006 to the executive directors and to the three chief operating officers. These awards have performance conditions which relate to growth in earnings per share over a three year period and which trigger vesting on an incremental basis. Growth in earnings per share must be greater, on average, than RPI plus 9% each year over a three year period for these awards to vest fully.

The Board, on the recommendation of the Committee, granted share options during the period ended 30 June 2006 to a number of senior and middle managers. The vesting of the options is conditional upon achieving average annual growth in underlying EPS over a consecutive three year period of not less than RPI plus 5%.

Details of awards made to directors are shown in the table of directors' interests on page 22 and 23 details of the performance criteria for historical share option schemes are included in note 23 to the accounts.

Pension Arrangements

In accordance with the review of Richard Wood's pension arrangements by the Remuneration Committee in the year ended 31 March 2005, and as disclosed in the previous Annual Report and Accounts of the Company, a final pension payment of £97,500 was made by the Company into a new occupational pension scheme in April 2005. No further pension payments will be made in respect of Richard Wood's remaining service with the Company.

The Company paid contributions to David Timmins' personal pension scheme based on 12% of his gross salary. The executive directors are provided with life cover for death in service equivalent to four times pensionable capped earnings.

Service Contracts

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

The executive directors' service contracts were amended following the completion of the acquisition of Sygen International plc to ensure stability for execution of the integration strategy. In particular, Richard Wood's service contract was extended to 31 March 2008.

Director	Contract Date	Expiry Date	Notice Period (months)
Executives			
R K Wood	11 July 2001 (as amended on 2 December 2005)	31 March 2008 (fixed term)	n/a
D P Timmins	29 March 2004 (as amended on 2 December 2005)	Retirement (60 years of age)	12
Non Executives			
J E Hawkins	31 October 2005	30 October 2008	3
E W White	31 October 2005	30 October 2008	3
J G Worby	31 October 2005	30 October 2008	3

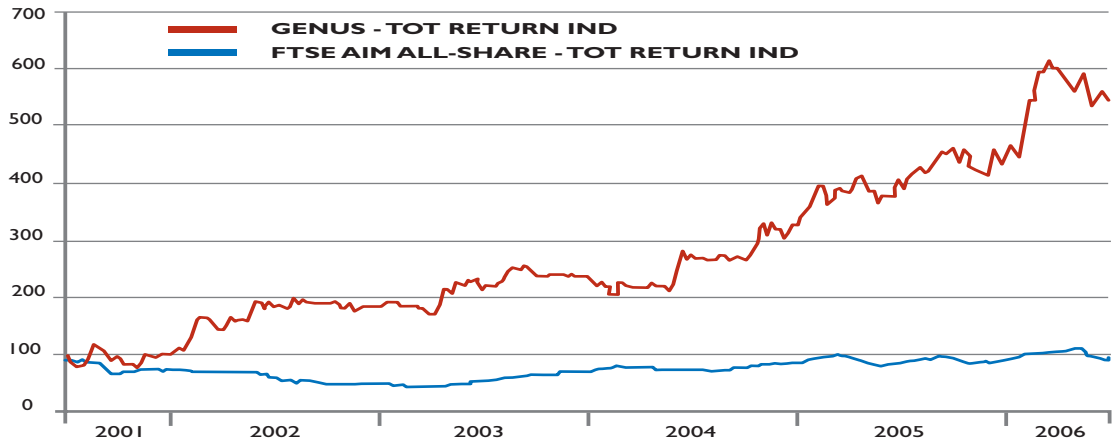
In the event of a change in control, the executive directors would be entitled to resign within six months and receive compensation amounting to two times gross annual emoluments including the average of the last three years' bonuses paid to the individual executive director.

The Board recognises the executive directors' service contracts do not fully comply with ABI Guidelines on Executive Remuneration ("ABI Guidelines") and on the recommendation of the Remuneration Committee has adopted the policy that service contracts issued to any future executive directors shall comply to the fullest extent possible with the ABI Guidelines.

Fees for the non-executive directors are 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. Their appointment is for a fixed term of three years and they are subject to periodic re-election at the Company's Annual General Meeting by rotation.

Performance Graph

The graph below shows the total shareholder return (with dividends reinvested) for each of the last five years in a holding of the Company's shares against the corresponding total shareholder return in a hypothetical holding of shares in the FTSE AIM All Share index. The FTSE AIM All Share index was selected as it represents a broad equity market in which the Company is a constituent member.



Source: DATASTREAM

Audited Information

Directors' Emoluments

Direct comparisons of the directors' emoluments for the 15 month period to 30 June 2006 with the prior year are distorted by the extended 15 month reporting period. The following tables are therefore provided.

a) Twelve month period to 31 March 2006

	Salary and fees £000	Bonus £000	Benefits £000	Total 12 mths 31.03.06 £000	Pension 12 mths 31.03.06 £000
Executive directors					
R K Wood	268	175	27	**470**	**71**
D P Timmins	170	100	22	**292**	**19**
Non-executive directors					
J E Hawkins	98	-	-	**98**	**-**
E W White	37	-	-	**37**	**-**
J G Worby	37	-	-	**37**	-
	610	275	49	**934**	**90**

b) Twelve month period to 31 March 2005

	Salary and fees £000	Bonus £000	Benefits £000	Total 12 mths 31.03.05 £000	Pension 12 mths 31.03.05 £000
Executive directors					
R K Wood	213	55	36	**304**	**73**
D P Timmins	153	39	21	**213**	**18**
Non-executive directors					
J E Hawkins	56	-	-	**56**	**-**
E W White	35	-	-	**35**	**-**
J G Worby	22	-	-	**22**	**-**
J H Beckett	20	-	-	**20**	**-**
T S K Yeo	5	-	-	**5**	**-**
	504	94	57	**655**	**91**

c) Three month period to 30 June 2006

	Salary and fees £000	Bonus £000	Benefits £000	Total 3 mths 30.06.06 £000	Pension 3 mths 30.06.06 £000
Executive directors					
R K Wood	87	-	6	**93**	**18**
D P Timmins	50	-	3	**53**	**6**
Non-executive directors					
J E Hawkins	31	-	-	**31**	**-**
E W White	9	-	-	**9**	**-**
J G Worby	9	-	-	**9**	**-**
	186	-	9	**195**	**24**

d) Fifteen month to 30 June 2006

	Salary and fees £000	Bonus £000	Benefits £000	Total 15 mths 30.06.06 £000	Pension 15 mths 30.06.06 £000
Executive directors					
R K Wood	355	175	33	**563**	**89**
D P Timmins	220	100	25	**345**	**25**
Non-executive directors					
J E Hawkins	129	-	-	**129**	**-**
E W White	46	-	-	**46**	**-**
J G Worby	46	-	-	**46**	**-**
	796	275	58	**1,129**	**114**

Aggregate Directors' Remuneration

The total amounts for directors' remuneration were as follows:

	Total 15 mths Ended 30.06.06 £000	Total 12 mths Ended 31.03.05 £000
Emoluments	**1,129**	**636**
Gains on exercise of share options	**190**	**317**
Money purchase pension contributions	**114**	**91**
Total	**1,433**	**1,044**

Directors' Share Options and Awards

The directors at 30 June 2006 had the following beneficial interests in share options and share awards:

Share Options

R K Wood

	Exercise Dates*	Exercise Price	At 30 June 2006 No	At 31 March 2005 No
(1) Executive Plan	6 March 2003 and 5 March 2010	50p	-	15,600
(2) 1999 Executive Plan	6 March 2003 and 5 March 2010	175p	**89,800**	179,600
(3) 2000 Company Share Plan	11 June 2005 and 10 June 2012	173p	**43,414**	43,414
(4) 2000 Company Share Plan	6 June 2007 and 5 June 2013	192.5p	**79,480**	79,480
			212,694	318,094

* Share options are exercisable between these dates subject to performance criteria having been met.

The options under (2) and (3) are now exercisable. Mr Wood no longer holds options under (1) as all 15,600 options were exercised and shares subsequently sold in March 2006. Under (2) above 89,800 options were exercised and shares subsequently sold in June 2005.

Details of the options exercised during the year are as follows:

Scheme	Number of options	Exercise price	Market Price at Exercise date	Gains on Exercise 2006 £	Gains on Exercise 2005 £
(1) Executive Plan	15,600	50p	482.5p	**67,470**	-
(2) 1999 Executive Plan	89,800	175p	311p	**122,128**	-
(4) 2000 Company Share Plan	194,837	90p	252.5p	-	316,611
				189,598	316,611

Share Awards

R K Wood

	Vesting Period	Share Price	At 30 June 2006 No	At 31 March 2005 No
1st Issue	9 September 2004 to 8 September 2007	221.5p	**121,400**	121,400
2nd Issue	7 June 2005 to 6 June 2008	310.5p	**67,700**	-
3rd Issue	19 December 2005 to 18 December 2008	359.75p	**68,560**	-
4th Issue	21 June 2006 to 20 June 2009	435.5p	**102,330**	-
			359,990	121,400

Share Awards

D P Timmins

	Vesting Period	Share Price	**At 30 June 2006 No**	At 31 March 2005 No
1st Issue	9 September 2004 to 8 September 2007	221.5p	**86,700**	86,700
2nd Issue	7 June 2005 to 6 June 2008	310.5p	**49,500**	-
3rd Issue	19 December 2005 to 18 December 2008	359.75p	**29,020**	-
4th Issue	21 June 2006 to 20 June 2009	435.5p	**56,600**	-
			221,820	86,700

Share awards are made under the terms of the 2004 Performance Share Plan. Awards will vest after three years, with the proportion of the award vesting being based on growth in Group underlying earnings per share, as shown in the table below:

Per annum growth 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.

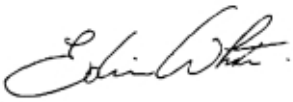
** a linear scale will be applied when performance falls between the bands.

Prior to the vesting of any award, the Remuneration Committee will review the basis of calculation of growth in underlying EPS and satisfy itself that the performance conditions have been met.

The Company established an Employee Benefit Trust on 9 September 2004. This trust was set up 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 executives. For the period to 30 June 2006, 580,200 shares have been purchased by the trust.

The market price of the Company's shares on 30 June 2006 was 433 pence and the high and low share prices during the year were 500.25 pence and 301.5 pence respectively.

On behalf of the Board



E W White

Chairman of the Remuneration Committee

Corporate Governance

The Board is committed to high standards of corporate governance and is accountable to the Company's shareholders for good corporate governance. As a company whose shares are traded on the Alternative Investment Market, the Company is not required to comply with the Combined Code. This statement describes the Company's voluntary application of the principles of corporate governance and its compliance with the provisions set out in the Combined Code on corporate governance.

Statement by the Directors on compliance with the provisions of the Combined Code

The directors consider that the Company has been in full compliance with the provisions set out in section 1 of the July 2003 Combined Code ("the Code") throughout the period except where 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, two non-executive directors and the non-executive Chairman. Biographies of the directors appear on page 13. The Board considers that these demonstrate 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 considers the Chairman to be independent because, other than his interest in the ordinary shares of the Company, his role as Chairman and as described in note 33 to the accounts, he has neither financial nor commercial interest in the Group. The senior independent non-executive director, Edwin White, has served on the Board for 12 years (six years since the Company became a public company), a period longer than specified by provision A.3.1 of the Code. After formal review the Board unanimously agreed that Mr White's independence is not, and has not been, in question and that his background and contribution to the small Board are highly valuable.

The Board meets at least six times a year with a 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. The Board has delegated authority to the Chief Executive, the chief operating officers and their regional management teams to make day-to-day operating decisions to ensure proper management of the Group's business and implementation of the Board's approved strategy. In turn, the Chief Executive, the chief operating officers and their regional management teams recommend strategy and plans to the Board, make routine decisions on resources and ensure that adequate operational and financial controls are in place.

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)				
J E Hawkins	11 (12)	3 (4)	5 (5)	0 (0)
Executive directors				
R K Wood	12 (12)	4 (4)*	5 (5)*	0 (0)
D P Timmins	12 (12)	4 (4)*	n/a	n/a
Non-Executive directors				
E W White	12 (12)	4 (4)	5 (5)	0 (0)
J G Worby	12 (12)	4 (4)	5 (5)	n/a

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

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.

Additional Board meetings are held when necessary to consider matters that are time critical.

All directors have access to the advice and services of the Company Secretary, Ian Farrelly, or 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 Company Secretary ensures that Board procedures are followed and that statutory and regulatory requirements are complied with.

The Audit Committee

The Audit Committee, comprising John Worby (Chairman), John Hawkins and Edwin White, is formally constituted with written terms of reference and meets at least three times a year. Meetings are attended by the Group Finance Director and the Group's internal auditor, and minutes are circulated to all directors. The Group's internal auditor attends at least once a year. 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 and its 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 ensuring that non-audit services provided by the external auditors are kept subject to detailed review.

The Remuneration Committee

The Remuneration Committee, comprising Edwin White (Chairman), John Hawkins and John Worby meets at least twice a year to review the performance of the executive directors and the chief operating officers, to recommend their remuneration and other benefit packages, including performance related bonus schemes, pension rights and compensation payments, and, in accordance with the Articles of Association, the Board 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 options and share awards is shown on pages 18 to 23 and provides further details of the Company's policies on remuneration and service contracts.

Due to the small size of the Board, the Chairman is also a member of the Remuneration Committee. Consequently, the Company has intentionally not complied with Provision B.2.2 of the Code requiring the Remuneration Committee to have delegated authority for the setting of the Chairman's fees. Fees for the non-executive directors, including the Chairman, are determined by the Board as a whole.

The Nomination Committee

The Nomination Committee, comprising John Hawkins (Chairman), Richard Wood and Edwin White is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board.

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

Performance evaluation

Provision A.6.1 of the Code requires that the Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and individual directors. The Board, led by the Chairman, has carried out an evaluation of performance under a system based on one-on-one meetings and the use of a questionnaire. The evaluation exercise showed the Board structure and its Committees to be working well but nonetheless recommended certain improvement

measures which will be implemented this year. The performance evaluation exercise was carried out after the period end but before the date of this report.

Shareholder relations

The Company has a continuing dialogue with institutional investors through a planned programme of investor relations. The Chief Executive and Finance Director meet frequently with representatives of institutional shareholders to discuss their views and review corporate governance issues. Feedback from these meetings is discussed at meetings of the Board enabling all directors, particularly the non-executive directors, to understand the views of major shareholders. The Chairman also maintains contact with certain major shareholders. Provision D.1 of the Code requires the senior independent non-executive director to attend sufficient meetings with major shareholders to develop an understanding of their views and concerns. This was not complied with since the Board believes that the existing arrangements for contact with major shareholders and discussion are sufficient given the size of the board. The senior non-executive director remains available to be contacted by shareholders should they wish to do so.

The Board takes the opportunity at the Annual General Meeting to meet and communicate with private and institutional investors and welcomes their involvement. The Chairman's Statement on pages 4 to 5, the Chief Executive's Review on pages 6 to 9 and the Group Finance Director's Review on pages 10 to 12 provide a detailed review of the Group's performance and future developments. John Hawkins, John Worby and Edwin White will be available to answer questions as Chairmen of the Board and the Nomination Committee, and its Audit and Remuneration Committees respectively at the Annual General Meeting to be held on 16 November 2006.

Internal control

The Board has overall responsibility for the Group's systems of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and provides only reasonable and not absolute assurance against material misstatement or loss. The Board established procedures necessary to implement the guidance 'Internal Control – Guidance for Directors on the Combined Code' (the Turnbull Report) in the period to 31 March 2001 and regularly reviews such procedures to ensure they accord with the Turnbull guidance on internal control. The Group has had an internal audit function since the acquisition of Sygen International plc in December 2005, and the Board has reviewed the effectiveness of the Group's system of internal control as it operated during the year and up to the date of the approval of this report.

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives within an acceptable risk/reward profile, and is keeping under review its ongoing process for identifying and evaluating the significant risks faced by the Group and the effectiveness of related controls.

The key elements of this process are as follows:

Identification of business risks

The Board is responsible for identifying the major business risks faced by the Group. Key risks facing the business include the impact of disease; environmental risks related to the keeping of livestock and claims for genetic defects. The Finance Director is responsible for the process of monitoring and reporting areas of significant business risk to the Board and for co-ordinating the management of such risks within each division. Chief Operating Officers and their regional management are responsible for identification and monitoring of risks within their regions.

Management structure

Authority to operate the Group's subsidiary companies is delegated to the chief operating officers and their regional management within limits set by the Board. The appointment of executives to the most senior positions within the Group requires the approval of the Board. Functional, operating and financial reporting standards are established by the Finance Director for application across the whole Group. The corporate procedures manual sets out delegation of authority, authorisation levels and other control procedures together with Group accounting policies. 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. Regional operating boards, comprising the Chief

Executive as Chairman, the Finance Director, the regional chief operating officer and other executives meet on a regular basis to review each region's performance against its budget, long and short term strategies and other key business indicators.

Information and financial reporting systems

The Group's comprehensive 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 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 ethical standards expected are communicated throughout the organisation.

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.

Audit Committee

The Audit Committee monitors the controls which are in force and considers and determines appropriate action in respect of any control issues raised by the external auditors and the Group's internal auditor.

J E Hawkins
Chairman

Statement of Directors' Responsibilities in Relation to the Financial Statements

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. The directors have chosen to prepare the financial statements for the Company and the Group in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

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.

Independent Auditors' Report
to the members of Genus plc

We have audited the group and individual company financial statements (the "financial statements") of Genus plc for the period ended 30 June 2006, which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above period as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

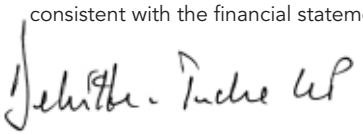
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 30 June 2006 and of the group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
20 September 2006

CONSOLIDATED **PROFIT AND LOSS ACCOUNT**

for the 15 month period ended 30 June 2006

	Notes	Continuing Operations Before exceptional items and goodwill amortisation	Continuing Operations Exceptional items and goodwill amortisation	Discontinued Operations	15 months ended 30 June 2006	Year ended 31 March 2005 restated (note 25 and 26)
		£000	£000	£000	**£000**	£000
Turnover						
Continuing operations		159,183	-	-	**159,183**	113,904
Acquisitions	13	92,569	-	-	**92,569**	-
		251,752	-	-	**251,752**	113,904
Discontinued operations	4	-	-	42,771	**42,771**	69,345
Group and share of joint ventures		251,752	-	42,771	**294,523**	183,249
Less share of joint ventures		(7,288)	-	-	**(7,288)**	-
Group turnover		244,464	-	42,771	**287,235**	183,249
Adjusted operating profit		22,262	-	343	**22,605**	10,931
Amortisation of goodwill		-	(6,481)	(166)	**(6,647)**	(1,747)
Exceptional impairment of goodwill		-	-	(2,239)	**(2,239)**	-
Exceptional impairment of net assets	3	-	(2,342)	-	**(2,342)**	-
Other exceptional items	3	-	(2,655)	-	**(2,655)**	-
Operating profit	5	22,262	(11,478)	(2,062)	**8,722**	9,184
Of which :						
- Continuing operations		11,951	(2,656)	-	**9,295**	8,850
- Acquisitions		10,311	(8,822)	-	**1,489**	-
		22,262	(11,478)	-	**10,784**	8,850
- Discontinued operations	4	-	-	(2,062)	**(2,062)**	334
Group operating profit		22,262	(11,478)	(2,062)	**8,722**	9,184
Share of operating profit of joint ventures		732	-	-	**732**	-
Total operating profit:						
Group and share of joint ventures		22,994	(11,478)	(2,062)	**9,454**	9,184
Loss on sale of discontinued operations	4				**(1,959)**	-
Profit on disposal of properties					**1,923**	298
Net interest payable and similar charges	6				**(6,591)**	(1,386)
Profit on ordinary activities before taxation					**2,827**	8,096
Tax on profit on ordinary activities	7				**(3,092)**	(2,193)
(Loss)/profit for the financial period					**(265)**	5,903
Dividend	8				**(2,811)**	(2,299)
Retained (loss)/ profit for the financial period					**(3,076)**	3,604
Earnings/(loss) per share	- adjusted basic (note 9)				**25.0p**	19.0p
	- adjusted diluted (note 9)				**24.4p**	18.7p
	- basic (note 9)				**(0.6)p**	16.3p
	- diluted (note 9)				**(0.6)p**	16.1p

CONSOLIDATED **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

for the 15 month period ended 30 June 2006

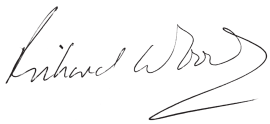
	Note	**15 months ended 30 June 2006**	Year ended 31 March 2005 restated (note 25 and 26)
		£000	£000
(Loss)/profit for the financial period		**(265)**	5,903
Currency translation difference on the re-translation of net assets of subsidiary undertakings		**3,502**	(458)
Currency translation difference on borrowings		**(3,811)**	282
Gain on currency swap		**1,092**	-
Deferred tax on currency swap		**(328)**	-
Actuarial loss relating to pension schemes	26	**(2,202)**	(982)
Total recognised gains and losses relating to the period		**(2,012)**	4,745
Prior year adjustment - impact of FRS17 adoption	26	**(6,643)**	
Total recognised gains and losses since last annual report		**(8,655)**	

CONSOLIDATED **BALANCE SHEET**

as at 30 June 2006

	Notes	30 June 2006 £000	31 March 2005 restated (note 25 and 26) £000
Fixed assets			
Intangible assets	11	**174,535**	26,062
Tangible assets	12	**35,075**	16,697
Investments:			
- Joint ventures	13	**2,279**	-
- Other	13	**755**	269
		212,644	43,028
Current assets			
Stocks	14	**20,594**	17,396
Debtors	15	**54,562**	37,334
Cash at bank and in hand	28	**22,936**	6,843
		98,092	61,573
Creditors: Amounts falling due within one year	17	**(63,643)**	(45,463)
Net current assets		**34,449**	16,110
Total assets less current liabilities		**247,093**	59,138
Creditors: Amounts falling due after more than one year	18,19,20	**(125,312)**	(282)
Provisions for liabilities and charges	22	**(6,451)**	(923)
Net assets excluding pension liabilities		**115,330**	57,933
Pension liabilities	32	**(13,889)**	(6,643)
Net assets		**101,441**	51,290
Capital and reserves			
Called up share capital	23	**5,524**	3,726
Share premium account	24	**92,187**	39,899
Treasury shares		**(186)**	(128)
Profit and loss account	24	**3,916**	7,793
Equity shareholders' funds	25	**101,441**	51,290

These financial statements were approved by and signed on behalf of the board on 20 September 2006



R K Wood Chief Executive

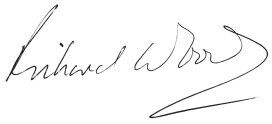
D P Timmins Finance Director

COMPANY **BALANCE SHEET**

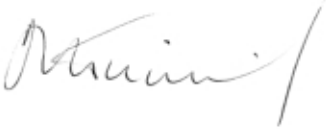
as at 30 June 2006

	Notes	**30 June 2006 £000**	31 March 2005 restated (note 25 and 26) £000
Fixed assets			
Tangible assets	12	**622**	448
Investments	13	**240,066**	48,745
		240,688	49,193
Current assets			
Debtors	15	**26,085**	21,800
Cash at bank and in hand		**2**	636
		26,087	22,436
Creditors: Amounts falling due within one year	17	**(35,093)**	(23,592)
Net current liabilities		**(9,006)**	(1,156)
Total assets less current liabilities		**231,682**	48,037
Creditors: Amounts falling due after more than one year	18,19,20	**(124,974)**	(157)
Provisions for liabilities and charges	22	**(276)**	(10)
Net assets excluding pension liabilities		**106,432**	47,870
Pension liabilities	32	**(12)**	(158)
Net assets		**106,420**	47,712
Capital and reserves			
Called up share capital	23	**5,524**	3,726
Share premium account	24	**92,187**	39,899
Profit and loss account	24	**8,709**	4,087
Equity shareholders' funds	25	**106,420**	47,712

These financial statements were approved by and signed on behalf of the board on 20 September 2006



R K Wood Chief Executive



D P Timmins Finance Director

	Notes	**15 months ended 30 June 2006 £000**	Year ended 31 March 2005 restated (note 25 and 26) £000
Net cash inflow from operating activities	27	**16,174**	8,687
Dividends received from joint ventures	13	**2,264**	-
Returns on investments and servicing of finance			
Interest received and similar income		**267**	17
Interest paid and similar charges		**(5,202)**	(1,093)
Interest element of finance lease and hire purchase rental payments		**(16)**	(43)
Net cash outflow from returns on investments and servicing of finance		**(4,951)**	(1,119)
Taxation		**(4,517)**	(2,823)
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets	11	**(102)**	(117)
Payments to acquire tangible fixed assets	12	**(11,317)**	(4,725)
Payments to acquire investments	13	**-**	(13)
Receipts from sales of tangible assets		**13,811**	759
Net cash inflow/(outflow) on capital expenditure		**2,392**	(4,096)
Acquisitions and disposals			
Purchase of subsidiaries and businesses		**(198,398)**	(2,225)
Net cash acquired with subsidiaries and businesses	13	**17,312**	-
Receipts from sale of subsidiaries and businesses	4	**9,128**	-
Net cash outflow from acquisitions and disposals		**(171,958)**	(2,225)
Equity dividends paid		**(2,811)**	(2,299)
Net cash outflow before financing		**(163,407)**	(3,875)

CONSOLIDATED **STATEMENT OF CASH FLOWS**

for the 15 month period ended 30 June 2006

	Note	**15 months ended 30 June 2006** £000	Year ended 31 March 2005 restated (note 25 and 26) £000
Net cash outflow before financing		**(163,407)**	(3,875)
Financing			
Repayment of loan notes		**(1,568)**	(1,637)
New bank loans		**147,928**	437
Debt issue costs		**(2,243)**	-
Repayment of bank loans		**(22,914)**	(1,395)
New finance leases		**273**	154
Repayments of capital element of finance leases and hire purchase rental payments		**(691)**	(1,103)
Share buyback in respect of Share register rationalisation		-	(196)
Issue of new ordinary shares		**54,086**	3,134
Net cash inflow/(outflow) from financing		**174,871**	(606)
Increase/(decrease) in cash		**11,464**	(4,481)

Analysis of changes in net debt during the period

	Note	**15 months ended 30 June 2006** £000	Year ended 31 March 2005 restated (note 25 and 26) £000
Increase/(decrease) in cash in the period		**11,464**	(4,481)
Repayment of loan notes		**1,568**	1,637
New long term loans		**(147,928)**	(437)
Repayment of bank loans		**22,914**	1,395
Debt issue costs		**2,243**	-
New finance leases		**(273)**	(154)
Repayment of capital element of finance lease contracts		**691**	1,103
Change in net debt resulting from cash flows		**(109,321)**	(937)
Exchange differences and other non-cash movements	28	**621**	211
Movement in net debt in the period		**(108,700)**	(726)
Net debt at start of period	28	**(8,184)**	(7,458)
Net debt at end of period	28	**(116,884)**	(8,184)

1. Accounting Policies

Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, in accordance with the Companies Act 1985 and United Kingdom applicable accounting standards.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding year with the exception of FRS17 "Accounting for Retirement Benefits" as explained in Note 26 and FRS 21 "Events after the balance sheet date", as explained in note 25.

Certain balances reported in 2005 have been reclassified to conform to the 2006 presentation including cash at bank and in hand to other debtors, and accruals and deferred income.

Basis of consolidation

The Group financial statements consolidate the financial statements of Genus plc (the company) and its subsidiary undertakings made up to 30 June, together with the Group's share of the profits and post acquisition reserves of joint ventures, which have been accounted for under the gross equity method. No profit and loss account is presented for the holding company as permitted by Section 230 of the Companies Act 1985.

The results of subsidiaries acquired or sold are consolidated from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Turnover

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

The principle components of the Group's turnover and their respective accounting treatments are:

- Revenue from the sale of products is recognised upon transfer of risks and rewards, either upon shipment to customers or at the time of delivery depending on the terms of sale.
- Royalties are recognised when receivable.
- Long term contracts are reviewed individually on a consistent basis to assess costs to completion and enable the assessment of the outcome of the contract. Turnover 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.

Goodwill

For acquisitions made on or after 1 April 1998 positive goodwill is capitalised as an intangible fixed asset and amortised on a straight line basis through the profit and loss account over its useful economic life to a maximum of 20 years. It is reviewed for impairment at the end of its first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill arising on acquisitions prior to 1 April 1998 has been eliminated against reserves and has not been re-instated on implementation of FRS 10.

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Fixed assets, depreciation and amortisation

Fixed assets, with the exception of the MOET herd, are stated at cost, together with any incidental expenses of acquisition or at their latest valuation, less depreciation and any provision for impairment. Depreciation and amortisation is calculated to write off the assets to their estimated residual values over their estimated useful lives on a straight line basis. Milk quota is amortised on a straight line basis over 10 years. The rates of annual depreciation on tangible fixed assets are as follows:

Freehold land	Nil
Freehold buildings	2% - 10%
Leasehold buildings	over the term of the lease
Equipment	5% - 33 1/3%
Motor vehicles	20% - 30%
Livestock	14% - 100%

The MOET herd is initially stated at cost less any provision for impairment in accordance with FRS 11, which is reviewed annually. An annual charge for depreciation is not recorded in respect of the MOET herd as the estimated residual value is not materially different from the carrying value.

The cost of livestock held for breeding purposes includes direct production cost and an apportionment of production related overheads. These animals are classified as fixed assets and are depreciated over their estimated useful lives.

Development costs are amortised over the shorter of the period of the patent, marketing right or licence and the estimated life of the product to which it relates.

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. Current assets investments are stated at lower of cost and net realisable value.

1. Accounting Policies (continued)

Government grants

Government grants and other investment grants are taken to deferred income and are subsequently released to the profit and loss account in appropriate instalments relating to the type and nature of expenditure they are intended to fund.

Leased assets

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over their estimated useful lives. The capital elements of future lease obligations are included as liabilities on the balance sheet. The related finance charges are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding. Rentals under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of the cost incurred in bringing each product to its present location and condition, and net realisable value. Cost represents purchase price or production costs including labour and attributable overheads, based on normal levels of activity. Provision is made for obsolete, slow moving or defective items where applicable.

Pensions

The Group operates defined benefit schemes for some of its employees. During the period, the Company has adopted Financial Reporting Standard (FRS) 17, "Accounting for Retirement Benefits", in these accounts. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of the prior year adjustment is given in Note 25.

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 is deducted. The discount rate is the yield at the balance sheet date on AA rated corporate bonds that have maturity dates approximating to the terms of the Group's obligations. The calculations are performed by qualified actuaries.

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 immediately in the statement of total recognised gains and losses.

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.

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. Difference 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.

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 Group'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 except for exchange differences on the net investment in, and long term funding loans to, subsidiaries.

The results of overseas operations are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the re-translation of opening net assets is reported in the Statement of total recognised gains and losses. All other exchange differences are taken to the profit and loss account, with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against investments in overseas subsidiaries. These are taken directly to the Statement of total recognised gains and losses. Tax charges and credits attributed to exchange differences on those borrowings are also taken to the Statement of total recognised gains and losses.

1. Accounting Policies (continued)

Research and development

Research and development expenditure is written off as incurred.

Treasury shares

The Company has adopted UITF Abstract 38, Accounting for ESOP Trusts, which requires the assets and liabilities associated with the Group's investment in its own shares to be recognised in the Group'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 Group 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 market 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.

Financial instruments

Information about the management of financial instruments and their impact on the Group's risk, profile, performance and financial condition is included in Note 21. The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The Group also uses interest rate swaps to adjust interest rate exposures.

The Group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

Forward foreign currency contracts

The criteria for forward currency contracts to be treated as a hedge are:

- the instrument must hedge an identified and probable foreign currency asset or liability;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the Group's operations.

The contract rates are used to record the hedged items. As a result, the gains and losses on the hedging instruments are offset against those on the related financial assets and liabilities. Where the instrument is used to hedge a committed or probable future transaction, the gains and losses on the hedging instrument are not recognised until the transaction occurs.

Interest rate swaps

The Group's criteria for interest rate swaps to be treated as a hedge are:

- the instrument must hedge an identified asset or liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials under these swaps, adjusting net interest payable over the period of the contract. are recognised by accruing the net interest payable. Interest rate swaps are not revalued to fair value or shown on the Group balance sheet at the period end.

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.

2. Turnover and Segmental Analysis

	Turnover		Operating profit before goodwill amortisation and exceptional items	
	15 months ended 30 June 2006	Year ended 31 March 2005	**15 months ended 30 June 2006**	Year ended 31 March 2005 restated (note 25 and 26)
	£000	£000	**£000**	£000
Area of activity				
Group and share of joint ventures:				
Bovine Genetics	**120,021**	83,575	**12,999**	10,261
Porcine Genetics	**88,809**	-	**11,757**	-
Development Consulting	**29,582**	23,954	**1,119**	792
Animal Health	**9,889**	6,850	**2,233**	1,354
Unallocated costs excluding LTIP	**-**	-	**(4,967)**	(1,946)
LTIP	**-**	-	**(946)**	(102)
Less: Share of joint ventures (Porcine Genetics)	**(7,288)**	-	**-**	-
Continuing operations before Shrimp Genetics	**241,013**	114,379	**22,195**	10,359
Shrimp Genetics	**3,760**	-	**67**	-
Continuing operations	**244,773**	114,379	**22,262**	10,359
Inter-segmental sales	**(309)**	(475)	**-**	-
Discontinued operations	**42,771**	69,345	**343**	572
Total	**287,235**	183,249	**22,605**	10,931

Results for the acquired Porcine Genetics and Shrimp Genetics businesses relate to acquisitions made during the period.

	Operating profit		Net assets	
	15 months ended 30 June 2006	Year ended 31 March 2005	**15 months ended 30 June 2006**	Year ended 31 March 2005 restated (note 25 and 26)
	£000	£000	**£000**	£000
Area of activity				
Group and share of joint ventures:				
Bovine Genetics	**10,925**	9,268	**55,766**	39,715
Porcine Genetics	**6,124**	-	**40,439**	-
Development Consulting	**1,081**	762	**2,717**	1,246
Animal Health	**1,689**	868	**1,783**	19,137
Unallocated costs excluding LTIP	**(4,967)**	(1,946)	**-**	-
Unallocated	**-**	-	**4,820**	(8,808)
LTIP	**(946)**	(102)	**-**	-
Less: Share of joint ventures (Porcine Genetics)	**(732)**	-	**-**	-
Continuing operations before Shrimp Genetics	**13,174**	8,850	**105,525**	51,290
Shrimp Genetics	**(2,390)**	-	**(4,084)**	-
Continuing operations	**10,784**	8,850	**101,441**	51,290
Discontinued operations	**(2,062)**	334	**-**	-
Total	**8,722**	9,184	**101,441**	51,290

Discontinued operations relate to the divestment of non-core veterinary and dental product wholesale businesses and non core Syaqua shrimp genetics business in Brazil.

2. Turnover and Segmental Analysis (continued)

	Turnover		Operating profit	
	15 months ended 30 June 2006	Year ended 31 March 2005	**15 months ended 30 June 2006**	Year ended 31 March 2005 restated (note 25 and 26)
	£000	£000	**£000**	£000
Geographical region of origin				
Group and share of joint ventures:				
United Kingdom	**85,301**	68,677	**7,577**	6,182
Europe	**44,338**	5,063	**2,779**	1,632
North America	**87,839**	32,373	**3,065**	332
Rest of the world	**34,583**	8,266	**4,008**	2,752
Unallocated costs excluding LTIP	**-**	-	**(4,967)**	(1,946)
LTIP	**-**	-	**(946)**	(102)
Less: Share of joint ventures (Porcine Genetics)	**(7,288)**	-	**(732)**	-
Continuing operations	**244,773**	114,379	**10,784**	8,850
Inter-segmental sales	**(309)**	(475)	**-**	-
Discontinued operations	**42,771**	69,345	**(2,062)**	334
Total	**287,235**	183,249	**8,722**	9,184

Discontinued turnover and operating profit derives from the veterinary product and dental wholesale distribution businesses (formerly part of the Animal Health division), which originates in the United Kingdom and from the shrimp genetics business in Brazil, which originates in the Rest of the world.

	Turnover		Net assets	
	15 months ended 30 June 2006	Year ended 31 March 2005	**15 months ended 30 June 2006**	Year ended 31 March 2005 restated (note 25 and 26)
	£000	£000	**£000**	£000
Geographical region of destination				
United Kingdom	**53,709**	43,552	**7,290**	39,503
Europe	**60,305**	19,652	**6,730**	2,172
North America	**73,592**	24,522	**64,149**	14,137
Rest of the world	**56,858**	26,178	**18,452**	4,286
Unallocated costs	**-**	-	**4,820**	(8,808)
Continuing operations	**244,464**	113,904	**101,441**	51,290
Discontinued operations	**42,771**	69,345	**-**	-
Total	**287,235**	183,249	**101,441**	51,290

Discontinued turnover was made to customers in the United Kingdom and in the Rest of the world.

3. Other Exceptional Items

Other exceptional items of £2,655,000 in the period to 30 June 2006 comprise £1,664,000 relating to the integration and restructuring of the Porcine Genetics business, £406,000 relating to costs associated with the closure of the Strategic Consulting business, £470,000 relating to the restructuring of the Group's UK Bovine operation and £115,000 relating to integration of Shrimp Genetics.

Following the decision to divest the Shrimp Genetics business, an exceptional impairment of net assets of £2,342,000 has been recognised in operating profit in the period, to write down the carrying value of the net assets of this business segment to its estimated recoverable amount, excluding any future operating losses and costs of disposal.

4. Discontinued Operations

On 28 October 2005, the Group completed the divestment of its non-core veterinary product wholesale business for a total consideration of £7.1 million in cash. For the year ended 31 March 2005, the business employed 125 staff and generated turnover of £66 million and an operating profit of £0.4 million before allocation of central costs, on net assets of £6 million. The loss on disposal of this business after write off of goodwill amounts to £2,056,000.

On 22 February 2006, the Group completed the divestment of its non-core dental product wholesale business for a total of £1m in cash. For the year ended 31 March 2005, the business employed 16 staff and generated turnover of approximately £3.0m and an operating profit of £0.1m before allocation of central costs, on net assets of £0.8m. The loss on disposal of this business after write off of goodwill amounts to £532,000.

On 7 June 2006, the Group announced its intention to withdraw from Shrimp Genetics business and on 12 June 2006 the Group completed the divestment of its non-core Shrimp Genetics business in Brazil for a total of $6.0 million (£3.25 million) in cash. For the year ended 30 June 2005, the business employed 179 staff and generated turnover of £2.1 million and an operating profit of £0.25 million before allocation of central costs on net assets of £3.6 million. The profit on disposal of this business after write back of impairment provisions amounts to £629,000.

The total net proceeds from the sale of businesses in the period amounted to £11,350,000, net proceeds amounted to £9,128,000.

5. Operating Profit

Operating costs comprise:

	15 months ended 30 June 2006 Continuing operations £000	**15 months ended 30 June 2006 Discontinued operations £000**	**15 months ended 30 June 2006 Total £000**	Year ended 31 March 2005 restated (note 25 and 26) £000
Cost of sales	**106,900**	**34,908**	**141,808**	109,526
Distribution costs	**65,022**	**3,071**	**68,093**	40,900
Administrative expenses				
- Administrative expenses excluding exceptionals	**56,761**	**4,615**	**61,376**	23,639
- Exceptional items	**4,997**	**2,239**	**7,236**	-
Total administrative expenses	**61,758**	**6,854**	**68,612**	23,639

Operating profit is stated after charging/(crediting):

		15 months ended 30 June 2006 £000	Year ended 31 March 2005 restated (note 25 and 26) £000
Auditors' remuneration			
- audit services		**433**	212
- audit related services (£415,000 relating to the acquisition of Sygen International plc)		**528**	60
- tax related services		**529**	-
Depreciation of owned fixed assets		**7,238**	3,112
Depreciation of assets held under finance leases and hire purchase contracts		**332**	437
Amortisation of milk quota		**7**	8
Amortisation of goodwill		**6,647**	1,747
Impairment of goodwill		**2,239**	-
Operating lease rentals			
- plant and machinery		**1,178**	454
- other		**1,909**	708
Research and development expenditure	- Current period	**12,068**	6,049
	- Prior period	**158**	124
(Profit)/loss on sale of fixed assets		**(564)**	1

£50,000 (2005: £53,000) of auditors' remuneration for audit services relates to the Company.

6. Net Interest Payable and Similar Charges

	15 months ended 30 June 2006 £000	Year ended 31 March 2005 restated (note 25 and 26) £000
Interest payable on bank loans and overdrafts	**6,212**	1,036
Interest payable on loan notes	**-**	39
Finance charges payable under finance lease and hire purchase contracts	**16**	43
Amortisation of debt issue costs	**318**	72
Net interest cost in respect of pension schemes	**344**	183
Other similar charges	**83**	13
Total interest and similar charges payable	**6,973**	1,386
Bank interest receivable	**(265)**	-
Other interest receivable	**(117)**	-
Total interest receivable	**(382)**	-
Net interest payable	**6,591**	1,386

7. Taxation

(a) Tax on profit on ordinary activities

The taxation charge for the period is made up as follows

	15 months ended 30 June 2006 £000	Year ended 31 March 2005 restated (note 25 and 26) £000
UK corporation tax	**(433)**	1,223
Adjustment in respect of previous periods – UK corporation tax	**(1,135)**	(32)
Total UK tax	**(1,568)**	1,191
Overseas tax	**5,182**	847
Adjustment in respect of previous periods – Overseas tax	**452**	(234)
Total Overseas tax	**5,634**	613
Total current tax (note 7(b))	**4,066**	1,804
Deferred tax - origination and reversal of timing differences	**(532)**	627
- adjustment in respect of previous periods	**(442)**	(238)
Group deferred tax (note 16)	**(974)**	389
Tax on profit on ordinary activities	**3,092**	2,193

The tax effect of disposals of properties, investments and businesses amounted to £nil (2005: £nil).

Overseas tax includes £116,000 in respect of joint ventures.

Included in the current tax charge of £4,066,000 (2005: £1,804,000) is a credit of £62,000 (2005: £200,000 current period and £300,000 prior period) relating to claims made in respect of research and development costs. Of this amount £62,000 relates to current period and £nil relates to prior years.

Also included are prior year credits of £635,000 (2005: £300,000) which are exceptional in nature (note 9).

7. Taxation (continued)

(b) Factors affecting the tax charge for the period

The tax charged for the period is higher (2005: lower) than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	15 months ended 30 June 2006 £000	Year ended 31 March 2005 restated (note 25 and 26) £000
Profit on ordinary activities before tax	**2,827**	8,096
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**848**	2,429
Effects of:		
Expenses not deductible for tax purposes (including goodwill amortisation)	**2,810**	321
Current period research and development credits	**(62)**	(200)
Tax effect of timing differences arising in the accounts	**1,100**	(708)
Adjustments to tax charge in respect of previous periods	**(683)**	(266)
Overseas tax rates higher than in UK	**53**	228
Total current tax (note 7(a))	**4,066**	1,804

(c) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of trading losses in certain foreign tax jurisdictions as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £13,530,405 (2005: £825,332) and is recoverable against future relevant profits.

8. Dividend

	15 months ended 30 June 2006			Year ended 31 March 2005 restated (note 25 and 26)
	Per share	**£000**	Per share	£000
Prior year dividend on shares issued after period end		**23**		-
Dividend paid in the period	**7.5p**	**2,788**	6.5p	2,299
		2,811		2,299

The Director's propose a dividend to be paid of 8.25p per share. This proposed dividend is not recorded in the accounts in accordance with FRS 21.

9. Earnings per Share

The basic earnings per share is based on a loss after tax for the period of £265,000 (2005: profit of £5,903,000) and the weighted average number of ordinary shares in issue of 45,331,452 (2005: 36,208,931).

The adjusted earnings per share of 25.0p (2005: 19.0p) is based on adjusted earnings as set out below and the weighted average number of ordinary shares in issue.

	15 months ended 30 June 2006 £000	Year ended 31 March 2005 restated (note 25 and 26) £000
Profit before tax	**2,827**	8,096
Add: Exceptional impairment of goodwill	**2,239**	-
Exceptional impairment of Syaqua assets	**2,342**	-
Other exceptional items	**2,655**	-
Amortisation of goodwill	**6,647**	1,747
Loss on sale of discontinued operations	**1,959**	-
Profit on disposal of properties	**(1,923)**	(298)
Less: taxation	**(3,092)**	(2,193)
	13,654	7,352
Less: Associated taxation on adjustments	**(1,679)**	(179)
Tax credits relating to prior years (note 7)	**(635)**	(300)
Adjusted earnings	**11,340**	6,873

The diluted earnings per share is based on a loss for the period of £265,000 (2005: profit of £5,903,000) and on 46,415,578 (2005: 36,755,735) diluted weighted average ordinary shares, calculated as follows:

	15 months ended 30 June 2006 £000	Year ended 31 March 2005 restated (note 25 and 26) £000
Basic weighted average number of shares	**45,331**	36,209
Dilutive potential ordinary shares:		
Employee share options	**1,085**	547
	46,416	36,756

10. Employees

Staff costs including directors' remuneration during the period amounted to:

	2006 £000	2005 £000
Wages and salaries	**64,399**	29,036
Social security costs	**5,601**	4,644
Other pension costs	**1,785**	1,098
	71,785	34,778

The average monthly number of employees including executive directors during the period was as follows:

	2006 £000	2005 £000
Production and service	**1,089**	634
Distribution	**1,411**	454
Administration	**283**	213
	2,783	1,301

Details of directors' remuneration, pensions and share options are included in the Report on Directors' Remuneration on pages 18 to 23.

11. Intangible Fixed Assets

Group

	Goodwill £000	Milk Quota £000	Licences £000	Total £000
Cost:				
At 1 April 2005	38,267	126	117	38,510
Additions	158,765	-	102	158,867
Disposals	(5,790)	-	-	(5,790)
Exchange rate adjustment	251	-	-	251
At 30 June 2006	**191,493**	**126**	**219**	**191,838**
Amortisation:				
At 1 April 2005	12,329	119	-	12,448
Charge in the period	6,647	7	-	6,654
Disposals	(4,070)	-	-	(4,070)
Impairment on disposal of business	2,239	-	-	2,239
Exchange rate adjustment	32	-	-	32
At 30 June 2006	**17,177**	**126**	**-**	**17,303**
Net book value:				
At 30 June 2006	**174,316**	**-**	**219**	**174,535**
At 1 April 2005	25,938	7	117	26,062

Goodwill arising on acquisitions is amortised over the directors' estimate of the useful life of 20 years.

The cumulative amount of goodwill written off directly to reserves at 30 June 2006 is £1,368,000 (2005: £1,368,000).

Additions during the period can be summarised as follows:

	£000
Acquisition of Sygen International plc (see note 13)	**157,059**
Acquisition of Australian bovine distributors	**1,706**
Licences	**102**
	158,867

The licences relate to costs incurred in obtaining marketing rights for the distribution of certain veterinary pharmaceutical products in the United Kingdom. No amount has been amortised since regulatory approval has not been obtained.

12. Tangible Fixed Assets

Group

	Land and buildings £000	Motor vehicles and equipment Owned £000	Leased £000	Livestock £000	Total £000
Cost:					
At 1 April 2005	8,475	14,477	4,989	5,944	33,885
Additions	2,288	2,756	179	6,094	11,317
Acquisitions	35,047	27,569	-	4,333	66,949
Disposals	(3,502)	(12,861)	(3,304)	(7,251)	(26,918)
Exchange rate adjustment	(2,454)	(2,278)	-	309	(4,423)
At 30 June 2006	**39,854**	**29,663**	**1,864**	**9,429**	**80,810**
Depreciation:					
At 1 April 2005	1,964	9,619	2,804	2,801	17,188
Acquisitions	18,888	18,033	-	1,982	38,903
Charge in the period	1,102	2,704	332	3,432	7,570
Disposals	(1,418)	(7,797)	(2,698)	(3,681)	(15,594)
Exchange rate adjustment	(1,236)	(1,209)	-	113	(2,332)
At 30 June 2006	**19,300**	**21,350**	**438**	**4,647**	**45,735**
Net book value:					
At 30 June 2006	**20,554**	**8,313**	**1,426**	**4,782**	**35,075**
At 1 April 2005	6,511	4,858	2,185	3,143	16,697

As at 30 June 2006 and 31 March 2005, the MOET herd was included in the livestock balance at a cost of £1,817,000 and net book value of £509,000.

As at 30 June 2006 leasehold buildings with a net book value of £1,026,000 were included within land and buildings (2005: £388,000). All other land and buildings are freehold.

During the period certain motor vehicles were sold and leased back generating net cash flow of £2,500,000 and producing a profit on disposal of £100,000.

Company

	Leasehold Land and Buildings £000	Motor vehicles and equipment Owned £000	Total £000
Cost:			
At 1 April 2005	15	656	671
Additions	218	74	292
At 30 June 2006	**233**	**730**	**963**
Depreciation:			
At 1 April 2005	12	211	223
Charge for the period	13	105	118
At 30 June 2006	**25**	**316**	**341**
Net book value:			
At 30 June 2006	**208**	**414**	**622**
At 1 April 2005	3	445	448

13. Investments

Group	Joint Ventures £000
Cost	
At 1 April 2005	-
Acquisitions	4,208
Share of joint venture profits retained	732
Dividends received	(2,264)
Exchange rate adjustment	(397)
At 30 June 2006	**2,279**

Group	Trade Investments Unlisted £000
Cost:	
At 1 April 2005	269
Additions	123
Acquisitions	938
Disposals	(589)
Exchange rate adjustment	14
At 30 June 2006	**755**

	£000
The carrying value of joint ventures at 30 June 2006 is represented by:	
Share of gross assets	3,562
Share of gross liabilities	(1,283)
	2,279

Material investments in joint ventures represent the Group's share of the net assets of the following businesses:

Name	Country	Proportion of voting rights held
Agroceres – PIC Suinos	Brazil	49%
Hybridschweine Cooperations GmbH	Germany	50%
Hu Mei Pig Improvement Co. Ltd	China	50%

The joint ventures operate within the porcine division.

13. Investments (continued)

Company

	Loans to subsidiary undertakings £000	Shares in subsidiary undertakings £000	Total £000
Cost:			
At 1 April 2005	5,731	47,156	52,887
Additions	-	197,088	197,088
Transferred to Debtors - amounts owed by subsidiaries	(5,731)	-	(5,731)
At 30 June 2006	**-**	**244,244**	**244,244**
Provision for impairment:			
At 1 April 2005	-	4,142	4,142
Written off	-	36	36
At 30 June 2006	**-**	**4,178**	**4,178**
Net book value:			
At 30 June 2006	**-**	**240,066**	**240,066**
At 1 April 2005	5,731	43,014	48,745

Analysis of significant acquisition during the period:

On 2 December 2005, the company purchased 100% of the issued share capital of Sygen International plc for a total cash consideration of £193.2m. The total provisional fair value adjustments required to the book values of the assets and liabilities of Sygen International plc in order to present the net assets at fair values in accordance with group accounting policies were £17.1m, details of which are set out below, together with the resultant amount of goodwill arising. The purchase has been accounted for as an acquisition.

From the date of acquisition to 30 June 2006, Sygen International plc contributed £86.7 million to turnover and £11.8 million to operating profit before goodwill amortization and exceptional items. The acquisition contributed £6.7 million to the Group's net operating cash flows and paid £0.7 million in respect of interest and £1.2 million in respect of taxation.

In the last financial year to 30 June 2005, Sygen International plc made a profit after tax and minority interests of £3.2m. The summarised profit and loss account for the period from 1 July 2005 to 2 December 2005 prior to the acquisition is as follows:

	£000
Turnover	60,855
Operating Profit before exceptional items	3,688
Exceptional items	(8,124)
Operating loss	(4,436)
Loss before taxation	(4,265)
Taxation	(1,300)
Loss after taxation	(5,565)
Loss attributable to shareholders	(5,711)

Exceptional items include £6.2m in respect of advisors fees incurred by Sygen International plc on sale of their business to Genus and £1.2m in respect of fees relating to an aborted acquisition.

13. Investments (continued)

Analysis of book values at acquisition and provisional fair values:

Sygen International plc acquisition	Book value £000	Revaluations £000	Accounting policy alignment £000	Other £000	**Professional fair value £000**
Fixed assets					
Intangible fixed assets	9,474	(9,474)	-	-	**-**
Tangible fixed assets	28,346	(300)	-	-	**28,046**
Investments including joint ventures	4,662	484	-	-	**5,146**
Current assets					
Stock	7,835	(1,128)	-	(16)	**6,691**
Debtors	18,201	-	-	369	**18,570**
Cash	17,380	-	-	-	**17,380**
Total assets	85,898	(10,418)	-	353	**75,833**
Creditors					
Creditors	(16,871)	-	(689)	(6,128)	**(23,688)**
Provisions					
- Surplus property	(2,826)	(406)	-	-	**(3,232)**
- Post retirement benefit liabilities	(5,174)	-	-	(2,310)	**(7,484)**
- Sale of businesses	(2,007)	-	-	(876)	**(2,883)**
- Restructuring	(690)	-	-	260	**(430)**
Taxation					
- Current/prepaid	(2,615)	-	-	36	**(2,579)**
- Deferred	(2,031)	-	-	3,065	**1,034**
Loans	(473)	-	-	-	**(473)**
Total creditors	(32,687)	(406)	(689)	(5,953)	**(39,735)**
Net assets	53,211	(10,824)	(689)	(5,600)	**36,098**
Goodwill					**157,059**
					193,157
Consideration satisfied by:					
Cash (including acquisition costs of £4,324,000)					**193,157**

Revaluation of intangible fixed assets represents the elimination of goodwill in the balance sheet of Sygen International plc.

Revaluation adjustments in respect of tangible fixed assets comprise the valuations of certain freehold properties.

Revaluation of stock reflects the write-down to estimated realizable value.

Revaluation of surplus property provision reflects the recalculation of liabilities to cover future rents.

The fair value adjustment for alignment of accounting policies reflects the establishment of credit note provisions in accordance with Genus plc group policies.

'Other' fair value adjustments include a revision in bad debt reserves, an increase in creditors in respect of change of control payments made to former Sygen International plc directors and senior management, recognition of additional post retirement benefit liabilities net of deferred tax in accordance with FRS 17 and an increase in sale of business provision relating to environmental contractual guarantees, for past disposals made by Sygen International plc.

No deferred tax has been recognised on the fair value adjustments on non-monetary fixed assets. However, the book value of deferred tax liability of £2.0 million was reduced by a deferred tax asset of £3.1 million in respect of various fair value adjustments arising on the acquisition in accordance with FRS 19.

The Group has also acquired three Australian distribution businesses for £5,241,000 and provisional goodwill amounting to £1,706,000 is included within intangible fixed assets.

Cash paid on acquisitions during the period:

	£000
Sygen International plc	**193,157**
Australian Bovine distributors	**5,241**
	198,398

13. Investments (continued)

Principal Subsidiary Undertakings

The principal subsidiaries of Genus plc and their main activities are set out below. Except where shown, all 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	Proportion of voting rights and shares held		Nature of business
ABS Global Inc (incorporated in United States)	US$1 Capital stock	100%	(1)	Supply of dairy and beef semen
ABS Italia Srl (incorporated in Italy)	€1 quota capital	100%	(1)	Supply of dairy and beef semen
ABS Mexico SA de CV (incorporated in Mexico)	US$1 Common stock	100%		Supply of dairy and beef semen
ABS Pecplan Ltda (incorporated in Brazil)	RS1 quota stock	100%		Supply of dairy and beef semen
ABS Global (Canada) Inc (incorporated in Canada)	CN$1 common shares	100%		Supply of dairy and beef semen
Animalcare Limited	£1 ordinary shares	100%	(1)	Supply and distribution of veterinary and other products
Genus Australia Pty Ltd (incorporated in Australia)	AU$1 ordinary shares	100%		Supply of dairy and beef semen
Genus Breeding Limited	£1 ordinary shares	100%		Supply of dairy and beef semen
HTS Development Limited	£1 ordinary shares	100%		Consultancy and contract management
Promar International Limited	£1 ordinary shares	100%	(1)	Market research and consultancy
PIC Andina SA (incorporated in Chile)	Peso 1 ordinary shares	100%	(1)	Supply of pigs and semen
PIC-Canada Limited (incorporated in Canada)	CN$1 common shares	100%	(1)	Supply of pigs and semen
PIC Espana SA (Spain) (incorporated in Spain)	€1 capital stock	100%	(1)	Supply of pigs and semen
PIC USA, Inc (incorporated in United States)	US$1 capital stock	100%	(1)	Supply of pigs and semen
Pig Improvement Company Deutschland GmbH (incorporated in Germany)	€1 capital stock	100%	(1)	Supply of pigs and semen
Pig Improvement Company Mexico S.A. de C.V. (incorporated in Mexico)	Peso 1 quota stock	100%	(1)	Supply of pigs and semen
Pig Improvement Company UK Limited	10p ordinary shares	100%	(1)	Supply of pigs and semen

(1) Held by subsidiary undertaking

14. Stocks

	Group	
	2006 £000	2005 £000
Consumable stores	**644**	10
Goods for resale	**13,858**	16,906
Livestock	**6,092**	480
	20,594	17,396

In the directors' opinion the replacement cost of stocks is not materially different from their balance sheet value.

15. Debtors

	Group		Company	
	2006 £000	2005 £000	**2006 £000**	2005 restated (note 25 and 26) £000
Trade debtors	**38,223**	28,816	**-**	-
Amounts recoverable on contracts	**4,983**	4,850	**-**	-
Other debtors	**2,812**	2,338	**159**	672
Amounts owed by subsidiaries	**-**	-	**23,790**	20,174
Prepayments and accrued income	**3,039**	1,330	**252**	130
Deferred Tax (note 16)	**1,287**	-	**-**	-
Other taxes and social security	**2,624**	-	**515**	-
Prepaid corporation tax recoverable	**1,594**	-	**852**	293
Group relief receivable	**-**	-	**517**	531
	54,562	37,334	**26,085**	21,800

Prior period 'Cash at bank and in hand' has been reduced by £716,000 in respect of monies which the Group does not believe meets the definition of cash. This has had the effect of increasing 'Other debtors' by £488,000 and reducing 'Accruals and deferred income' by £228,000.

16. Deferred Tax

The movements in deferred taxation are as follows:

	Group		Company	
	2006 £000	2005 £000	**2006 £000**	2005 £000
At start of period (note 22)	**(923)**	(599)	**(10)**	-
Charged to profit and loss (note 7)	**532**	(627)	**67**	8
Prior Year (note 7)	**442**	238	**(5)**	-
Deferred tax adjustment on financial instruments included in the Statement of total recognised gains and losses	**(328)**	-	**(328)**	-
Foreign exchange	**(111)**	46	**-**	-
Acquisition of Sygen International plc	**1,675**	-	**-**	-
Other movements	**-**	19	**-**	(18)
At end of period (note 15)	**1,287**	(923)	**(276)**	(10)

The amounts provided are as follows:

	Group		Company	
	2006 £000	2005 £000	**2006 £000**	2005 £000
Capital allowances in excess of depreciation	**(681)**	(412)	**(6)**	(25)
Other timing differences	**(95)**	(511)	**(270)**	15
Losses	**2,063**	-	**-**	-
	1,287	(923)	**(276)**	(10)

16. Deferred Tax (continued)

The amounts unprovided are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Losses	**(13,530)**	(825)	**(813)**	(31)
	(13,530)	(825)	**(813)**	(31)

Deferred tax in respect of the Group's defined benefit pension scheme is deducted from the FRS 17 "Accounting for Retirement Benefits" liability (see note 26).

17. Creditors: Amounts falling due within one year

	Note	Group		Company	
		2006	2005 restated (note 25 and 26)	**2006**	2005 restated (note 25 and 26)
		£000	£000	**£000**	£000
Bank loans and overdrafts	19	**14,423**	14,311	**20,035**	22,941
Obligations under finance leases	20	**85**	434	**-**	-
Trade creditors		**15,137**	18,857	**272**	167
Payments on account on contracts		**3,132**	2,938	**-**	-
Other creditors		**2,622**	305	**80**	9
Amounts owed to subsidiaries		**-**	-	**12,622**	-
Corporation and overseas tax		**4,917**	1,008	**-**	-
Other taxes and social security		**4,223**	3,380	**-**	29
Accruals and deferred income		**19,104**	4,160	**2,084**	404
Deferred government grants		**-**	28	**-**	-
Deferred consideration		**-**	42	**-**	42
		63,643	45,463	**35,093**	23,592

The bank loans and overdrafts are secured by fixed and floating charges over certain of the Group's assets.

18. Creditors: Amounts falling after more than one year

	Note	Group		Company	
		2006	2005 restated (note 25 and 26)	**2006**	2005 restated (note 25 and 26)
		£000	£000	**£000**	£000
Bank loans and overdrafts	19	**125,256**	157	**124,974**	157
Obligations under finance leases	20	**56**	125	**-**	-
		125,312	282	**124,974**	157

19. Bank Loans and Overdrafts

	Notes	Group		Company	
		2006	2005 restated (note 25 and 26)	**2006**	2005 restated (note 25 and 26)
		£000	£000	**£000**	£000
Amounts falling due:					
In one year or less or on demand		**14,423**	14,347	**20,035**	22,977
In more than one year but not more than two years		**12,563**	152	**12,563**	152
In more than two years but not more than five years		**114,619**	5	**114,337**	5
		141,605	14,504	**146,935**	23,134
Less: issue costs		**(1,926)**	(36)	**(1,926)**	(36)
		139,679	14,468	**145,009**	23,098
Less: included in creditors - amounts falling due within one year	17	**(14,423)**	(14,311)	**(20,035)**	(22,941)
		125,256	157	**124,974**	157
Loans comprise:					
Bank loans and overdrafts – due within one year		**14,423**	14,347	**20,035**	22,977
Bank loans and overdrafts – due after more than one year		**12,563**	152	**12,563**	152
Bank loans and overdrafts – In more than two years but not more than five years		**114,336**	5	**114,337**	5
Loan notes		**283**	-	**-**	-
		141,605	14,504	**146,935**	23,134

The bank loans, overdrafts and loan notes are secured by a floating charge over the assets of the Group's significant subsidiaries, a list of which appears in note 13.

The Group has secured bank credit facilities with Barclays Bank PLC. These comprise a three year term repayable on 26 October 2008 (£30,000,000) and a five year term repayable in instalments between 26 October 2006 and 26 October 2010 (£70,000,000), and a five year £70,000,000 multi currency revolving credit facility repayable on 26 October 2010.

In January 2006, as part of its interest rate strategy the Group entered into two interest rate swaps (2005:nil). As a result bank loan and overdrafts include £95,000,000 fixed at 4.74% and $61,500,000 fixed at 5.05% over terms of five years.

20. Obligations under Finance Leases and Hire Purchase Contracts

The maturity of these is as follows:

	Group	
	2006	2005
	£000	£000
Amounts payable:		
Within one year	**85**	434
In more than one year but less than two years	**56**	101
In more than two years but less than five years	**-**	24
	141	559

21. Derivatives and Other Financial Instruments

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments can be found in the Finance Director's Review on pages 10 to 12. The accounting policy for derivative instruments is set out in note 1.

Short term debtors and creditors are excluded from the analyses below (except for the currency analyses) as permitted by FRS 13.

21. Derivatives and Other Financial Instruments (continued)

Interest rate risk profile of financial assets and liabilities

Currency	Financial assets (cash) Floating rate £000	Financial liabilities Fixed rate £000	Financial liabilities Floating rate £000	Net financial (assets)/ liabilities £000
2006				
Sterling	**(18,364)**	**120,236**	**17,997**	**119,869**
US Dollar	**(1,786)**	**282**	**(1,682)**	**(3,186)**
Euro	**(1,231)**	**412**	**298**	**(521)**
Australian Dollar	**-**	**4,481**	**236**	**4,717**
Other	**(1,555)**	**-**	**436**	**(1,119)**
	(22,936)	**125,411**	**17,285**	**119,760**
2005				
Sterling	(486)	430	10,724	10,668
US Dollar	(4,127)	21	128	(3,978)
Euro	(1,446)	-	414	(1,032)
Australian Dollar	(146)	2,951	-	2,805
Other	(1,354)	-	359	(995)
	(7,559)	3,402	11,625	7,468

Financial assets include cash but exclude trade investments. Trade investments at 30 June 2006 amounted to £755,000 (2005: £269,000) and are non interest-bearing in both periods.

Currency	Fixed rate financial liabilities Weighted average interest rate %	Fixed rate financial liabilities Weighted average period for which rate is fixed years
2006		
Sterling	**4.89**	**3.55**
US Dollar	**5.05**	**-**
Australian Dollar	**6.38**	**0.27**
2005		
Sterling	5.04	1.30
US Dollar	7.38	0.33
Australian Dollar	6.29	0.77

Fixed rate financial liabilities consist of bank loans and overdrafts taken out following the acquisition of Sygen International plc, finance leases and Australian dollar borrowings under the multi-option facility.

Floating rate financial liabilities comprise sterling denominated bank loans, overdrafts and loan notes that bear interest at rates based on LIBOR.

21. Derivatives and Other Financial Instruments (continued)

Currency exposures

The table below shows the Group's currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating currency of the operating unit involved. The balances concerned are reviewed by the Group and hedged as necessary to avoid incurring currency losses.

Functional currency of Group operations	Net currency monetary assets/(liabilities) US Dollar £000	Canadian Dollar £000	Australian Dollar £000	Euro £000	Other £000	Total £000
2006						
Sterling	**1,908**	**-**	**(954)**	**1,113**	**-**	**2,067**
US Dollar	**-**	**(7,433)**	**-**	**-**	**-**	**(7,433)**
Euro	**(46)**	**-**	**-**	**-**	**-**	**(46)**
Australian Dollar	**(3,161)**	**-**	**-**	**-**	**(283)**	**(3,444)**
Other	**188**	**-**	**-**	**-**	**123**	**311**
	(1,111)	**(7,433)**	**(954)**	**1,113**	**(160)**	**(8,545)**
2005						
Sterling	414	-	(2,482)	768	(550)	(1,850)
US Dollar	-	(4,976)	-	(2)	(341)	(5,319)
Euro	(89)	-	-	-	(11)	(100)
Australian Dollar	(1,756)	-	-	-	(48)	(1,804)
	(1,431)	(4,976)	(2,482)	766	(950)	(9,073)

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 30 June 2006 was as follows:

	2006 £000	2005 £000
Amounts falling due:		
In one year or less or on demand	**14,423**	14,745
In more than one year but not more than two years	**12,563**	282
In more than two years but not more than five years	**112,693**	-
	139,679	15,027

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 30 June in respect of which all conditions precedent had been met at that date are as follows:

	2006 £000	2005 £000
Expiring in one year or less	**-**	9,721
Expiring in more than one year but not more than two years	**-**	-
Expiring in more than two years	**22,072**	-
	22,072	9,721

Hedges

The Group's policy is to monitor net transactional currency exposures and future contracted sales, in order to hedge such exposures, where appropriate.

There were no forward contracts or options on foreign currency liabilities entered into in the normal course of business at 30 June 2006 (2005: £nil).

The recognised gains included in the profit and loss account on forward exchange contracts taken out in previous years amounted to £nil (2005: £2,000)

The Group has entered into an interest rate swap and a cross currency swap during the financial year in order to manage its interest rate profile and to partially match the value of its net assets held in the USA.

Fair values

Set out below is a comparison of book values and fair values of the Group's financial assets and liabilities at 30 June 2006.

Derivative financial instruments held to manage interest rate and currency

	2006		2005	
	Book Value £000	**Fair Value £000**	Book Value £000	Fair Value £000
Interest rate swaps	**-**	**1,114,326**	-	-
Currency swaps	**1,092,000**	**1,813,390**	-	-

22. Provisions for Liabilities and Charges

Group	Surplus properties £000	Post retirement benefits £000	Sale of business £000	European restructuring £000	Deferred tax £000	Total £000
At 1 April 2005	-	-	-	-	923	923
Acquisition	3,232	1,320	2,883	430	-	7,865
Cash (paid)	(623)	(54)	(564)	(346)	-	(1,587)
Charged/(credited) to profit and loss account	27	(45)	-	-	-	(18)
Provided/(released) in the period	66	-	-	-	-	66
Transferred to debtors	-	-	-	-	(923)	(923)
Unwind of discount	76	49	-	-	-	125
At 30 June 2006	**2,778**	**1,270**	**2,319**	**84**	**-**	**6,451**

The surplus 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 will be utilised over the next 10 years.

Post retirement benefits relate to post retirement health benefit obligations to former Dalgety executives amounting to £1,270,000 (2005: £nil). This provision is expected to be utilised over a period expected to be greater than five years.

The sale of business provision relates to contractual guarantees for environmental provision relating to the sale of the Oklahoma businesses, by Sygen International plc, prior to the acquisition by Genus plc. This provision is expected to be utilised over the next year.

The provision for European restructuring relates to the restructuring of the European pig breeding business. The provision is expected to be utilised over the next year.

Provisions in respect of the parent company relate to deferred taxes, see note 16.

23. Called Up Share Capital

	2006		2005	
	Number	**£000**	Number	£000
Authorised Ordinary shares of 10p	**75,989,400**	**7,599**	43,070,000	4,307
Allotted and fully paid Ordinary shares of 10p	**55,239,010**	**5,524**	37,261,012	3,726

The movements in share capital for the period were as follows:

	Note	**2006 Consideration**		2005 Consideration	
		Number	**£000**	Number	£000
New shares issued	(1)	**16,923,080**	**55,000**	1,000,000	2,100
Issued under the following share option plans –					
Executive	(2)	**360,118**	**629**	845,007	971
Company Share Option Plan	(2)	**114,600**	**334**	25,000	13
Savings Related	(2)	**-**	**-**	54,240	50
Issued to Employee Benefit Trust	(3)	**580,200**	**58**	-	-
		17,977,998	**56,021**	1,924,247	3,134

(1) 16,923,080 shares were issued and placed with institutional investors on 2 December 2005, principally to finance part of the acquisition cost of Sygen International plc.

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

	2006		2005	
	Number	**Price**	Number	Price
Executive	**104,400**	**175p**	207,169	175p
	-	**-**	604,592	90p
	234,161	**173p**	-	-
	21,557	**192.5p**	33,246	192.5p
Company Share Option Plan	**15,600**	**50p**	25,000	50p
	25,000	**162.5p**	-	-
	60,000	**221.5p**	-	-
	14,000	**310.5p**	-	-
Savings Related	**-**	**-**	54,240	93p

23. Called Up Share Capital (continued)

(3) Treasury Shares

The Company's own shares are held by a Qualifying Employee Share Ownership Trust ("QUEST") and 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 shareholders 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:

	2006		2005	
	Number	**Market Value**	Number	Market Value
	£000	**£000**	£000	£000
Shares allocated but not vested	**580,200**	**2,912**	-	-
Unallocated shares	**92,334**	**-**	92,334	294
	672,534	**2,912**	92,334	294

Options outstanding to employees were as follows:

Option scheme	Options granted	Number of shares	Option price per share
(1) 1999 Executive Plan	6 March 2000	91,800	175p
(2) 2000 Company Share Plan	11 June 2002	60,755	173p
(3) 2000 Company Share Plan	6 June 2003	263,272	192.5p
(4) 2004 Company Share Plan	9 September 2004	410,000	221.5p
(5) 2004 Company Share Plan	19 May 2005	347,000	310.5p
(6) 2004 Company Share Plan	7 December 2005	78,740	331.5p
(7) 2004 Company Share Plan	21 June 2006	550,800	439.75p

The options are exercisable (subject to performance conditions being met) between the following dates

(1) 6 March 2003 and 5 March 2010
(2) 11 June 2005 and 10 June 2012
(3) 6 June 2007 and 5 June 2013
(4) 9 September 2007 and 8 September 2014
(5) 19 May 2008 and 18 May 2015
(6) 7 December 2008 and 6 December 2015
(7) 21 June 2009 and 20 June 2016

The options under (1) and (2) are now exercisable. Some share options from (4) and (5) have been exercised in the period when members of the scheme have been made redundant. The options under (4), (5), (6) and (7) can only be exercised if over a three year period the average annual percentage growth in EPS exceeds either 6% or a minimum of 3% above RPI for the same period, unless provisions for "good leavers" have been met when members retire or are made redundant.

In addition to the outstanding share options above, 776,120 conditional shares were awarded to executive directors and certain senior executives on 19 May 2005, 7 December 2005 and 21 June 2006 under the new 2004 Performance Share Plan. In accordance with the terms of this plan, executive directors and certain senior executives are eligible to receive a conditional annual award of shares or nil cost options. Awards will vest after three years, with the proportion of the award vesting being based on growth in Group underlying earnings per share. Further details of the performance conditions attaching to the 2004 Performance Share Plan are given in the report on directors' remuneration.

24. Reserves

	Treasury shares £000	Share premium account £000	Profit and loss account restated (notes 25 and 26) £000
Group			
At 31 March 2005, as previously reported	(128)	39,899	11,520
Prior year adjustment – FRS 17	-	-	(6,515)
FRS 21	-	-	2,788
Reserves at 31 March, restated	(128)	39,899	7,793
Profit for the financial period	-	-	(265)
Dividend paid	-	-	(2,811)
Premium on shares issued	-	52,288	-
Adjustment in respect of employee share schemes	(58)	-	-
2004 Performance Share Plan	-	-	946
Actuarial loss recognised in pension schemes	-	-	(2,202)
Currency translation difference on the re-translation of net assets of subsidiary undertakings	-	-	3,502
Gain on currency swap	-	-	1,092
Deferred tax on currency swap	-	-	(328)
Currency translation difference on borrowings	-	-	(3,811)
At 30 June 2006	**(186)**	**92,187**	**3,916**
Company			
At 31 March 2005, as previously reported		39,899	1,457
Prior year adjustment – FRS 17		-	(158)
FRS 21		-	2,788
Reserves at 31 March, restated		39,899	4,087
Profit for the financial period		-	6,456
Dividend paid		-	(2,811)
Premium on shares issued		52,288	-
2004 Performance Share Plan		-	946
Actuarial loss recognised in pension schemes		-	31
At 30 June 2006		**92,187**	**8,709**

The profit attributable to members of the parent company was £6,456,000 (2005: £2,220,000).

25. Reconciliation of Shareholders' Funds

	2006 restated (note 26) £000	2005 restated (note 26) £000
Group		
Shareholders' funds at 1 April, as previously reported	**51,290**	48,705
Prior year adjustment – FRS 17	**-**	(5,200)
FRS 21	**-**	2,299
Shareholders' funds at 1 April, restated	**51,290**	45,804
Retained (loss)/profit for the year	**(3,076)**	3,604
New share capital subscribed	**54,086**	3,134
Treasury shares	**(58)**	-
Other recognised gains and losses	**(1,747)**	(1,158)
2004 Performance Share Plan	**946**	102
Share register rationalisation		
sale of shares	**-**	4,015
purchase of shares	**-**	(4,126)
associated costs	**-**	(85)
Shareholders' funds at 30 June	**101,441**	51,290

In accordance with FRS 21 "Events after the balance sheet date", dividends declared after the balance sheet date should not be recognised as a liability because the liability does not represent a present obligation.

Instead, dividends are recognised in the period in which they are declared and approved. This has the effect of increasing net assets at 1 April 2004 by £2,299,000 and at 1 April 2005 by £2,788,000.

The share registration in 2005 related to the purchase of 1,589,974 shares from smaller shareholders at an average price of £2.595 per share. These shares were placed with institutional investors at £2.525 per share.

26. Adoption of Financial Reporting Standard (FRS) 17, "Accounting for Retirement Benefits"

The Company has made a prior period adjustment as a result of its adoption in the period of Financial Reporting Standard (FRS) 17, "Accounting for Retirement Benefits".

The adjustment to opening profit and loss account reserves amounts to £5,200,000 at 31 March 2004, representing the FRS 17 net pension liability at that date. The adjustment at 31 March 2005 amounts to £6,515,000. In accordance with the transitional arrangements of FRS 17, full disclosure of the scheme deficit, the assumptions used in the valuation of the scheme and the impact its full adoption would have on the Group's profit and loss account, balance sheet and statement of total recognised gains and losses has been made in the Company's report and accounts for the year ended 31 March 2005.

	2006 £000	2005 £000
Profit and loss account		
Operating profit – difference between pension charge and contributions	**1,050**	(458)
Net interest cost in respect of pension schemes	**(344)**	(183)
Increase/(decrease) for the period	**706**	(641)
Balance sheet		
Pension liabilities (net of deferred tax of £7,095,000)	**(13,889)**	(6,643)
Decrease in net assets (note 32)	**(13,889)**	(6,643)
Statement of total recognized gains and losses		
Actuarial loss relating to pension schemes	**(2,202)**	(982)

27. Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	15 months ended 30 June 2006 £000	Year ended restated 31 March 2005 (note 25 and 26) £000
Operating profit	**8,722**	9,184
Long term incentive plan expense	**946**	102
Depreciation	**7,570**	3,549
Profit on sale of fixed assets	**564**	-
Amortisation of milk quota	**7**	8
Amortisation of goodwill	**6,647**	1,747
Adjustment for pension funding	**(1,050)**	(458)
Exceptional impairment of net assets	**2,342**	-
Exceptional impairment of goodwill	**2,239**	-
Increase in stocks	**(2,655)**	(1,262)
Decrease/(increase) in debtors	**5,781**	(4,008)
Decrease in creditors	**(7,902)**	(175)
Decrease in provisions	**(1,414)**	-
Net cash inflow from operating activities before change of control payments	**21,797**	8,687
Change of control payments made to former Sygen International plc management	**(5,623)**	-
Net cash inflow before operating activities	**16,174**	8,687

28. Analysis of Changes in Net Debt

	At 1 April 2005 £000	Acquisitions and disposals £000	Cash flows £000	Foreign exchange £000	Non cash movements £000	**At 30 June 2006 £000**
Cash at bank and in hand	6,843	17,186	(1,714)	621	-	**22,936**
Debt due within one year	(14,311)	-	(1,204)	-	774	**(14,741)**
	(7,468)	17,186	(2,918)	621	774	**8,195**
Debt due after one year	(157)	(282)	(122,891)	-	-	**(123,330)**
Obligations under finance leases and hire purchase contracts	(559)	-	145	-	273	**(141)**
Net debt	(8,184)	16,904	(125,664)	621	1,047	**(115,276)**
Issue costs	-	-	(1,926)	-	318	**(1,608)**
	(8,184)	16,904	(127,590)	621	1,365	**(116,884)**

29. Capital Commitments

At 30 June 2006, capital expenditure amounting to £295,000 (2005: £37,000) had been contracted for.

30. Contingent Liabilities

Group
At 30 June 2006 Barclays Bank PLC had issued performance bonds and guarantees totalling £1,352,000 (31 March 2005: £1,447,000) to the customers of the Development Consulting business as surety for completion of the projects undertaken. All bonds and guarantees were issued with full recourse.

Group and Company
The Company 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 Company, 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 32.

31. Operating Lease Rentals

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

Group	Land and buildings		Other	
	2006	2005	**2006**	2005
	£000	**£000**	£000	£000
Operating leases which expire:				
within one year	**694**	139	**1,042**	72
within two to five years	**1,784**	212	**2,188**	468
after five years	**1,011**	322	**-**	-
	3,489	673	**3,230**	540

32. Pensions

The Group has established 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 Milk Pension Fund

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), 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 and Milk Link Ltd. It is managed on a sectionalised basis but ultimate liabilities are joint and several.

The most recent actuarial valuation of the Milk Pension Fund was at 31 March 2003. The valuation of the scheme used the projected unit method and was carried out by Aon Limited, professionally qualified actuaries.

The principal actuarial assumptions adopted for the funding valuation as at 31 March 2003, 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 per cent, and for discounting liabilities post-retirement: 2.25 per cent. 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 per cent, and for the annual rate of increase in pensionable earnings for future service liabilities: nil for the first three years, then 1 per cent. Assets were valued by smoothing the market value of assets over five years. At the date of the valuation, the market value of the Fund's assets amounted to £249 million, of which Genus plc's notional share is £95m. The actuarial value of the assets of the whole fund was sufficient to cover 96 per cent 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 2003 valuation, is £10.5 million (of which Genus plc's notional share is £2.7m) and this shortfall is being addressed by additional contributions from the participating employers.

With effect from 1 April 2004, the Company amended the benefit and member contribution structure for future service, which has had the effect of reducing Company contributions in respect of future service accrual. This is reflected in the current valuation of the FRS 17 liabilities. As a result, the contribution rate of the Company in respect of pension payments from 1 April 2004 has been agreed with the Milk Pension Fund at 10.7%. This rate includes a contribution of 1.4% per annum to the past service deficit of £2,676,000 as at 31 March 2003.

Other defined benefit schemes in deficit:

The Group also operates closed defined benefit schemes for a small number of former employees of VDC plc and National Pig Development Company Limited. The total market value of scheme assets at 30 June 2006 under the provisions of FRS 17 was £780,000 and £3,010,000 respectively. No contributions were made into the schemes during the period.

Summary of schemes in deficit:

The actuarial valuation was updated by the actuary to 30 June 2006 using the following assumptions:

	At 30 June 2006 (per annum)	At 31 March 2005 (per annum)	At 31 March 2004 (per annum)
Rate of increase in salaries	**4.0%**	4.3%	4.3%
Rate of increase in pensions in payment and deferred pensions	**3.0%**	2.8%	2.8%
Discount rate	**5.4%**	5.5%	5.5%
Inflation	**3.0%**	2.8%	2.8%

32. Pensions (continued)

The share of the overall Milk Pension Fund's assets and liabilities notionally allocated to Genus plc, together with those in the VDC retirement plan and the National Pig Development Company Limited Retirement Benefits Scheme, and the expected rates of return on their investments are as follows:

	At 30 June 2006		At March 2005		At March 2004	
	Long term expected rate of return	**Market value £000**	Long term expected rate of return	Market value £000	Long term expected rate of return	Market value £000
Equities	**8.0%**	**45,700**	8.0%	32,100	8.0%	31,500
Bonds	**5.4%**	**62,340**	5.5%	66,200	4.8%	63,400
Cash	**4.5%**	**1,750**	4.75%	800	4.0%	800
Total market value of scheme assets		**109,790**		99,100		95,700
Present value of scheme liabilities		**(125,180)**		(108,600)		(103,200)
Deficit in the scheme		**(15,390)**		(9,500)		(7,500)
Less deferred taxation		**4,600**		2,900		2,300
Net pension liability		**(10,790)**		(6,600)		(5,200)

An analysis of amounts that has been charged in the profit and loss account or statement of total recognised gains and losses under FRS 17 is as follows:

	2006 £000	2005 £000	2004 £000
Amounts charged to operating profit:			
Current service cost	**1,800**	1,300	1,400
Total operating charge	**1,800**	1,300	1,400
Amounts charged/(credited) to finance income:			
Expected return on pension scheme assets	**(7,250)**	(5,400)	(4,600)
Interest on pension scheme liabilities	**7,460**	5,600	5,000
Net Charge	**210**	200	400
Amounts recognised in the statement of total recognised gains and losses (STRGL):			
Actual return less expected return on pension scheme assets	**5,250**	1,500	7,300
Experience (losses) and gains arising on the scheme liabilities	**(400)**	(2,600)	300
Changes in assumptions underlying the present value of the scheme liabilities	**(8,850)**	(300)	(6,000)
Actuarial (loss)/gain recognised in the STRGL	**(4,000)**	(1,400)	1,600

The experience gains and losses were as follows:

	2006	2005	2004	2003
Difference between expected and actual return on scheme assets: Amount (£000)	**5,250**	1,500	7,300	(13,600)
Percentage of scheme assets	**4.78%**	1.5%	7.6%	15.6%
Experience gains and losses arising on the scheme liabilities: Amount (£000)	**(400)**	(2,600)	300	(900)
Percentage of present value of the scheme liabilities	**0.32%**	2.4%	0.3%	1.0%
Total amount recognised in the statement of total recognised gains and losses: Amount (£000)	**(4,000)**	(1,400)	1,600	(19,800)
Percentage of present value of the scheme liabilities	**3.2%**	1.3%	1.6%	20.8%

The movement in the period of those schemes in deficit is as follows:

	2006 £000	2005 £000
Deficit at 1 April	**(9,530)**	(7,500)
Arising on acquisition of Sygen International plc	**(850)**	-
Current service cost	**(1,800)**	(1,300)
Contributions	**1,000**	870
Other finance charges	**(210)**	(200)
Actuarial loss	**(4,000)**	(1,400)
Deficit at 30 June	**(15,390)**	(9,530)

32. Pensions (continued)

Dalgety Pension Fund

The most recent actuarial valuation of the Dalgety Pension Fund was at 31 March 2003. The valuation of the scheme used the projected unit method and was carried out by professionally qualified actuaries.

The principal actuarial assumptions adopted in the valuation were that investment returns on existing assets would be 6% per annum before retirement and 4.5% per annum after retirement, that pay increases would average 3.5% per annum and that the annual increase in pensions in payment would be 2.5% per annum. For the purposes of costing the future pension accrual, the same assumptions were used except that a higher rate of investment return of 7% per annum was assumed before retirement. An annuity policy was secured with an insurance company in July 1999, which matches almost all of the Fund's current and deferred pension liabilities. The value of this policy was estimated to be around £450m at 31 March 2003. Excluding the annuity policy, additional voluntary contributions and other money purchase assets, the market value of the remaining assets of the Fund at 31 March 2003 amounted to £39.7m.

Following the disposal of several businesses, the Directors of Sygen International plc and 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 assets at 31 March 2003 was £7.0m. The value of those assets represents approximately 74% of the value of the residual uninsured liabilities which were £9.5m at 31 March 2003, after allowing for expected future increases in earnings.

For the purposes of determining the Company's pension cost in respect of the Fund, the principal actuarial assumptions adopted in the valuation as at 31 March 2003, using the projected unit method, were that investment returns on existing assets would be 7.5% per annum before retirement and 4.9% after retirement, that pay increases would average 3.5% per annum, and that the annual increase in pensions' payment would be 2.5% per annum. On this basis, the residual uninsured liabilities were calculated to be £7.4m at 31 March 2003. The market value of the remaining assets of £7.0m represents approximately 95% of these liabilities. Based on these assumptions, and allowing for the amortisation of the deficit over the average remaining service of current employees, the actuary has calculated that the Company's pension cost is £0.6m.

The disclosures relating to the Dalgety Pension Fund have been based on the most recent actuarial valuation at 31 March 2003, updated by Watson Wyatt LLP to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 June 2006. Dalgety Pension Fund actuaries have calculated that after offsetting the value of the annuity policy and excluding the element of surplus under the control of the Trustees, the market value of the remaining assets as at 30 June 2006 was £13,040,000. New employees are no longer able to join the Dalgety Pension Fund, and so under the projected unit method the current service cost will increase as the members approach retirement.

The financial assumptions used to calculate the scheme liabilities under FRS 17 are:

	At 30 June 2006	
	Long term expected rate of return (p.a.)	Market value £000
Equities	8.0%	7,690
Bonds	4.8%	5,130
Other assets	4.5%	220
Total market value of scheme assets		13,040
Present value of scheme liabilities		(13,000)
Surplus in the scheme		40
Less deferred taxation		(12)
Net pension asset		28

An analysis of amounts that has been charged in the profit and loss account or statement of total recognised gains and losses under FRS 17 is as follows:

	2006 £000
Amounts charged to operating profit:	
Current service cost	270
Total operating charge	270
Amounts (credited)/charged to finance income:	
Expected return on pension scheme assets	(450)
Interest on pension scheme liabilities	380
Net Credit	(70)

32. Pensions (continued)

	2006 £000
Amounts recognised in the statement of total recognised gains and losses (STRGL):	
Actual return less expected return on pension scheme assets	(120)
Experience gains arising on the scheme liabilities	420
Changes in assumptions underlying the present value of the scheme liabilities	440
Actuarial gain recognised in the STRGL	740

The experience gains and losses were as follows:

	2006
Difference between expected and actual return on scheme assets: Amount (£000)	(120)
Percentage of scheme assets	0.92%
Experience gains and losses arising on the scheme liabilities: Amount (£000)	420
Percentage of present value of the scheme liabilities	3.23%
Total amount recognised in the statement of total recognised gains and losses: Amount (£000)	740
Percentage of present value of the scheme liabilities	5.69%

The movement in the period of the surplus in the scheme is analysed as follows:

	2006 £000
Surplus 1 April	-
Arising on acquisition of Sygen International plc	(2,620)
Current service cost	(270)
Contributions	2,120
Other finance charges	70
Actuarial gain	740
Surplus at 30 June	40

Other Unfunded Schemes

On the acquisition of Sygen International plc, Genus plc acquired two unfunded defined benefit schemes. Based on the methods and assumptions of FRS 17 the scheme liabilities amount to £5,634,000 and this amount is included within pension liabilities in the Group's balance sheet. The current cost charged to operating profit amounted to £nil and the interest on pension scheme liabilities amount to £125,000.

The principle assumptions used to calculate the scheme liabilities were that the discount rate would be 5.4%, that pay increases would average 4% per annum and that inflation and pension payments would be 3% per annum.

Genus plc also operates an unfunded retirement health benefit plan. Based on the methods and assumptions of FRS 17, scheme liabilities amount to £1,270,000 and this amount is included within provisions in the Group's balance sheet. The current cost charged to operating profit amounted to £nil and the interest on plan liabilities amounted to £40,000.

The principle assumptions used to calculate the plan liabilities were that the discount rate would be 5.4% and that the long term rate of medical expense inflation would be 6.5%.

	2006 £000
Summary of pension schemes:	
Defined benefit schemes in deficit	(15,390)
Defined benefit schemes in surplus	40
Unfunded defined benefit schemes	(5,634)
	(20,984)
Deferred tax	7,095
Pension liabilities (note 26)	(13,889)

33. Related Party Transactions

During the period, the Company accrued £59,000 under an agreement with the Salamander Organisation Limited ("Salamander"), a party related to Mr J E Hawkins, for the provision of professional IT consultancy services. Mr J E Hawkins is the Chairman of the board of Salamander and he has a financial interest in that company, but he had no involvement in the commercial negotiation of the agreement between the Company and Salamander and the agreement was entered into on an arm's length basis. Under this agreement, a total of £300,000 is payable in 12 monthly instalments. In addition, a risk/reward bonus of up to £300,000 is payable to Salamander, calculated on a percentage of Company cost savings identified by Salamander which have not already been identified by the Company.

NOTICE IS HEREBY GIVEN that the 2006 Annual General Meeting of Genus plc (the "Company") will be held at Buchanan Communications, 107 Cheapside, London EC2V 6DT on 16 November 2006 at 2.30pm for the following purposes:

ORDINARY BUSINESS

1. To receive and approve the Directors' report and audited accounts for the 15 month period ended 30 June 2006.
2. To approve the Directors' remuneration report for the 15 month period ended 30 June 2006.
3. To declare a final dividend of 8.25 pence per ordinary share, payable to shareholders on the register of members at the close of business on 3 November 2006.
4. To re-elect as a director of the Company, John Hawkins (who retires by rotation) and who, being eligible, offers himself for re-election.
5. To re-elect as a director of the Company, Edwin White (who retires by rotation) and who, being eligible, offers himself for re-election.
6. To re-appoint Deloitte & Touche LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.

To consider and if thought fit pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

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 £1,841,300 being 18,413,000 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

To consider, and if thought fit, pass the following resolutions, which will be proposed as to resolution 8 as an ordinary resolution and as to resolutions 9, 10 and 11 as special resolutions:

ORDINARY RESOLUTION

8. THAT the directors be generally and unconditionally authorised to take all such actions necessary to procure, in so far as the Directors consider that it is in the best interests of the Company to do so, that admission of the entire issued ordinary share capital of the Company to the Official List of the United Kingdom Listing Authority and to trading on the London Stock Exchange plc takes place.

SPECIAL RESOLUTIONS

9. THAT subject to 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:

9.1 in connection with an offer of such securities by way of rights issue;

9.2 otherwise than pursuant to sub-paragraph 9.1 above up to an aggregate nominal amount of £276,195 being 2,761,950 Ordinary Shares representing not more than 5 per cent of the issued share capital of the Company as at 30 June 2006;

9.3 otherwise than pursuant to sub-paragraphs 9.1 and 9.2 above up to an aggregate nominal amount of £552,390 being 5,523,901 Ordinary Shares representing not more than 10 per cent of the issued share capital of the Company as at 30 June 2006 for the purposes of allotting Ordinary Shares which have been purchased by the Company by one or more market purchases (as defined in section 163 of the Act) pursuant to the authority conferred by the terms of resolution 10 below,

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 the resolution the words "pursuant to the authority conferred by resolution number 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.

10. THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of Ordinary Shares provided that:

10.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 5,523,901 (representing 10 per cent of the Company's issued ordinary share capital as at 30 June 2006);

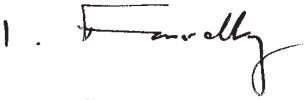
10.2 the minimum price which may be paid for an Ordinary Share is 10 pence;

10.3 the maximum price which may be paid for an Ordinary Share is an amount equal to not more than 105 per cent of the average of the middle market quotations for an Ordinary Share on such recognised investment exchange as the Company's shares may be traded from time to time for the five business days before the day on which such share is contracted to be purchased and "recognised investment exchange" shall have the meaning ascribed to it in sub-sections 163(4) and (5) of the Act.

10.4 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 may be completed by or executed wholly or partly after the expiration of this authority.

11. THAT the regulations produced to the meeting and signed, for the purposes of identification, by the chairman of the meeting, will be adopted as the articles of association of the Company in substitution for, and to the entire exclusion of, the existing articles of association of the Company.

18 October 2006
By order of the Board



I B Farrelly
Company Secretary

NOTES

Any member entitled to attend and vote at this meeting may appoint one or more proxies to attend and on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy accompanies this notice of Annual General Meeting.

To be valid, a duty executed form of proxy for use at the 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 Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZQ at least 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Completion and return of a form of proxy will not preclude shareholders from attending the meeting and voting in person if they wish to do so.

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 meeting is 6.00pm on 14 November 2006 being 48 hours before the time fixed for the 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 meeting.

A copy of the existing articles of association of the Company and the proposed new articles of association of the Company are available for inspection at the registered office of the Company (Belvedere House, Basing View, Basingstoke, Hampshire RG21 4HG) during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) and will be available for inspection at the place of the annual general meeting on 16 November 2006 until the conclusion of the annual general meeting.

APPENDIX 1: Summary of principal changes to the articles

Treasury Shares - Articles 7, 11

In line with recent changes to English company law the Company's new articles of association include provisions designed to allow the Company to hold its own shares in treasury. The Company is currently authorised to purchase any of its own shares. Article 7 of the new articles, which deals with the disapplication of pre-emption rights, clarifies that treasury shares being sold for cash will be dealt with in the same way as new shares being issued for cash. Article 11 explicitly includes treasury shares in the Company's power to purchase its own shares.

Special Business

The inclusion of certain defined special business has been removed from the new articles.

Electronic Appointment of Proxies - Articles 67-70

Articles 67-70 enable the directors to establish procedures for proxies to be appointed and instructed electronically, for example through CREST, as well as by written instrument. Electronic proxy appointment provides an efficient means for shares to be voted in a direct and timely manner, and is in accordance with current best practice. This is to reflect that the Company will increasingly use electronic communications to transmit shareholder information in the future.

Method of Payment of Dividends: CREST - Article 116

Article 116, which deals with the method of payment of dividends, includes provision for such payment to be made through a relevant paperless system, such as CREST.

Electronic Communications - Article 133

Article 133 permits the company to use electronic communications to transmit shareholder information which it intends to do increasingly in the future. The main changes will allow documents to be sent to shareholders, directors and/or others (and vice versa) electronically and to be placed on the Company's website and a message sent to the shareholders, directors and/or others alerting them to the availability of the document.

Directors' Indemnification - Articles 139 and 140

The Companies (Audit, Investigations and Community Enterprise) Act 2004 (the "CAICE Act") has extended the circumstances in which the Company may indemnify its directors in legal proceedings. The CAICE Act allows directors and former directors to be indemnified in respect of proceedings brought by third parties, and the Company's articles of association have been updated to reflect this.

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