THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult immediately a person authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities. The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice. Investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company.

This document which comprises a prospectus relating to the Company has been prepared in accordance with the Prospectus Rules of the Financial Services Authority made under Section 73A of the Financial Services and Markets Act 2000 ("FSMA"). Application will be made to the Financial Services Authority and to the London Stock Exchange respectively for admission of all the Ordinary Shares to: (i) the Official List; and (ii) the London Stock Exchange's market for listed securities (together "Admission"). No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the Official List on 12 November 2007.

The Ordinary Shares have not been and will not be approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States any other United States regulatory authority or any such authority of Canada, Japan, the Republic of South Africa, the Republic of Ireland or Australia, or any other jurisdiction and no regulatory clearances in respect of the Ordinary Shares have been, or will be, applied for in any jurisdiction other than the UK.

The Directors, whose names appear on page 4 of this document and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts stated in it and does not omit anything likely to affect the import of such information.

Although the whole text of this document should be read, the attention of persons receiving this document is drawn, in particular, to the section headed "Risk factors" contained in Part II of this document. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

GENUS PLC

(incorporated and registered in England & Wales under the Companies Act 1985 with company registration number 02972325)

Introduction to the Official List of 59,204,190 ordinary shares of 10 pence each

Sponsored by

Landsbanki Securities (UK) Limited

Landsbanki Securities (UK) Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for only the Company and no-one else in connection with Admission, is not advising any other person or treating any other person as its client in relation to Admission and will not be responsible to any person other than the Company for providing the protections afforded to its clients nor for providing advice in relation to Admission.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA or paragraph 3.4 of the Prospectus Rules, the publication of this document does not, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this document.

Forward looking statements

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services). These statements include forward looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity.

These forward looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Rules, the DTRs or the Listing Rules, the Company undertakes no obligation publicly to update or review any forward looking statement, whether as a result of new information, future development or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause results to differ before making an investment decision.

References to Defined Terms

Certain terms used in this document are defined on pages 237 to 239 and following.

Copies of this document are available for collection, free of charge, from the date of Admission and for one month thereafter during normal business hours from Landsbanki Securities (UK) Limited, Beaufort House, 15 St. Botolph Street, London EC3A 7QR.

CONTENTS

DIRECTORS, REGISTERED OFFICE AND ADVISERS

Directors	John Eric Hawkins	(*Non-executive Director and Chairman*)
	Richard Kenneth Wood	(*Chief Executive Officer*)
	Martin Brett Boden	(*Finance Director*)
	Edwin William White	(*Senior Non-executive Director*)
	John Graham Worby	(*Non-executive Director*)
	Professor Barrington John Albert Furr, OBE	(*Non-executive Director*)
Company Secretary	Ian Brian Farrelly	(*Solicitor*)
Registered office and location of register	Belvedere House Basing View Basingstoke Hampshire RG21 4HG	
Sponsor and joint broker	Landsbanki Securities (UK) Limited Beaufort House 15 St. Botolph Street London EC3A 7QR	
Joint broker	Panmure Gordon (UK) Limited Moorgate Hall 155 Moorgate London EC2M 6XB	
Legal advisers to the Company	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA	
Reporting Accountants and Auditors	Deloitte & Touche LLP Hill House 1 Little New Street London EC4A 3TR	
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA	
Principal Bankers	Barclays Plc 1 Marsden Street Manchester M2 1WW	
PR Advisers	Buchanan Communications 45 Moorfields London EC2Y 9AE	

INTRODUCTION STATISTICS

Number of Ordinary Shares in issue immediately following Admission	59,204,190
Expected market capitalisation of the Company immediately following Admission[1]	£438.1 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	*2007*
Publication of this document	6 November
Admission effective and dealings expected to commence in the Ordinary Shares on the Official List	12 November
ISIN Number:	GB0002074580

Note: Each of the times and dates in the above timetable is subject to change. References to times are to London times, unless otherwise stated.

(1) Based on the Company's share price at close on 5 November 2007, being the latest practicable date prior to the publication of this document.

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PART I

SUMMARY

The following summary should be read as an introduction to the Prospectus. Any decision to invest in Ordinary Shares should be based on consideration of the Prospectus as a whole by the investor. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each member state of the European Economic Area ("EEA") civil liability attaches to those persons responsible for the summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before legal proceedings are initiated.

1. Introduction and business overview

Genus creates and sells added value products for livestock farming and food producers by creating advances to animal breeding through biotechnology. Its non-Genetically Modified Organism ("GMO") technology is applicable across all livestock species but is currently only commercialised by Genus in the bovine and porcine farming sectors. Current products and services enable producers and farmers to enhance milk and meat quality and improve efficiency through the application of genetic selection.

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

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

Genus' research and product development expenditure for the 12 months to 30 June 2007 was £17.7 million. Approximately 20 per cent. was spent on research and 40 per cent. each on bovine and porcine product development.

Genus operates bovine studs in six countries. More than 170 world leading beef and dairy animals of the commercial breeds are in production in these studs, with around 1,850 in various stages of product development. The breeding selection programme was recently expanded to test 400 dairy bulls per year in a rolling five year programme which includes creating and measuring the output of 40,000 daughters. The commercially active stud has a replacement rate of 25-35 per cent. per annum.

Approximately 11.3 million doses of semen are collected from these studs each year. The semen is frozen and held in tanks containing liquid nitrogen so that it can be kept indefinitely and can be transferred and sold in any country of the world.

Genus operates an international insemination service through a network of employees and self-employed exclusive agents who operate under the "ABS" trademark.

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

The Directors estimate that more than 100 million slaughter pigs produced each year contain Genus genetics. The Directors believe that these pigs have a higher value and a lower production cost than any of the Group's competitors supplying large integrated pig production units.

Genus' non-core business area constitutes a licensed veterinary pharmaceutical business ("Animalcare").

Part I: Summary

Headquartered in Basingstoke, England, Genus companies operate in 30 countries on five continents, with research laboratories located in Madison, USA.

2. History and background to the Group

Genus was formerly the commercial division of the England & Wales Milk Marketing Board ("MMB") and was incorporated as a company in September 1994 following MMB's privatisation. Its first full trading year was the year ended 31 March 1996. Genus was then a small UK only cattle breeding and farm advisory company with an initial shareholder base largely comprised of its customers.

In 1997, Genus re-registered as a public limited company and its Ordinary Shares commenced trading on OFEX, the trading facility then operated by JP Jenkins Limited. During 1997, Genus' UK consulting practice was expanded and diversified by new business start-ups and small acquisitions to become a world wide food industry consultancy business.

The acquisition of Hunting Technical Services Limited ("HTS") in 1998 and P-E International Limited ("P-E") in 1999, both aid-related consultancies with expertise in management and environmental work, provided an international operating capability to enable UK farming expertise to be exploited overseas. In 1999, Genus also acquired VDC plc ("VDC"), an AIM listed distributor and veterinary pharmaceutical marketing company, which was operating in the veterinary distribution market. This acquisition created Genus' animal health business.

In November 1999, Genus acquired ABS Global Inc ("ABS"), a US based company operating in the cattle breeding business, enabling Genus to establish its own international bovine genetics business. In July 2000, Genus floated on AIM with a placing of 1.5 million Ordinary Shares, raising £1.95 million after expenses.

In March 2003, Genus acquired RAB Australia Pty Ltd ("RAB"), the second largest Australian cattle breeding company for £3.6 million in cash in order to expand the international reach of the bovine genetics business. In August 2004 Supersires Limited, a UK cattle breeding business, was acquired for £1.5 million to give additional business coverage in SW England.

On 2 December 2005, Genus acquired Sygen, an international genetics and biotechnology company whose shares were traded on the Official List specialising in porcine and shrimp breeding, for cash consideration of £193 million including costs. Genus funded the acquisition of Sygen through a placing of 17 million Ordinary Shares at 325p, raising £53 million after expenses and a £180 million facility provided by Barclays Bank. This acquisition constituted a reverse takeover under the AIM Rules and, following the acquisition, Genus was readmitted to AIM on 2 December 2005.

Since 2005, the Board has been exiting from business areas which it considers to be non-core in order to concentrate on the development and exploitation of its technology in the bovine and porcine sectors. On 28 October 2005, Genus announced that it had completed the disposal of its vetinary wholesaling business for a total of £7.1 million in cash. On 24 February 2006, Genus announced that it had completed the disposal of its dental wholesaling business for a total of £1 million in cash. On 7 June 2006, Genus announced that it had completed the disposal of SyAqua Brazil, one of the divisions of the Company's non-core SyAqua shrimp business, for £3.25 million in cash. Genus announced on 11 October 2006 that it had completed the disposal of SyAqua Thailand, another division of the SyAqua shrimp business, for £1 million in cash and on 4 October 2007 the Company announced the disposal of its SyAqua Mexico shrimp business for a total consideration of £1.3 million. The Company has announced that it is currently seeking acquirers for the remaining Animalcare business and that it will be sold when an appropriate price is achieved.

3. Research and product development

Genus operates a research & development programme applicable to both of its core business areas. Genus' research and product development expenditure for the 12 months to 30 June 2007 was £17.7 million. Approximately 20 per cent. was spent on research and 40 per cent. each on bovine and porcine product development.

The objective of the Group's research & development policy is to develop, in both pigs and cattle, sale products with superior genetics and desired traits when compared with their previous generation, thereby continuously refreshing the product pipeline. Product development continues to be a key driver in the success of Genus' business, producing a continuous stream of genetically superior bulls and pigs. This is augmented by carefully targeted research, aimed at producing breakthroughs that will change the business model to Genus' competitive advantage.

The refreshment of the bovine product portfolio occurs through the introduction of new, named bulls every four months. The porcine product portfolio is refreshed by the genetic upgrading of the various genetic lines which leads to a new product being launched approximately every 18 months, the last two products being the PIC 380 in July 2005 and the Camborough 29 in January 2007.

Although Genus takes appropriate steps to protect its intellectual property it is not reliant on any specific patents or licences, industrial, commercial or financial contracts or new manufacturing processes for the ongoing success of its business.

Genus has not engaged in any material collaborative research and development agreements and the Directors believe this will not affect the standing or quality of Genus' research.

Genus' business is not dependent on any key individual, customer or supplier and no assets are necessary in production that are not owned by Genus.

4. Strategic development & progress

In 2005, Genus announced that it had embarked upon a strategy to become market leader in animal genetics aiming to build its existing bovine business and diversify into other species, growing its earnings per share and thereby increasing the return to Shareholders.

Additional components of this strategy included the divestment of non-core businesses in other sectors and a restructuring of the Shareholder register to increase shareholdings held by institutions and thereby to increase the liquidity in Ordinary Shares.

Fundamental to this business strategy was the Board's belief that the Group's commercial approach to targeting Research & Development in animal genetics would continue to strengthen its product lead ahead of competitor products. At the same time, an increase in business size through international diversity, would also reduce the risk to the business of being adversely affected by agricultural cycles within particular country markets and species.

In 2005, Genus was already the market leader in bovine genetics and had demonstrated the success of its product development capabilities by increasing the number of bulls in the ranking of the international lists for stud bulls.

Genus had also increased its market share in several large markets by a combination of this product strength and its international sales and distribution coverage.

In pursuit of its declared strategy to build and diversify its business in animal genetics, Genus, acquired Sygen, in December 2005, a publicly listed company with a world class and market leading animal genetics business in the porcine sector and a shrimp genetics business. The Board considered the porcine genetics business to be complimentary to the existing bovine business because:

- all porcine sales would be incremental.
- Sygen operated, through complimentary country businesses with some offering the potential for cross fertilisation and others offering the potential for savings from overlapping activities.
- there was a potential to leverage the high cost of research and development across two species instead of one, thereby increasing cost productivity and improving the chance of a breakthrough from fundamental research.

The Board judged that the acquired shrimp genetics business did not have the same potential for synergy and that the market in which it operated was less sophisticated. As a result, that business would be less able to realise the benefits from the planned research investment. Accordingly, the Board added the shrimp operating companies to its list of non-core assets to be divested.

5. Reasons for listing

It has, for some time, been the intention of the Company to seek a listing on the Official List when the maturity of the Company so warranted it. During its time on AIM, the Company has restructured its shareholder base to improve liquidity and the Directors believe that a move to the Official List will enable overseas investors to participate in the Company's growth, as well as enhancing the Group's profile within its markets and customer base. The Board sought and obtained authority from Shareholders at the Company's annual general meeting on 16 November 2006 to pursue a listing on the Official List.

6. Selected financial information

The information set out below has been extracted, without material adjustment, from Parts VI and VII of this document on the financial information for the year ended 30 June 2007 and the 15 month period to 30 June 2006. The full underlying statements are included in Parts VI and VII of this document. The accounting policies used in the UK GAAP information are set out in Part VII of this document. Information prepared under IFRS is not directly comparable with the information prepared under UK GAAP.

	Year ended 30 June 2007 IFRS £m	*15 months ended 30 June 2006 IFRS £m*	*15 months ended 30 June 2006 UK GAAP £m*	*Year ended 31 March 2005 UK GAAP £m*
Revenue from continuing operations	233.8	201.2	244.4	113.9
Adjusted operating profit from continuing operations	28.7	19.8	23.2	10.4
Operating profit from continuing operations	28.4	20.1	10.8	8.9
Profit before tax from continuing operations	19.9	15.1	2.8	8.1
Profit/(loss) for the period	14.6	7.8	(0.3)	5.9
Diluted adjusted earnings per share	21.9p	19.2p	24.4p	18.7p

	30 June 2007 IFRS £m	*30 June 2006 IFRS £m*	*30 June 2006 UK GAAP £m*	*31 March 2005 UK GAAP £m*
Net assets	150.9	144.0	101.4	51.3
Net debt	(111.1)	(120.1)	(116.9)	(8.2)

7. Current trading

The new financial year has started well. Genus is in a unique position to benefit from changing world agricultural markets and to deliver solid long-term growth. This will arise from organic growth in the market and productivity improvements as further country markets are integrated.

8. Share capital

At the date of this document and immediately following Admission, the authorised and issued fully paid share capital of the Company is and will be:

Class of shares	*Nominal value*	*Authorised*		*Issued (fully paid)*	
		£	*No*	*£*	*No*
Ordinary Shares	£0.10	£7,598,940	75,989,400	£5,920,419	59,204,190

9. Summary of risks

The following is a summary of the key risks inherent in an investment in Ordinary Shares. Prospective investors in Ordinary Shares should consider carefully all of the information set out in this document and the risks attaching to the Company before making any investment decision.

- Technological innovations
- Competition and competing products
- Health risks to humans, studs and herds
- Environmental risks related to the keeping of livestock
- Social factors
- Risks of carrying on business internationally
- Dependence on key personnel
- Failure of a key supplier
- Intellectual property rights
- Risk of potential future acquisitions
- The need for additional capital in the future
- Shortfall in pension funds
- General risks relating to an investment in Ordinary Shares

10. Dividend policy

The Board believes in implementing a progressive dividend policy. Accordingly, the Board has recently announced a proposed dividend of 9.1 pence per Ordinary Share in relation to the year ended 30 June 2007 which represents a 10 per cent. increase over the 8.25 pence per Ordinary Share dividend relating to the 15 month period ending 30 June 2006.

The above statements do not constitute a profit forecast nor should they be interpreted to mean that future earnings per Ordinary Share or dividends following Admission will necessarily match or exceed historical earnings per Ordinary Share or dividends.

11. Directors

The Directors of the Company and their respective functions are as follows:

John Hawkins, *Non-executive Director and Chairman*

Richard Wood, *Chief Executive Officer*

Martin Boden, *Finance Director*

Edwin White, *Senior Non-executive Director*

John Worby, *Non-executive Director*

Professor Barrington Furr, OBE, *Non-executive Director*

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PART II

RISK FACTORS

Any investment in Ordinary Shares is subject to a number of risks. Before making any investment decision, prospective investors should carefully consider the factors and risks attaching to an investment in Ordinary Shares, together with all other information contained in this document, including, in particular, the risk factors described below. The information below does not purport to be exhaustive. Additional risks and uncertainties not presently known to the Group, or that the Group currently deems immaterial, may also have an adverse effect on its business. Investors should consider carefully whether an investment in Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

1. Technological innovation

No assurance can be given that the Group will develop technological innovations in genetics or semen physiology in the future. Should such innovations be developed, there can be no assurance that they would be capable of being protected or that any protection gained will be sufficiently broad in its scope to protect the Group's intellectual property rights and exclude competitors from similar technology. Alternative technological solutions for the development of products similar to the Group's products are available to competitors or prospective competitors of the Group.

2. Competition and competing products

There can be no assurance that the Group's competitors and potential competitors will not succeed in developing technologies that are more effective or economic than those being developed by the Group or which would render the Group's products and/or technology obsolete or otherwise uncompetitive.

3. Health risks to humans, studs and herds

In the global environment, health risks to humans (whether real or imagined) can have a rapid and very substantial adverse effect upon the demand by end-consumers for foodstuffs. In view of the industry in which the Group operates, such an occurrence could have the knock-on effect of reducing demand from the Group's customers and, in turn, for the Group's products. There is also the potential of significant animal diseases, which, although not posing any risk to humans, are eradicated by the relevant authorities enforcing some or all of the following controls: slaughter of affected, or at risk, animals; restrictions on animal movements; and restrictions on suppliers, such as the Group, from delivering products to farms. The potential damage to the Group's business would be dependent on the scale and duration of any outbreak. A further and related category of risk concerns a significant disease affecting the Group directly. An extreme example would be an outbreak of a disease on one of the Group's own studs or nucleus herds. This would result in animals on the affected stud being slaughtered, with potential long term adverse consequences to the business.

The affected stud would however probably be placed in quarantine until it could be proved that the disease had been eradicated from the stud or animals from the nucleus farm. During a quarantine period, no further replenishment of semen product from the stud or nucleus farms would be allowed. This could have a short-term adverse effect on part of the Group's business.

4. Environmental risks related to the keeping of livestock

Keeping large populations of livestock and the associated infrastructure required for their upkeep can potentially have a deleterious impact upon the environment. If it were found that the Group were in breach of its responsibilities relating to this upkeep, the Group could face legal action and potentially have some of its operations closed down. An example of this would be the contamination of ground water due to inadequate maintenance of the slurry pits used to store animal waste.

5. Social factors

The Group uses non-GMO technology only and is involved in natural farming processes to develop a superior animal product. Notwithstanding this, social factors that could affect the ability of the Group to continue its business include, but are not limited to:

5.1 public perception (even if erroneous) of the moral dangers or the moral rightness of the Group's activities and the extent to which members of the public might attempt to cause harm or damage to the Group's assets or stock in response to such perception; and

5.2 the susceptibility of the general public to the changing consensus of public opinion, specifically with respect to the perceived inherent virtues and hazards of consuming or producing goods resulting from natural breeding programmes and the possible, probable or improbable consequences that consumption of those goods might be claimed to have on current or prospective consumers.

6. Risks of carrying on business internationally

A large proportion of the Group's products originates from, or is retailed in, a number of countries overseas and as such its business is subject to risks inherent in international trade, many of which are beyond the Group's control. In common with other international businesses, these risks include:

6.1 national laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes and changes in these laws;

6.2 governmental policy decisions affecting the capacity of the Group to export its products to key overseas markets;

6.3 differing degrees of protection for intellectual property;

6.4 the instability of foreign economies and governments;

6.5 changes in geo-political regulatory environments caused by such institutions as the EU or the World Trade Organisation;

6.6 unexpected fluctuations in market pricing or the impact arising from agriculture cycles;

6.7 fluctuating foreign exchange rates;

6.8 economic, political and financial instability; and

6.9 natural disasters, war and acts of terrorism.

7. Dependence on key personnel

In common with many organisations, the Group's success depends largely on its ability to attract and retain qualified management, scientific and technical personnel. The loss of any of these key personnel may have an adverse effect on the future of the Group's business. There are a limited number of people with the knowledge appropriate to and experience within, the industry in which the Group operates. Consequently, replacing any key personnel who leave the Group could be difficult and time consuming.

8. Failure of a key supplier

The Group contracts with a number of suppliers who provide product. Failure of one these suppliers would in the short-term adversely impact product supply until an alternative supply source could make up the resulting shortfall.

9. Intellectual property rights

The Group relies and will continue to rely on intellectual property laws (where relevant) and the law of secrecy as well as contractual provisions to protect its intellectual property rights. Unauthorised parties may attempt to copy or obtain and use the Group's products and other technology incorporated in its products.

Due to the nature of the Group's products and the Group's and its competitors' customer base, the Group may not be able to detect the unauthorised use of its rights. To the extent that intellectual property rights protect the Group's products, litigation may be necessary to protect such rights and could result in substantial costs to, and diversion of effort by, the Group with no guarantee of success. The failure of the Group to protect its proprietary rights and the expense of doing so could have a material adverse effect on its operating results and financial condition. There can be no assurance that claims against the Group regarding infringement of any intellectual property rights will not be asserted by third parties from time to time with respect to the Group's products or that the Group's products will not infringe intellectual property or other proprietary rights of third parties. Additionally in the event of such infringement, there can be no assurance that the Group will be able to obtain licences to use any such intellectual property on reasonable terms, if at all. Failure to obtain pertinent licences or to modify appropriately the Group's products could have a material adverse effect on the Group's operating results and financial position.

10. Risk of potential future acquisitions

In the future, as part of its growth strategy, the Group may acquire other companies or businesses. Acquisitions by the Group may require the use of significant amounts of cash, dilutive issues of equity securities and/or the incurring of debt, each of which could in the longer term materially and adversely affect the Group's business, results of operations, financial condition or the market price of Ordinary Shares. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations of any acquired business or company and the diversion of management's attention from other business concerns. While there are currently no commitments or agreements with respect to any acquisition, if such an acquisition does occur, there can be no assurance that the Group's business, results of operations or financial condition would not be materially and adversely affected thereby.

11. The need for additional capital in the future

The Group's capital requirements depend on numerous factors, including the speed at which it pursues its development strategy, expands its customer base and makes further acquisitions. Such opportunities may require further financing in the longer term. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may in the longer term involve restrictions on financing and operating activities.

12. Shortfall in pension funds

The Group has two principal defined benefit pension schemes for the benefit of its staff. These schemes are now closed to new members. Scheme funds are held separately, are administered by trustees and are managed professionally. As with all organisations that operate such types of pension schemes, there is a possible future risk that the assets may be insufficient to meet future pension liabilities and the Group may be obliged to increase its pension contributions. It should also be noted that the Group's Milk Pension Fund pension scheme is operated on a sectionalised basis but that ultimate liabilities are joint and several. Further information in relation to the Group's pension schemes, including the financial position of these schemes, is set out on page 27.

13. General risks relating to an investment in Ordinary Shares

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Ordinary Shares will occur or that the commercial objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future. In addition, changes in economic conditions including, for example, interest

rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments in general and the Group's prospects in particular.

The Ordinary Share price may fluctuate as a result of a variety of factors, including the operating and share price performance of other companies in the industries and markets in which the Group operates; speculation about the Group's business in the press, media or investment community; changes to the Group's sales or profit estimates; the publication of research reports by analysts; and general market conditions.

PART III

INFORMATION ON THE GROUP

1 Information on Genus

Overview of the business

Genus creates and sells added value products for livestock farming and food producers by creating advances to animal breeding through biotechnology. Its non-Genetically Modified Organism ("GMO") technology is applicable across all livestock species but is currently only commercialised by Genus in the bovine and porcine farming sectors. Current products and services enable producers and farmers to enhance milk and meat quality and improve efficiency through the application of genetic selection.

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Approximately 11.3 million doses of semen are collected from these studs each year. The semen is frozen in tanks containing liquid nitrogen so that it can be kept indefinitely and can be transferred and sold in any country of the world.

Genus operates an international insemination service through a network of employees and self-employed exclusive agents who operate under the "ABS" trademark.

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

The Directors estimate that more than 100 million slaughter pigs produced each year contain Genus genetics. The Directors believe that these pigs have a higher value and a lower production cost than any of the Group's competitors supplying large integrated pig production units.

Genus' non-core business area constitutes a licensed veterinary pharmaceutical business ("Animalcare").

Headquartered in Basingstoke, England, Genus companies operate in 30 countries on five continents, with research laboratories located in Madison, USA.

History and background to the Group

Genus was formerly the commercial division of the England & Wales Milk Marketing Board ("MMB") and was incorporated as a company in September 1994 following MMB's privatisation. Its first full trading year

was the year ended 31 March 1996. Genus was then a small UK only cattle breeding and farm advisory company with an initial shareholder base largely comprised of its customers.

In 1997, Genus re-registered as a public limited company and its Ordinary Shares commenced trading on OFEX, the trading facility then operated by JP Jenkins Limited. During 1997, Genus' UK consulting practice was expanded and diversified by new business start-ups and small acquisitions to become a world wide food industry consultancy business.

The acquisition of Hunting Technical Services Limited ("HTS") in 1998 and P-E International Limited ("P-E") in 1999, both aid-related consultancies with expertise in management and environmental work, provided an international operating capability to enable UK farming expertise to be exploited overseas. In 1999, Genus also acquired VDC plc ("VDC"), an AIM listed distributor and veterinary pharmaceutical marketing company, which was operating in the veterinary distribution market. This acquisition created Genus' animal health business.

In November 1999, Genus acquired ABS Global Inc ("ABS"), a US based company operating in the cattle breeding business, enabling Genus to establish its own international bovine genetics business. In July 2000, Genus floated on AIM with a placing of 1.5 million Ordinary Shares, raising £1.95 million after expenses.

In March 2003, Genus acquired RAB Australia Pty Ltd ("RAB"), the second largest Australian cattle breeding company for £3.6 million in cash in order to expand the international reach of the bovine genetics business. In August 2004 Supersires Limited, a UK cattle breeding business, was acquired for £1.5 million to give additional business coverage in SW England.

On 2 December 2005, Genus acquired Sygen, an international genetics and biotechnology company whose shares were traded on the Official List specialising in porcine and shrimp breeding, for cash consideration of £193 million including costs. Genus funded the acquisition of Sygen through a placing of 17 million Ordinary Shares at 325p, raising £53 million after expenses and a £180 million facility provided by Barclays Bank. This acquisition constituted a reverse takeover under the AIM Rules and, following the acquisition, Genus was readmitted to AIM on 2 December 2005.

Since 2005, the Board has been exiting from business areas which it considers to be non-core in order to concentrate on the development and exploitation of its technology in the bovine and porcine sectors. On 28 October 2005, Genus announced that it had completed the disposal of its vetinary wholesaling business for a total of £7.1 million in cash. On 24 February 2006, Genus announced that it had completed the disposal of its dental wholesaling business for a total of £1 million in cash. On 7 June 2006, Genus announced that it had completed the disposal of SyAqua Brazil, one of the divisions of the Company's non-core SyAqua shrimp business, for £3.25 million in cash. Genus announced on 11 October 2006 that it had completed the disposal of SyAqua Thailand, another division of the SyAqua shrimp business, for £1 million in cash and on 4 October 2007 the Company announced the disposal of its SyAqua Mexico shrimp business for a total consideration of £1.3 million. The Company has announced that it is currently seeking acquirers for the remaining Animalcare business and it will be sold when an appropriate price is achieved.

Bovine business

Genus' bovine business has become the largest cattle breeding business in the world. The bovine business was established in 1999 by the integration of UK based Genus Breeding Limited with the US based ABS Global Inc, purchased by Genus that year. ABS Global Inc was originally founded in 1941.

Genus operates wholly owned businesses in thirteen countries, US, UK, Australia, Brazil, Canada, Chile, France, Ireland, Italy, Germany, South Africa, Argentina and Mexico. The business also has representatives in around 60 other countries. All these wholly owned businesses, with the exception of the UK and France, trade under the ABS banner. Due to the strength of long established brands, the UK business trades as Genus ABS and the French as Bovec.

Genus' business model uses research and development to identify elite bulls, in a number of breeds. Genus houses and evaluates bulls in six countries spread across the world. Genus generally purchases promising young bulls from a network of private breeders. Genus owns bulls from a number of breeds, with Holstein

the predominant dairy breed and Angus the predominant beef. Once identified, and having passed a series of veterinary checks, the bull is added to the bull stud. At approximately 15 months old, semen is collected and used to inseminate a number of cows in co-operating herds sufficient to produce enough calves to facilitate a reliable progeny test, which evaluates the bulls' genetic worth. This process takes three and a half years in the case of dairy bulls, whose genetic worth is assessed by the performance of milking daughters. Genus has strong current bovine strength, with Shottle, Bolton and Boliver being three of the highest regarded Holstein bulls in the world.

Progeny testing of the performance of around 100 daughters for each Holstein bull selected measures their performance against those of their peers. These bulls are classified by independent agencies such as the United States Holstein Association and the semen is marketed using the published results. Semen from the best bulls is collected and frozen for despatch to the 70 sales outlets around the world. The Group sells through a network of retail staff and exclusive agents and distributors. Currently the Group is testing approximately 400 dairy bulls per year in a rolling five year programme which includes creating and measuring the output of 40,000 daughters per year. Of these dairy bulls around 10 per cent. are good enough to go into the stud. The commercially active stud has a replacement rate of 25-35 per cent. per annum.

Approximately 11.3 million doses of semen are collected from the Group's studs per year. The semen is frozen and held in tanks containing liquid nitrogen so that it can be kept indefinitely and can be transferred and sold in any country of the world. More than half of this semen is from dairy breeds, with the Holstein breed dominating. Semen from dairy breeds is used by the farmers to breed replacement milking stock. Semen sold from beef breeds is used in either specialist beef breeding herds for multiplication of breeding bulls for use in natural service or on dairy cows to produce crossbred offspring to be reared for meat. Genus is unique amongst its peers in that it operates an international insemination service through a network of employees and self-employed exclusive agents who operate under the "ABS" trademark.

Genus' R&D budget is focussed on pursuing a number of biotechnological commercial targets, including gender selection, the quest to separate male and female sperm, and improved fertility to improve the reproductive potential of both sexes. All of the science undertaken by Genus utilises natural biological processes with no laboratory genetic modification.

Genus has also started selling sexed semen under the trademark ABS Sexation, in a range of markets, including the large US market. Sexed semen sales now account for 5 per cent. of Genus' dairy semen revenue and the Group is in the process of increasing its capacity for sexed semen output.

Value added bovine services

Genus offers a series of specialist services to farmers in order to deliver genetic improvement and support semen sales. These services are aimed at increasing milk yield in the herd, improving weight gain and consistency across beef herds, improving longevity and economic viability of dairy cows and fertility across both dairy and beef, all in conjunction with an understanding of feed requirements, milking patterns and environmental issues. These specialist services include a computer assisted Genetic Mating Service (GSM) and a comprehensive Reproductive Management Service (RSM). The services lead to improved profitability for farmers and also generate customer loyalty to the Group as the customer enters into an ongoing semen supply contract, thereby increasing the forward order book visibility of the Group.

Porcine business

Genus' porcine business provides genetically superior pig breeding stock and technical support for maximising genetic potential to commercial pig producers. Founded in 1962, the porcine business became part of the Genus Group on the acquisition of Sygen in December 2005. The porcine business combines quantitative sciences with advanced biotechnology to develop non-GMO breeding stock that allows major producers to breed healthier animals that cost less to produce and provide higher quality products to consumers. From these elite genetics, Genus sells breeding males, females and semen.

The Group develops its breeding stock in two nucleus herds, located in the USA and Canada, away from other pig units to maximise bio-security. The nucleus herds comprise around 5,000 breeding females of ten pure lines. These lines can be categorised into two groups; so-called sire lines that are selected for their meat

production traits, and dam-lines for maternal traits such as litter size and milking ability. The performance of these animals and their progeny is assessed against their peers, with the elite being retained in the nucleus herd for breeding the next generation, the next tier used for breeding commercial stock for sale to customers and the balance reared for meat.

The breeding to produce commercial stock takes place both in predominantly sub-contracted multiplication units located in all the Group's markets around the world and on customers' farms. Typically two or three pure-bred dam-lines are crossed to produce the final commercial female which is bred to either a pure-bred or cross-bred sire-line boar in order to produce slaughter pigs for the meat market.

The contracting-out of the multiplication reduces the proportion of by-product pigs reared in-house. This is part of a de-risking strategy to reduce the sensitivity of business profit to movements in the market price of pigs ("the hog cycle"). The other part of the strategy has been to move away from selling breeding animals on an outright basis and to sell instead on an indirect model, whereby breeding animals are sold for a lower price but with a royalty attached to any progeny they produce.

The Directors estimate that more than 100 million slaughter pigs produced each year contain Genus genetics. The Directors believe that these pigs have a higher value and a lower production cost than any of the Group's competitors supplying large integrated pig production units.

There are three key selection objectives for pigs and, to a great extent, these are applicable to the bovine market as well:

- **Good reproductive traits –** the ability for sows to produce large and viable broods of piglets is key to the economic performance of pig producers; the fixed costs are the same irrespective of the number of piglets produced. There has been an increasing trend in the number of piglets per sow.
- **Desired meat quality –** Over the last few decades the pig market has moved away from fatty meats to lean meats, often marbled with fat. This has been led by the improvements in the Danish brand, and the choice of premium brands such as Parma Ham by consumers, where specific breeding lines and quality are a prerequisite. Meat quality is critical to the value of the slaughter pig and, therefore, any improvement in quality could deliver an improved return on investment to the producer.
- **Efficiency of growth and hence feed conversion –** One of the biggest issues in the current porcine market is efficiency of feed conversion in pigs going to slaughter. This is becoming especially important as the cost of feed is increasing with the conversion of potential feed stuff to ethanol products.

2 Research & product development

Genus operates a research & development programme applicable to both of its core business areas. Genus' research and product development expenditure for the 12 months to 30 June 2007 was £17.7 million. Approximately 20 per cent. was spent on research and 40 per cent. each on bovine and porcine product development.

The objective of the Group's research & development policy is to develop, in both pigs and cattle, sale products with superior genetics and desired traits when compared with their previous generation, thereby refreshing continuously the product pipeline. Product development continues to be a key driver in the success of Genus' business, producing a continuous stream of genetically superior bulls and pigs. This is augmented by carefully targeted research, aimed at producing breakthroughs that will change the business model to Genus' competitive advantage.

The refreshment of the bovine product portfolio occurs through the introduction of new, named bulls every four months. The porcine product portfolio is refreshed by the genetic upgrading of the various genetic lines which leads to a new product being launched approximately every 18 months, the last two products being the PIC 380 in July 2005 and the Camborough 29 in January 2007.

Although Genus takes appropriate steps to protect its intellectual property it does not rely on any specific patents or licences, industrial, commercial or financial contracts or new manufacturing processes for the ongoing success of its business.

Genus has not engaged in any material collaborative research and development agreements and the Directors believe this will not affect the standing or quality of Genus' research.

Genus' business is not dependent on any key individual, customer or supplier and no assets are necessary in production that are not owned by Genus.

Bovine product development

Due to the five year lead time associated with the bovine genetic inventive process, Genus, in commercially targeting its research, looks five years ahead to estimate the likely requirements of agriculture in the future. The products currently being sold have, therefore, been based upon development decisions made in 2002. At that time, the Group was projecting that farmers would require semen that increased selectively the robustness of their herds and improved animal welfare, while maintaining reasonable outputs, rather than the previous prime target of increased output. This has proved to be correct and has resulted in an increase in the competitiveness of the Genus stud.

The Group has been able to compare the genetic merit of the Genus stud with that of competitor bulls. Of the bulls that will become available for commercial sale between 2008 and 2011, the prospects are most encouraging:

- throughout the period, the bulls in the test programme are very strong in the newly measured traits associated with longevity (productive life, somatic cell count, daughter pregnancy rate);
- the Company has improved its position and is now very strong in the traditional longevity associated traits of legs, feet & udders. These traits are also very important for the 'breeder' sector of the market;
- Genus has also moved to the top in quantity of butterfat, a trait to which it has probably given insufficient emphasis in the recent past; and
- the aggregate of these traits in terms of net merit confirms Genus is ahead of its competitors and the lead is improving.

In general, Genus' major competitors have retained their historical and traditional selection objectives, being variously strong on type (looks) and production, but weak on the longevity traits.

With continuing growth anticipated, Genus is in the process of increasing by 35 per cent. the number of bulls evaluated in the large US-based testing programme and investing the £2 million required to house these extra bulls.

Genus is also active in research & development within the beef business. Historically, the beef industry has been reluctant to use artificial insemination ("AI"). One of the reasons is that in the fragmented production chain it is impossible for a breeder of genetically superior calves to realise a premium price when they are slaughtered. The increasing demand for meat consistency and tenderness has created the potential for a change in this sector of the food chain. Building on experience gained by PIC, Genus is leading this change and is seeking early success in both the US and UK. In this respect, the Company is working with household names like Tesco and McDonalds.

Porcine product development

For pigs, the inventive lead-time at approximately three years is shorter than for bovines. This enables a more rapid response to changes in the agricultural environment. Since the acquisition of PIC, the Directors have carefully reviewed its development programme and have satisfied themselves that the product selection criteria set up three years ago will continue to produce commercially competitive animals ideally suited to current market conditions. The Company has, however, made small changes to the weighting of selection traits to ensure that the strong competitive advantage currently demonstrated in the side-by-side trials against competitor products is maintained, as longevity traits become more important in the pig sector.

In this respect, the selection programme will benefit from the strong progress Genus has made with the fundamental science programme in genetic markers.

The main platform of the acquired science programme was the identification of genetic markers for yield and feed conversion in animals. During the ten year period during which this objective was pursued, the technology available to scientists evolved considerably. As a result, the early pioneering work quickly became overtaken as modern techniques became available from contractors.

Since acquisition, Genus has transferred the remaining genotyping work to contractors using the new and faster technology. As a result, Genus has progressed much more rapidly in the complex identification programme for markers for the evolving commercially important traits in future agriculture. The Company has evaluated the increase in rate of genetic progress from incorporating marker data into conventional genetic analysis. The results show that:

1) nearly all traits of commercial importance are controlled by many genes as opposed to single genes.

2) the incorporation of marker information has limited benefit if a trait is easily measured directly e.g. daily weight gain.

3) the incorporation of marker information confers significant benefit if a trait is more difficult to measure accurately by direct means e.g. mortality.

4) Genus now incorporates 100 markers into routine genetic evaluations, compared with 10 two years ago.

5) these 100 markers are influencing the selection of the next generations of animals in the Group's breeding programme and should benefit its competitive position from 2010.

In order to support anticipated sales growth, the Directors have sanctioned the building of an enhanced nucleus herd facility in South Dakota, USA, at a cost of £9 million over the coming two years. This facility will provide an additional benefit of being of sufficient size and diversity to develop customised lines for key additional customers, giving the Group a significant competitive advantage. In addition, new facilities will enhance health and environmental standards and reduce operating costs.

3 The market and geographies

With increases in wealth creation and population, both in the developed and the developing worlds, there is increasing consumption of meat and dairy products. The increase in meat consumption is particularly marked as the move to increasing levels of protein in diets is a well-recognised trend in the developing world. China, by way of example, is now a major consumer of pork. These increases are leading most commentators to predict structural rather than cyclical increases in agricultural commodity prices in the future. In addition, agricultural crops are increasingly being used to produce ethanol, a renewable fuel source. These changes are being magnified by an ever increasing world population, whilst droughts and flash floods caused by climate change are adversely affecting yields.

Together, these changes will mean that food prices are likely to rise and that farmers and governments will increasingly seek to increase farming productivity. The Directors believe that improved animal genetics will be a key ingredient in this quest and the Group is well placed to take advantage of this market growth.

The Americas

Nature of the business

Trading in the North and South American continents takes place through wholly owned subsidiaries in the six largest markets in the region and through agents in the smaller markets.

Growth drivers

In the developing markets of Latin America, primarily Mexico, Brazil, Argentina and Chile, growth is arising from the underlying expansion of the markets, driven by:

- increased demand to address an expanding and wealthier population;
- growth in exports as the region takes advantage of its inherently lower agricultural cost base; and

- greater use of advances in agricultural techniques.

Competitive position

Most of Genus' competitors in the Americas are co-operatives, particularly in the bovine sector. Genus' market share has been growing throughout the region in both its bovine and porcine business. In Latin America, Genus is the clear market leader in both bovine dairy and porcine genetics in the large and growing markets of Mexico, Brazil, Argentina and Chile.

Europe & Asia

Nature of the business

Trading in the Europe & Asia region takes place through wholly owned subsidiaries in the four primary markets and through agents in 15 secondary country markets. In Europe, Genus has particularly strong businesses in the UK, France, Germany, Italy and several other Eastern European countries. In Asia, the business is particularly strong in China, Japan and the Philippines.

Growth drivers

The market for pork and dairy products is growing throughout the region with growth particularly strong in the Far East (especially China) and Eastern Europe. The agricultural industry continues to consolidate in Western Europe as production subsidies reduce. The privatisation process of Eastern Europe has created many new large and highly productive farming units that, over time, will begin to replace units in Western Europe.

The Government of China is supporting investment in "state of the art" pork farming in order to feed its increasing population.

In Russia, demand for high quality pig breeding stock and dairy semen has recently been running at record levels as the nation's herd is being rebuilt after years of decline under previous governments.

Competitive position

Genus is the overall market leader in the Europe & Asia region in the bovine sector and a market leader in the porcine sector. Although competitors generally hold high market shares in their home markets, they are much less active internationally than Genus.

European bovine competitors are generally co-operatives and in the porcine sector industry consolidation has reduced the number of competitors.

4 Competition

Genus' competitive marketplace generally comprises single species co-operatives in individual countries. There are no multi-species competitors to Genus, which, the Directors estimate, has a 25 per cent. share of its key bovine and porcine markets.

Bovine

Genus has no listed competitors in the bovine sector. Its competitors are mainly co-operatives, led by Semex, with around 50 per cent. of the market between them. Any consolidation in the market, therefore, is likely to be amongst the smaller players and the co-operatives, especially with further liberalisation of the tariffs in certain countries.

- **Semex –** a Canadian bovine genetics business/co-operative with an international presence. Semex samples up to around 350 bulls per annum (currently around the same as Genus) for both the dairy and beef sectors. In the UK, Semex tends to use dairy farmers or retired dairy farmers to sell its dairy semen. Semex is estimated to have approximately 10 per cent. market share.

- **Alta Genetics Inc –** Alta was bought in 2000 by private Dutch based Koepon Holding, owned by Mr. Wijnand Pon. Alta is focused on the dairy sector, but across 80 countries. Alta is estimated to have around a 10 per cent. market share.
- **Other co-operatives –** in addition to Semex and Alta, each country has co-operatives built around individual farming communities or breeds. In certain countries, such as France, restrictive practices and laws means that these co-operatives can have pre-eminent positioning in the relevant markets.

Porcine

The porcine market is characterised by competitors which are predominant in localised markets and by a number of smaller participants. Further consolidation is expected in the porcine market as fewer, but larger, end customers tend to become standard, and the market increasingly vertically integrates.

- **Danbred –** Danbred is the Danish Pig Breeding Programme and is organised by the Danish Pig Production business. It focuses both in Denmark and internationally on producing three major pig populations: Landrace, Yorkshire and Duroc. Danbred is estimated to have no more than a 5 per cent. market share.
- **Topigs –** Topigs is a Dutch based pig breeding organisation with an estimated market share of 2 per cent.
- **Monsanto Choice Genetics Inc. –** Monsanto Choice Genetics Inc. is a subsidiary of Monsanto Company and provides genetics services to the pork industry. Monsanto Choice Genetics has a large R&D budget through its parent business and is focused, like Genus, on identifying useful markers for traits. It is estimated that it has around a 6 per cent. share of the North American market.
- **JSR Genetics –** JSR resulted from the merger of three UK pig companies and now has established nucleus herds in 16 countries. The Directors estimate JSR to have built up a single digit share of the porcine market.
- **Hendrix Genetics –** Hendrix Genetics is Dutch based and is mainly focused on the poultry sector but also covers some porcine genetics. It additionally operates in Canada and France.

5 Strategic development and progress

In 2005, Genus announced that it had embarked upon a strategy to become market leader in animal genetics aiming to build its existing bovine business and diversify into other species, growing its earnings per share and thereby increasing the return to Shareholders.

Additional components of this strategy included the divestment of non-core businesses in other sectors and a restructuring of the Shareholder register to increase shareholdings held by institutions and thereby to increase the liquidity in Ordinary Shares.

Fundamental to this business strategy was the Board's belief that the Group's commercial approach to targeting Research & Development in animal genetics would continue to strengthen its product lead ahead of competitor products. At the same time, an increase in business size through international diversity, would also reduce the risk to the business of being adversely affected by agricultural cycles within particular country markets and species.

In 2005, Genus was already the market leader in bovine genetics and had demonstrated the success of its product development capabilities by increasing the number of bulls in the ranking of the international lists for stud bulls.

Genus had also increased its market share in several large markets by a combination of this product strength and its international sales and distribution coverage.

In pursuit of its declared strategy to build and diversify its business in animal genetics, Genus, acquired Sygen, in December 2005, a publicly listed company with a world class and market leading animal genetics

business in the porcine sector and a shrimp genetics business. The Board considered the porcine genetics business to be complimentary to the existing bovine business because:

- all porcine sales would be incremental.
- Sygen operated, through complimentary country businesses with some offering the potential for cross fertilisation and others offering the potential for savings from overlapping activities.
- there was a potential to leverage the high cost of research and development across two species instead of one, thereby increasing cost productivity and improving the chance of a breakthrough from fundamental research.

The Board judged that the acquired shrimp genetics business did not have the same potential for synergy and that the market in which it operated was less sophisticated. As a result, that business would be less able to realise the benefits from the planned research investment. Accordingly, the Board added the shrimp operating companies to its list of non-core assets to be divested.

Strategic Progress

Before the acquisition of Sygen, Genus had divested itself of its veterinary pharmaceutical distribution and veterinary distribution businesses which it considered to be non core.

Since the acquisition of Sygen, the following strategic progress has been made:

- the acquired porcine business has been fully integrated with the bovine business and reorganised into separate regional selling operations under two regional Chief Operating Officers (the Americas headed by Ian Biggs and Europe & Asia headed by Philip Acton), serviced by worldwide research, development and production facilities under a third global Chief Operating Officer, Steve Amies.

  For example, the Americas organisation now comprises:

  - Bovine semen sales under the trademark, ABS;
  - Porcine breeding sales under the trademark, PIC; and
  - Regional services provided centrally in one location.
- synergy benefits from the amalgamation have reduced underlying operating expenses.
- the three non-core shrimp businesses in Brazil, Thailand & Mexico have been divested for a total consideration of £5.6 million.
- Genus has grown the combined business through increasing its market share in both bovine and porcine and developing its presence in new emerging markets such as China & Russia.
- management has accelerated the process of de-risking operations and helped stabilise the financial performance by expanding the porcine royalty model, thereby reducing the impact of the volatility to slaughter prices.
- the product leadership of the acquired porcine business has been tested in trials run on customer's farms against leading competitors' products.
- the Genus commercial targeting approach of research and development management has been implemented in the porcine business with product development being integrated with bovine development under one management team.
- a harmonised and integrated fundamental science programme, addressing commercial targets in both bovines and porcines, has been put in place as part of Genus' annual research and product development expenditure which was £17.7 million for the year ended 30 June 2007.

The fundamental science programme aims to create a step change and enhance the Group's business through innovation. A number of research projects covering, inter alia, semen processing and freezing, sexing of semen, genomics and genetic markers, improvement in fertility and increasing semen output are under way.

The Group's internal forecasts do not include any positive outcomes from the fundamental science programme investment. Instead, the forecasts include only the expectation of ongoing success from the proportion of continuing expenditure in the incremental development of bovine and porcine products, in the way that has been successfully achieved over the last ten years.

The Board plans to seek further productivity improvements and achieve additional administration function savings from consolidating worldwide business systems using the Oracle platform which currently operates successfully in the acquired porcine business. This complex project has been progressed with the help of external consultants and is likely to create potential for further productivity improvement. There will also be potential for productivity improvements from further integration of country businesses.

The Board continues to believe that it should concentrate the Group's efforts on growing the animal genetics business while driving down debt. In this respect, the Board is actively pursuing the divestment of the remaining non-core businesses, while ensuring that such sales will realise good value for Shareholders.

Looking forward, the Board sees strong underlying growth potential from its international market strength and improving market conditions (see part III, section 3, Markets & Geographies), the potential for making acquisitions either to increase market share and territorial coverage in existing species, or further acquisitions to add additional species.

By offering small Shareholders the opportunity to realise their investments, the Group has been able to place Ordinary Shares with institutions. In addition, Ordinary Shares placed at the time of the acquisition of Sygen and subsequently to fund other small bovine acquisitions, have transformed the profile of Shareholders. Approximately 70 per cent. of the Ordinary Shares are now held by institutions whilst the number of small shareholders (holdings of up to 10,000 shares) has been reduced by 28 per cent.

Key assumptions and sensitivities

The Group's internal forecasts are based on the following key assumptions and sensitivities:

Assumption	*Sensitivity considered*
US$:£ exchange rate of $1.95:1	Exchange rate fluctuation, particularly given the current weakness of the US$
Flat revenue growth in porcine revenues in year ended 30 June 2008	1 per cent. revenue variation
Margin improvement in porcine business due to royalty model	1 per cent. EBITDA margin variation
Volume growth in bovine business through increase in market share and expansion	Zero growth
Improved bovine margin due to cost savings and growth in Europe	0.5 per cent. EBITDA margin variation
Effective tax rate of 34.5 per cent.	1 per cent. variation
Underlying interest rate of 6.2 per cent.	Impact of 0.5 per cent. movement in rates

The Group forecasts do not include any contribution from any positive outcome from the fundamental science investment programme being undertaken nor from any potential investment opportunities. Consequently, there is no need for a sensitivity of the Group's forecast results to either failure to grow from acquisition or failure to achieve further positive results from innovative science or the launch of significant new products.

6 Current trading

The new financial year has started well. Genus is in a unique position to benefit from changing world agricultural markets and to deliver solid long-term growth. This will arise from organic growth in the market and productivity improvements as further country markets are integrated.

7 Reasons for listing

It has, for some time, been the intention of the Company to seek a listing on the Official List when the maturity of the Company so warranted it. During its time on AIM, the Company has restructured its shareholder base to improve liquidity and the Directors believe that a move to the Official List will enable overseas investors to participate in the Company's growth, as well as enhancing the Group's profile within its markets and customer base. The Board sought and obtained authority from Shareholders at the Company's annual general meeting on 16 November 2006 to pursue a listing on the Official List.

8 Investments

The Group's principal investments comprise its equity share of joint ventures and associates. As at 30 June 2007, the Group had interests in the following joint ventures and associates, all of which are in the porcine business segment:

- Agroceres-PIC Suinos (Brazil) (49 per cent. owned): equity value of investment £3.2 million;
- Hybridschweine Cooperations GmbH (Germany) (50 per cent. owned): equity value of investment £0.2 million;
- Hu Mei Pig Improvement Company Ltd (China) (50 per cent. owned): equity value of investment £0.1 million.

The investments were all made a number of years ago under Sygen's previous management and were financed through working capital. There are no plans to divest any of these interests in the foreseeable future.

9 Pensions

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

The financial position of the defined benefit schemes as recorded in accordance with IAS19 are aggregated for disclosure purposes. The liability split by principal scheme is set out below.

	2007	*2006*
	£m	*£m*
The Milk Pension Fund	7.2	14.9
The Dalgety Pension Fund	1.4	0.1
Other retirement benefit obligations	7.3	7.8
Gross liability	15.9	22.8
Deferred taxation	(4.8)	(6.9)
Net liability	11.1	15.9

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

The above table sets out the financial position of the Milk Pension Fund ("the Fund") in accordance with IAS 19. As at 31 March 2006, the Group's share of the Fund's deficit calculated on the statutory "wind up"

basis was £91.1 million. The "wind up" basis reflects the Fund actuary's estimate of the cost of purchasing, from an insurance company, annuities to secure accrued benefits. The Fund Trustees do not have the unilateral right to wind up the Fund and the Directors have no reason to believe the "wind up" deficit will be triggered.

10 Share incentive arrangements

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

The terms and conditions of the grants are as follows:

Share plan	*Date*	*Number of options***	*Vesting conditions*	*Contractual life of options*
(1) 2000 Company Share Plan	11 June 2002	7,141	Exercisable	10 years
(2) 2000 Company Share Plan	6 June 2003	263,791	Exercisable	10 years
(3) 2004 Company Share Plan	9 September 2004	400,000	3 years service*	10 years
(4) 2004 Company Share Plan	19 May 2005	320,500	3 years service*	10 years
(5) 2004 Company Share Plan	7 December 2005	78,740	3 years service*	10 years
(6) 2004 Company Share Plan	21 June 2006	532,200	3 years service*	10 years
(7) 2004 Company Share Plan	25 September 2006	50,609	3 years service*	10 years
Total share options		1,652,981		

* The options under (1) and (2) are now exercisable.

The options under (3), (4) and (5) can only be exercised if over a three year period the average annual increase in relevant underlying divisional operating profit exceeds a minimum of 3 per cent. over RPI for the same period. The options under (6) and (7) can only be exercised if over a three year period the average annual percentage growth in Group underlying EPS exceeds a minimum of 5 per cent. over RPI for the same period.

** Number of options as at 30 June 2007.

In addition to the oustanding share options above, a total of 888,356 conditional shares were awarded to executive directors and senior executives on 9 September 2004, 19 May 2005, 7 December 2005 and 21 June 2006 under the 2004 Performance Share Plan. In accordance with the terms of the plan, Executive Directors and certain Senior Executives are eligible to receive a conditional annual award of shares or a nil cost option award which will vest after three years, with the proportion of the award vesting being based on growth in underlying Group earnings per share.

Further information on the Share Option Schemes is set out in note 33 in Part VI and paragraph 5 of Part X of this document.

11 Dividend policy

The Board believes in implementing a progressive dividend policy. Accordingly, the Board has recently announced a proposed dividend, of 9.1 pence per Ordinary Share in relation to the year ended 30 June 2007 which represents a 10 per cent. increase over the 8.25 pence per Ordinary Share dividend relating to the 15 month period ending 30 June 2006.

The above statements do not constitute a profit forecast nor should they be interpreted to mean that future earnings per Ordinary Share or dividends following Admission will necessarily match or exceed historical earnings per Ordinary Share or dividends.

12 Taxation

Further information on United Kingdom taxation with regard to Ordinary Shares is set out in paragraph 12 entitled "United Kingdom Taxation" on pages 230 to 232 in Part X of this document. All information in relation to taxation in this document is intended only as a general guide to the current United Kingdom tax

position. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser immediately.

13 CREST

CREST, the computerised paperless system for settlement of sales and purchases of shares in the London securities markets, commenced operation in July 1996.

The CREST Regulations provide for the transfer of shares in the UK without stock transfer forms, and the evidencing of title to shares without share certificates, through a computer-based system and procedures, defined in the CREST Regulations as a "relevant system", which is operated by CRESTCo.

The Articles contain specific provisions to enable the Ordinary Shares to be dematerialised into a relevant system, including CREST. A copy of the Articles is available for inspection as set out in paragraph 21.1.1 in Part X of this document.

The Board has resolved to enable any or all of the Ordinary Shares to join CREST and, accordingly, Shareholders are able to hold the Ordinary Shares to which they become entitled in electronic form in an account on the CREST system or in the physical form of certificates. Each Shareholder will be able to choose whether or not to convert his Ordinary Shares into uncertificated form and the Registrars will continue to register written instructions of transfer and issue share certificates in respect of the Ordinary Shares held in certificated form.

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PART IV

DIRECTORS, SENIOR EXECUTIVES AND GROUP CHIEF SCIENTIST

1. Directors

John Hawkins (54), Non-executive Chairman

John Hawkins joined the Board in June 2000 and was appointed Chairman of the Board on 12 August 2004. He is non-executive Chairman of Salamander and a non-executive director of Psion Plc. Prior to this, he was Chief Executive of the Anite Group plc and before that was with Philips Electronics for nineteen years. During the latter period he became European President of Philips Media. He took his first general management role more than ten years ago. He has lived and worked in Sweden, Holland, Asia Pacific and the USA.

Richard Wood (63), Chief Executive

Richard Wood is a graduate chartered chemical engineer. He worked for ICI for twenty three years and is a former Managing Director of ICI Seeds UK. He then 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. He joined Genus as Chief Executive in December 1996.

Martin Boden (48), Finance Director

Martin Boden joined the Board as Finance Director on 2 April 2007. He is a Chartered Accountant with considerable experience of large and diverse FTSE100 companies, most recently being Group Financial Controller of GUS plc, a FTSE100 retail and business services company. After qualifying with Robson Rhodes, he worked for WH Smith Group plc, Natwest plc and Zurich Financial Services Group Limited before joining GUS plc.

Edwin White (65), Senior Non-Executive Director

Edwin White joined the Board in October 1994 and is the senior non-executive Director. He is a Somerset dairy farmer and businessman. He is a director of the Royal Bath and West of England Society, Chairman of the South West Dairy Show and the founder and Chairman of the annual Dairy Industry dinner.

John Worby (56), Non-Executive Director

John Worby joined the Board in September 2004 and is Chairman of the Audit Committee. He is a non-executive director of Cranswick plc, Smith News plc and Heatherwood & Wexham Park Hospitals NHS Trust. He 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. He is a graduate chartered accountant and has lived and worked in the USA.

Professor Barrington Furr, OBE (63), Non-Executive Director

Professor Furr, aged 63, recently retired as Chief Scientist and Head of Project Evaluation for AstraZeneca plc after 34 years of service. He was awarded an OBE in 2000 for his services to cancer drug discovery and was the inventor of Zoladex, a world leading anti-cancer drug.

2. Senior Executives

Ian Biggs (49), 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 for the Americas of the enlarged group. Prior to joining Genus, he was with Roslin Bio Med Limited, 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, later as Managing Director of the European business and then head of North American operations.

Philip Acton (49), Chief Operating Officer – Europe and Asia

Philip Acton is a graduate chartered accountant. 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 (56), 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 became head of Product Development & Strategy.

3. Group Chief Scientist

Dennis Funk (53), Group Chief Scientist

Dennis Funk received a B.S. degree in Dairy Science and M.S. and Ph.D degrees in Animal Breeding from Iowa State University. From 1983 to 1988, he worked for the Holstein Association in Brattleboro VT as Director of Research and Development. In 1988, he accepted a faculty position in the Dairy Science Department at the University of Wisconsin-Madison and was promoted to the rank of Associate Professor with tenure in 1994. Dr Funk joined the Group in 1995 and was director, Research and Development in charge of the Group's ABS division's global research, product development and production departments until 2005. Following the acquisition of Sygen by Genus in 2005, he became Group Chief Scientist for Genus and is in charge of product development and research for the cattle-breeding and pig-breeding divisions. Dr Funk has authored or co-authored over 100 popular press and scientific publications and has given invited presentations in over 30 countries.

4. Management structure

The Board currently comprises two executive Directors, three non-executive Directors and the non-executive Chairman. Biographies of the Directors appear above. The Board considers that the Directors 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 Board meets at least six times a year with a schedule of matters reserved for its approval. Additional meetings are held when necessary to consider matters that are time critical. 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 so as 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.

Operations are managed using a territorial matrix under two regional Chief Operating Officers (the Americas region, headed by Ian Biggs and the Europe & Asia region, headed by Philip Acton), supported by consolidated Global Research, Development and Production facilities under a third Global Chief Operating Officer, Steve Amies.

5. Corporate governance

5.1 *Introduction*

5.1.1 On Admission, the Company will have its shares listed on the Official List and will therefore be required to comply with the Combined Code. Compliance with the Combined Code is not required for a company whose shares are admitted to trading on AIM. However, the Company has been fully compliant with the Combined Code up to Admission, save for the exception as set out under the heading "*General*" below, and will continue to be so following Admission, save for that exception.

5.1.2 The Directors support high standards of corporate governance. The Board sets and monitors Group strategy, reviews trading performance, ensures adequate funding, examines major acquisition possibilities, approves material contracts, formulates policy on key issues and reports to shareholders.

5.1.3 The roles of Chairman and Chief Executive are separate and the responsibilities of Chairman and Chief Executive are clearly defined and set out in writing. It is the Chairman's responsibility to ensure that the Board is provided with accurate, timely and clear information in relation to the Group and its business.

5.1.4 The Combined Code recommends that the Board should appoint one of its independent non-executive directors to be the senior independent director. The senior independent director should be available to shareholders if they have concerns that contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve material issues or where such contact is inappropriate. Edwin White is the Board's existing senior independent director and will continue in this role following Admission.

5.1.5 The Board has appointed an Audit Committee, a Remuneration Committee and a Nomination Committee, each of which have defined terms of reference which are summarised below. To ensure the Board is able to discharge its duties, each Committee and each Director have access to independent professional advice, or the advice and services of the Company Secretary, Ian Farrelly, as required. In addition, all Directors receive timely and appropriate 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.

5.2 *Audit Committee*

The Audit Committee is chaired by John Worby. Its other members are John Hawkins and Edwin White. The Audit Committee is responsible for a wide range of financial matters and meets at least three times a year with written terms of reference. The Committee reviews the effectiveness of the Group's financial reporting systems and internal control policy, the integrity of the Group's accounting policies and the Group's internal audit function to ensure the integrity of the financial information reported to shareholders.

It also 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. It keeps under review the cost-effectiveness, independence and objectivity of the external auditors, including the level of non-audit fees charged. It also reviews the non-audit services provided by the external auditors to ensure auditor objectivity and independence. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports nevertheless remains with the Board.

5.3 *Remuneration Committee*

The Remuneration Committee is chaired by Edwin White, Its other members are John Hawkins and John Worby. The Remuneration Committee has terms of reference which are set out in writing and agreed by the Board. It 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 the remuneration of the non-executives (in accordance with the Articles).

Fees for the non-executive Directors, including the Chairman, are determined by the Board as a whole outside the framework of the Remuneration Committee.

5.4 ***Nomination Committee***

The Nomination Committee is chaired by John Hawkins. Its other members are Richard Wood and Edwin White. The Nomination Committee does not have a fixed number of times it meets each year and meets as its chairman requires. It is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board.

5.5 ***General***

Upon Admission, the Company will not be in compliance with the Combined Code in that the senior independent non-executive director, Edwin White, has served on the Board for 13 years (seven years since the Company became a public company), a period longer than specified by provision A.3.1 of the Combined 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 Board are highly valuable.

6. Executive Directors' service agreements and letters of appointment of the Non-Executive Directors

A summary of the Executive Directors' service agreements and letters of appointment of the Non-Executive Directors is set out in paragraph 7 of Part X.

7. Bonus and share option arrangements

The Executive Directors and Chief Operating Officers participate in an annual bonus plan. The Remuneration Committee establishes the performance measures and objectives that must be met for each financial year if a cash payment under the bonus plan is to be made. The performance measures in the current bonus scheme include the achievement of target headline profit before tax; net debt; business integration objectives and personal objectives. Account is also taken of the relative success of the different parts of the business for which the Chief Operating Officers are responsible and the extent to which the strategic objectives set by the Board are being met. The bonus is determined on an individual basis with the bonus maximum being 125 per cent. of basic salary.

The Executive Directors and certain Senior Executives participate in the Group's share option programme, details of which are set out on page 28 above and in note 33 in Part VI and paragraph 5 of Part X of this document.

PART V

OPERATING AND FINANCIAL REVIEW

The following review should be read in conjunction with the financial information set out in Parts VI, VII, VIII and IX of this document. The review contains forward-looking statements that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial condition, liquidity and dividend policy of the Group, as well as the development of its financing strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of certain factors including, but not limited to, those discussed in Part II – "Risk Factors".

1 Introduction

This operating and financial review contains the following financial information for the Group:

- Under IFRS: the year ended 30 June 2007 and the 15 months ended 30 June 2006.
- Under UK GAAP: the 15 months ended 30 June 2006 and the year ended 31 March 2005.

Additional financial information for Sygen has also been presented under IFRS for the period 1 July 2005 to 2 December 2005. This represents the period between when Sygen last reported its results in its own published accounts and the date when Sygen was acquired and its results were consolidated into the financial statements of the Group.

2 Business overview

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

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

The porcine business maintains breeding stock which it develops and improves to be genetically superior. The offspring or semen obtained from these animals is sold to customers for use in commercial farming. The animal genetics offer the potential to improve profitability for farmer and food processing customers by enabling them to increase output of consistently high quality products yielding higher value. To allow the Group to capitalise on its intellectual property it almost entirely out-sources production to its global multiplier network.

In the periods under this review Genus has made a number of strategic acquisitions and divestments in order to become a world leading animal genetics company. Most fundamentally, the acquisition of Sygen on 2 December 2005 brought together Genus 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 broader international business. Due to the materiality of this acquisition in relation to the total business of Genus separate pre-acquisition financial information for Sygen has been presented in this review. A number of non-core operations have also been identified for disposal and have been presented as discontinued operations in

the financial statements. The results for the year ended 30 June 2007 include the following discontinued activities: the shrimp genetics business acquired with Sygen, Animal Health and Development Consulting.

Review of operating results – Genus

A summary of the continuing operating results for the periods under review is set out below:

	IFRS		*UK GAAP*	
	Year ended 30 June 2007 £m	*15 months ended 30 June 2006 £m*	*15 months ended 30 June 2006 £m*	*Year ended 31 March 2005 £m*
Revenue – continuing operations[i]	233.8	201.2	244.4	113.9
Adjusted operating profit	28.7	19.8	23.2	10.4
Fair value movement on biological assets	10.9	7.0	–	–
Amortisation of goodwill	–	–	(6.5)	(1.4)
Amortisation of intangible assets	(5.1)	(3.0)	–	–
Share based payments	(1.4)	(1.0)	(0.9)	(0.1)
Exceptional impairment of net assets	–	–	(2.3)	–
Integration and restructuring expenses	(3.0)	(2.7)	(2.7)	–
Preparation for main market listing	(1.0)	–	–	–
Adjustment to goodwill on recognition of tax assets	(0.7)	–	–	–
Continuing operating profit	28.4	20.1	10.8	8.9

(i) Excluding joint venture revenues

The Directors consider that adjusted operating profit provides a better measure of the underlying trading performance of the company. This is due to the additional volatility which would otherwise be introduced into the Group's results principally arising from the fair value movement in biological assets as required under IAS 41. As a result, the income statement shows separately the fair value adjustments. Adjusted operating profit is defined as operating profit from continuing operations before the fair value movement arising on biological assets, amortisation of intangibles, share based payments and exceptional items.

3 Review of trading results

3.1 Overview

The principal continuing revenue of the Group during the periods under review was from the global application of quantitative genetics and biotechnology to animal breeding in the bovine and porcine sectors.

The table below summarises the Group's revenue from continuing operations by business segment:

	IFRS		*UK GAAP*	
	Year ended 30 June 2007	*15 months ended 30 June 2006*	*15 months ended 30 June 2006*	*Year ended 31 March 2005*
	£m	*£m*	*£m*	*£m*
Bovine genetics	102.3	120.0	120.0	83.6
Porcine genetics	131.5	81.2	81.5	–
Development consulting	–	–	29.6	24.0
Animal Health	–	–	9.9	6.8
Shrimp Genetics	–	–	3.7	–
Inter-segmental	–	–	(0.3)	(0.5)
Continuing operations	233.8	201.2	244.4	113.9

The results for the 15 months to 30 June 2006 include seven months of Sygen whereas the results for the year ended 30 June 2007 include a full year's figures. The revenue presented above on a statutory reporting basis also has 15 months of bovine trading included in the period ended 30 June 2006 compared with 12 months in the year ended 30 June 2007. Underlying trading on a pro-forma basis was favourable in both key sectors but was detrimentally impacted in 2007 by the weakness of the US$ which impacted the £Sterling/US$ exchange rate. A recent feature of the porcine business is the strategy of replacing direct animal sales with royalty based sales in order to de-risk the business from volatility in market prices. As porcine moves to this model, initial revenue is lower but this is replaced by a royalty stream in future periods.

There are no revenue recognition differences for the Group between UK and IFRS GAAP. However, there are differences in how discontinued activities are presented in the Group's results. Under UK GAAP an operation had to have been sold to classify for treatment as discontinued, whereas under IFRS it can be held for the intention of sale. Under IFRS the Animal Health, Development Consulting and Shrimp Genetics businesses are classified as discontinued and not included in revenues, whereas under UK GAAP their revenue is included unless sold.

A more detailed discussion of the results is included in section 3.1.1 below.

The table below summarises the adjusted operating profit and operating margin by division:

	IFRS				*UK GAAP*			
	Year ended 30 June 2007		*15 months ended 30 June 2006*		*15 months ended 30 June 2006*		*Year ended 31 March 2005*	
	£m	*Margin*	*£m*	*Margin*	*£m*	*Margin*	*£m*	*Margin*
Bovine genetics	11.7	11%	13.4	11%	13.0	11%	10.3	12%
Porcine genetics	23.4	18%	11.8	15%	11.8	14%	–	–
Development consulting	–	–	–	–	1.1	4%	0.8	3%
Animal Health	–	–	–	–	2.2	22%	1.3	19%
Shrimp genetics	–	–	–	–	0.1	3%	–	–
Unallocated costs	(6.4)	–	(5.4)	–	(5.0)	–	(2.0)	–
Adjusted operating profit	28.7	12%	19.8	10%	23.2	9%	10.4	9%

3.1 Overview (*continued*)

During the periods under review the bovine margins have been relatively stable. Porcine has shown strong margin growth for the year ended 30 June 2007. This was due to strong underlying trading conditions, the disposal of a loss making genetic nucleus farm in France, the disposal of two other farms in the US and China, the move to the royalty-based sales model discussed above, and cost synergies achieved following the acquisition by Genus. Trading performance is discussed in more detail below.

The difference of £3.4 million in the adjusted operating profit between UK GAAP and IFRS in the 15 month period ended 30 June 2006 is primarily due to recording the Development Consulting, Animal Health and Shrimp Genetics businesses as discontinued under IFRS. There are some other minor IFRS adjustments in respect of holiday pay, pensions and finance leases which net to nil.

3.1.1 *Trading performance 2007 compared with 2006 – IFRS*

	IFRS	
	Year ended 30 June 2007 £m	*Period ended 30 June 2006 £m*
Revenue:		
Bovine genetics	102.3	120.0
Porcine genetics	131.5	81.2
Group continuing turnover	233.8	201.2
Adjusted operating profits:		
Bovine genetics	11.7	13.4
Porcine genetics	23.4	11.8
Unallocated	(6.4)	(5.4)
Adjusted operating profits	28.7	19.8
Adjusted operating profit margin:		
Bovine genetics	11%	11%
Porcine genetics	18%	15%
Group	12%	10%

In the results above for the period ending 30 June 2006 there are included 15 months of bovine trading and 7 months of porcine trading. The year ended 30 June 2007 has 12 months of trading for both divisions. General trading conditions are discussed below.

General trading environment

There was a general improvement in market conditions towards the end of the year, although two growth markets, Brazil and Australia, remained depressed. This was largely due to an outbreak of Foot & Mouth Disease (FMD) in Brazil and the harsh drought in Australia.

FMD in Brazil prevented farmers from selling meat in their export markets. This reduced farm profitability and the potential for the sale of semen and breeding pigs. However, there was a partially compensating upside in that other producers, the USA in particular, experienced a more buoyant export market.

In Australia, the extended drought caused the previously strong and growing market to contract. In this depressed market situation the Group nonetheless increased its market share and cemented its position in the retail sector. This bodes well for the future.

3.1.1 *Trading performance 2007 compared with 2006 – IFRS (continued)*

During the latter part of the year, the dynamics of the general agricultural markets improved. The long term pattern of supply and demand moved strongly from surpluses to deficits. As a result, milk prices hardened strongly in the USA in the latter part of the year and have started to rise in the UK and more generally in Europe. The demand for milk and meat products in the Far East has accelerated and the shortfall in world capacity is improving farmer sentiment so that the dairy semen market, in particular, should improve further in the new financial year.

The export growth for US producers offset the expected cyclical downturn in hog prices. Elsewhere, prices remained generally flat, although shortages of supply increased prices in the Far East.

Market commentators are predicting structural rather than cyclical increases in agricultural commodity prices in the future. In addition, agricultural crops are increasingly being used to produce ethanol, a renewable fuel source.

These changes are being magnified by an ever increasing world population, whilst droughts and flash floods caused by climate change are adversely affecting yields.

Together, these changes will mean that food prices are likely to rise and that farmers and governments will increasingly seek to increase farming productivity. The Directors believe that improved animal genetics will be a key ingredient in this quest and the Group is well placed to take advantage of this market growth.

The Directors view Genus' markets as being generally favourable for the coming year.

Bovine Genetics

The current bovine product strength, led by Shottle, Bolton and Boliver, three of the highest regarded bulls in the world, contributed to sales volume growth of 7 per cent. in the year to 30 June 2007. A particularly encouraging aspect was that this growth was achieved across the world, with increases in all but one of Genus' owned semen sales subsidiaries, the exception being in Australia that was affected by harsh drought.

The Group has also made progress with its sexed semen product. During the year ended 30 June 2007, Genus started selling sexed semen under the trademark ABS Sexation, in a range of markets, including the large US market. From a standing start, sexed semen sales revenue rose to an annualised 5 per cent. of dairy semen revenue. Genus is currently in the process of increasing capacity in the expectation that sales will continue to grow in the new financial year.

Porcine Genetics

In the porcine business, the Group has been hastening the de-risking strategy begun by Sygen to reduce the sensitivity of business profit to movements in the market price of pigs ("the hog cycle"). To achieve this change, Sygen had begun to subcontract pig multiplication to third parties, thereby reducing the proportion of sales of live animals from in-house production. Approximately 90 per cent. of multiplication in the USA, Western Europe and a number of other large country markets has now been subcontracted.

Another change that has been accelerated in many developed agricultural markets has been to move away from selling breeding animals on an outright basis. Instead Genus now sells on an indirect model whereby breeding animals are sold for a lower price but with a royalty attached to any progeny they produce. This change in business practice has substantially been made in North America, Western Europe and a few other markets, but will not be applied in less developed markets in order to protect the Group's intellectual property.

The impact of the implemented changes has been to lower headline sales in the year of introduction, even though market share may have increased. Margins improve from the accumulation of royalties and for the longer term, sales accrue throughout the breeding life of the animals sold. In addition, this indirect royalty model smoothes cash flow.

3.1.1 *Trading performance 2007 compared with 2006 – IFRS (continued)*

During the year, Genus extended and refreshed its product range of elite parents by adding a new dam line, called C29. This parent female is as prolific as the Company's widely renowned breeding dam line, the Camborough, but is cheaper to maintain. This latter trait will be increasingly important for pig producers now that the average cost of feed is increasing.

The C29 product was launched in its first market, the USA, during the 2007 financial year and should add growth and market share to the business in the new financial year.

3.1.2 *Trading performance 2006 compared with 2005 – UK GAAP*

	15 months ended 30 June 2006 £m	*12 months ended 31 March 2005 £m*
Revenue:		
Bovine genetics	120.0	83.6
Porcine genetics	81.5	–
Development consulting	29.6	24.0
Animal Health	9.9	6.8
Shrimp genetics	3.7	–
Inter-segmental	(0.3)	(0.5)
Group continuing turnover	244.4	113.9
Adjusted operating profit:		
Bovine genetics	13.0	10.3
Porcine genetics	11.8	–
Development consulting	1.1	0.8
Animal Health	2.2	1.3
Shrimp genetics	0.1	–
Unallocated costs	(5.0)	(2.0)
Adjusted operating profit	23.2	10.4
Adjusted operating profit margin:		
Bovine genetics	11%	12%
Porcine genetics	14%	–
Development consulting	4%	3%
Animal Health	22%	19%
Shrimp genetics	3%	–
Group	9%	9%

The trading performance of the key business divisions of Genus is discussed below:

Bovine Genetics

A full 15 months of bovine results are included in the table above for the period ended 30 June 2006 compared with 12 months for the year to 31 March 2005.

In generally stable market conditions and due to an increase in the sales force in the US, Canada and Europe, total sales volume rose in the period to 12.9 million doses. This equates to 10.3 million doses for a pro-rata 12 month period, and compares favourably with the 9.5 million doses sold in the year ended 31 March 2005.

New high ranking bulls added to the stud from the R&D programme helped increase average prices of semen by 12 per cent. in the beef sector and 10 per cent. in the dairy sector.

Adjusted operating profit of £13.0 million (2005: £10.3 million) is stated after a FRS 17 pension charge of £1.8 million (2005: £1.3 million). The three month extended period to 30 June 2006 was further impacted by a weakening US$ (which impacted the £Sterling/US$ exchange rate) and adjustments relating to the prior year amounting to a total of £0.6 million. This quarter is also adversely impacted by seasonality. The 15 month period. therefore, showed 1.5 per cent. deterioration in margin resulting from the increased pro-rata FRS 17 charge in the period, the one off adjustments of £0.6 million and the negative seasonality impact of the 3 month additional period.

Porcine Genetics

The table above includes seven months of Sygen porcine results for the 15 month period ended 30 June 2006; there are no porcine results in the comparative period.

In the seven month period, the porcine business performed ahead of the same period in the prior year. The main drivers were 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 factors helped to offset a 15 per cent. decline of pig prices in the USA and low prices generally in the Far East.

Adjusted operating profit for the period since acquisition was £11.8 million, an increase of £3.7 million over the comparable period prior to Genus' ownership.

The European business benefited particularly from post-acquisition savings such as the divestment of the business in Denmark and traded profitably in the seven month period post-acquisition having previously been loss-making for many years.

Animal Health and Development Consulting

The Animal Health division had a very successful period to 30 June 2006 underpinned by strong performance from the licensed pharmaceutical business. It achieved an adjusted operating profit of £2.2 million. Sales in the licensed pharmaceutical business for the 15 month period amounted to £8.8 million, which was £0.4 million ahead of the comparable period.

The development consulting business generated an operating profit of £1.1 million in the period which was £0.1 million higher than for the comparable 15 month period.

Both Animal Health and Development Consulting have subsequently been reclassified as non-core and their results included within discontinued businesses. The Development Consulting business was sold on 5 November 2007.

Shrimp Genetics

The shrimp genetics business was part of the former Sygen operations. Genus decided to exit from this as resources and investments are better directed at the significantly larger bovine and porcine businesses. It was considered that the shrimp market was volatile and that customers were not prepared to pay for the added-value potential from expensive research. In the seven month period post-acquisition the Brazilian operations were divested for US$ 6.0 million (£3.25 million). The disposal of the businesses in Thailand and Mexico is discussed in section 3.3.5 below.

Research and product development

The research and product development expense in the 15 month period was £17.7 million and is allocated as appropriate to the business segments. The majority of expenditure, in both the case of Genus and Sygen, has been on the development of elite animals by traditional selection processes.

Un-allocated costs

Un-allocated costs which primarily relate to corporate overheads, increased to £5.0 million in the 15 month period (2.0 per cent. of turnover) compared with £2.0 million (1.8 per cent. of turnover) in the 12 month comparative period. In the post-acquisition period synergy cost savings were identified and

largely implemented and reduction of costs was, therefore, anticipated for the following year which were largely achieved. The key measures undertaken in the period were:

- The Sygen offices in Oxford were closed and the transfer of the UK back office functions to Genus was underway. Continuing head office staff had been relocated to Basingstoke.
- The merging of the back offices in the USA was almost complete.

3.2 Review of other operating profit items

The table below sets out the other operating profit items

	IFRS		*UK GAAP*	
	Year ended 30 June 2007	*15 months ended 30 June 2006*	*15 months ended 30 June 2006*	*Year ended 31 March 2005*
	£m	*£m*	*£m*	*£m*
Adjusted operating profit	28.7	19.8	23.2	10.4
Fair value movement on biological assets	10.9	7.0	–	–
Amortisation of goodwill	–	–	(6.5)	(1.4)
Amortisation of intangible assets	(5.1)	(3.0)	–	–
Share based payments	(1.4)	(1.0)	(0.9)	(0.1)
Exceptional items:				
Exceptional impairment of net assets	–	–	(2.3)	–
Restructuring and integration	(3.0)	(2.7)	(2.7)	–
Preparation for main market listing	(1.0)	–	–	–
Adjustment to goodwill on recognition of tax asset	(0.7)	–	–	–
Continuing operating profit	28.4	20.1	10.8	8.9

3.2.1 *Fair value movement on biological assets*

In accordance with IAS 41, the Group shows the carrying value of biological assets in the balance sheet with the fair value movement shown in the income statement.

Bovine biological assets represent the fair value of proven bulls and bulls on test, based on expected net cash flows from the sale of semen. The significant assumptions determining the fair values are the expected future demand for semen, estimated production value, the life of each bull and, for bulls on test, the percentage expected to be actively marketed.

Porcine biological assets represent the fair value of breeding pigs which are calculated using the average slaughter value of the animals plus a premium for genetic characteristics determined by average achieved sales prices. The significant assumptions determining fair values are the expected life of the breeding herds, the percentage of production animals expected to be saleable as breeding pigs and expected sales prices.

Breeding animal semen is transferred to inventory at fair value at point of harvest, at which point it becomes agricultural produce valued at deemed cost.

At 30 June 2007, the fair value of bovine biological assets was £73.9 million (2006: £70.6 million) and the fair value of porcine biological assets was £65.8 million (2006: £71.1 million), with the total value on the Group balance sheet being £139.7 million (2006: £141.7 million).

The fair value movement in the income statement amounted to £10.9 million (2006: £7.0 million) with this favourable increase being broadly offset by the effect of the weaker US$ in arriving at the balance sheet IAS 41 valuation.

3.2.2 *Amortisation of goodwill*

Under IFRS, the existing goodwill balances as at the date of transition, 1 April 2005, were frozen and in future periods will be tested annually for impairment rather than being amortised in a systematic manner. In the two IFRS periods presented above, there has been no such impairment.

The charge under UK GAAP, where amortisation was charged over 20 years, included a seven month charge for the Sygen acquisition in the 15 months ended 30 June 2006 resulting in the large increase in the charge compared with the 12 months ended 31 March 2005.

3.2.3 *Amortisation of intangible assets*

The acquisition of Sygen in December 2005 has been restated in accordance with IFRS 3 and certain intangible assets have been identified and recognised separately from goodwill. The impact of this is to reclassify amounts totalling £91.0 million less the associated deferred tax from goodwill to intangible assets, amortised over their useful economic lives as set out below:

	£m	*Useful life*
Customer relationships	47.3	17 years
Porcine technology	40.4	20 years
Multiplier contracts	3.3	5 years
	91.0	

In addition, amounts totalling £0.8 million recorded as goodwill in respect of two small acquisitions in Australia have also been reclassified as intangible assets with useful economic lives of 10 years.

There is a an increase in the amortisation of intangible assets for the 12 months ended 30 June 2007 compared with the 15 months ended 30 June 2005 due to a full 12 month charge being applied on the Sygen acquisition compared with seven months in the comparative period.

There were no intangible assets recognised under UK GAAP other than goodwill.

3.2.4 *Share based payments*

Key employees of the Group receive part of their remuneration in the form of share awards and share options, both of which vest after three years, subject to meeting certain performance criteria. Under IFRS 2, the fair value of these awards and options are recognised as an expense in the profit and loss account. The fair value for the Group is measured at grant date and spread over the vesting period of each award.

The share based payment expense for the year ended 30 June 2007 amounted to £1.4 million, an increase of £0.4 million over the charge for the 15 months to 30 June 2006 due to the issue of new awards.

The UK GAAP accounts for the periods ending 30 June 2006 and 31 March 2005 include an expense of £0.9 million (2005: £0.1 million) in respect of share awards recognised in accordance with UITF 17. The charge under UK GAAP in the 12 months ended 31 March 2005 was only £0.1 million, as the awards attracting this charge had only just been issued.

3.2.5 *Exceptional impairment of net assets*

Following the decision to divest the Shrimp Genetics business in the 15 month period ended 30 June 2006, an exceptional impairment of net assets of £2.3 million was recognised within operating profit under UK GAAP to write down the carrying value of the net assets of this business segment to its estimated recoverable amount.

This charge is still recognised under IFRS but is transferred to the line ‘discontinued operations’ which is presented below operating profits see section 3.3.5 below.

3.2.6 *Restructuring and integration*

The restructuring and integration costs relate to the following items:

£2.6 million (2006: £1.8 million) in respect of restructuring the porcine business and £nil (2006: £0.9 million) in respect of integration and stream-lining of the bovine business and £0.4 million (2006: £nil) is respect of project management fees, incurred during the implementation of a world-wide management information system.

3.2.7 *Preparation for main market listing*

Preparation for main market listing expenses primarily relates to professional fees in relation to the early adoption of IFRS, a necessary preparation for the main market listing.

3.2.8 *Adjustment to goodwill on recognition of tax assets*

The Group has acquired businesses with tax losses. These were recognised in the Group balance sheet on acquisition to the extent that they were expected to be realised based on information at the acquisition date and to the end of the hindsight period. The Group has subsequently been able to use tax losses to a greater extent than anticipated thereby reducing the value of goodwill. In order to comply with the requirements of IAS 12 "Income Taxes", a charge for the reduction in goodwill is reported to the extent of any further recognition of tax losses that arose pre-acquisition.

Overall the Group envisages that exceptional operating costs for the year ended 30 June 2008 will be less than the £4.7 million incurred during the year ended 30 June 2007.

3.3 Profit attributable to equity shareholders

	IFRS		*UK GAAP*	
	Year ended 30 June 2007 £m	*15 months ended 30 June 2006 £m*	*15 months ended 30 June 2006 £m*	*Year ended 31 March 2005 £m*
Operating profit continuing operations	28.4	20.1	10.8	8.9
Discontinued operations	–	–	(2.1)	0.3
Operating profits	28.4	20.1	8.7	9.2
Share of profit/(loss) of associates and joint ventures	1.3	(0.2)	0.7	–
Other gains and losses	0.2	1.9	1.9	0.3
Loss on sale of discontinued operations	–	–	(1.9)	–
Net finance costs	(10.0)	(6.7)	(6.6)	(1.4)
Profit before tax	19.9	15.1	2.8	8.1
Taxation	(7.2)	(4.0)	(3.1)	(2.2)
Profit/(loss) after tax	12.7	11.1	(0.3)	5.9
Profit/(loss) for the period from discontinuing operations	1.9	(3.3)	–	–
Profit/(loss) for the period	14.6	7.8	(0.3)	5.9

3.3.1 *Share of profit of associates and joint ventures*

Genus participates in 3 joint ventures namely:

- Agroceres-PIC Suinos (Brazil) 49 per cent. owned;
- Hybridschweine Cooperations GmbH (Germany) 50 per cent. owned;
- Hu Mei Pig Improvement Company Ltd (China) 50 per cent. owned.

The share of profit of associates and joint ventures is primarily generated in Agroceres-PIC Suinos. The results of Agroceres-PIC Suinos for the 12 months ended 30 June 2007 (£1.4 million operating profit) are significantly improved from those for the 15 months ended 30 June 2006 (£0.2 million loss) due to the negative impact of the outbreak of foot and mouth disease in Brazil in 2006. Furthermore, a biological asset gain of £0.2 million is included in the operating profit for the current year compared with a £0.9 million loss in the prior period, due again to the foot and mouth outbreak. The biological asset loss in 2006 of £0.9 million is the only difference from the UK GAAP figures presented for that year.

3.3.2 *Other gains and losses*

For each period this represents the net profit made on the disposal of properties, plant and equipment. The profit of £1.9 million for the 15 months ended 30 June 2006 included profits arising from surplus properties previously occupied by businesses that had been disposed of. Disposals were far less significant in the year ended 30 June 2007 and the year ended 31 March 2005.

3.3.3 *Net finance costs*

The majority of Genus' borrowings are hedged via fixed rate instruments as discussed in section 4.7 below, thus the increase in finance cost to £10.0 million for the year ended 30 June 2007 from £6.7 million in the previous 15 months is due to the fact that the acquisition of Sygen took place on 2 December 2005 and thus the increased level of loans, required to fund the transaction, only existed for seven months in the period to June 2006. During the year ended 30 June 2007 Genus has actually reduced the level of its net debt by £9 million as discussed in section 7 below.

The IFRS charge for the period ended 30 June 2006 is marginally different from that under UK GAAP as certain operating leases were reclassified as finance leases on transition. The charge for the 15 months ended 30 June 2006 is significantly more then the charge for the year ended 31 March 2005 due to the acquisition of Sygen on 2 December 2005 and the interest costs on the additional loans which were required to fund this transaction.

3.3.4 *Taxation*

Genus measures its effective underlying tax rate based the tax rate applicable to adjusted earnings. Adjusted earnings and the underlying tax rates are set out below:

	IFRS		*UK GAAP*	
	Year ended 30 June 2007 £m	*15 months ended 30 June 2006 £m*	*15 months ended 30 June 2006 £m*	*Year ended 31 March 2005 £m*
Profit before tax	19.9	15.1	2.8	8.1
Add/(deduct):				
Exceptional impairment of goodwill	–	–	2.2	–
Fair value movement on biological assets	(10.9)	(7.0)	–	–
Loss on sale of discontinued operations	–	–	2.0	–
Amortisation of goodwill	–	–	6.6	1.7
Amortisation of intangible assets	5.1	3.0	–	–
Share based payments	1.4	1.0	–	–
Exceptional items:				
Exceptional impairment of net assets	–	–	2.3	–
Restructuring and integration	3.0	2.7	2.7	–
Preparation for main market listing	1.0	–	–	–
Adjustment to goodwill on recognition of tax asset	0.7	–	–	–
Share of post tax (profit)/loss of joint ventures and associates	(1.3)	0.2	–	–
Other gains and losses	(0.2)	(1.9)	(1.9)	(0.3)
Adjusted earnings pre-tax	18.7	13.1	16.7	9.5
Related tax	(6.3)	(4.2)	(5.4)	(2.7)
Adjusted earnings post-tax	12.4	8.9	11.3	6.8
Effective tax rate	33.7%	32.1%	32.3%	28.4%

Genus' effective tax rate on adjusted earnings under IFRS is 34 per cent. for the year ended 30 June 2007, a rate which is anticipated to be broadly maintained going forward. The rate is higher then the UK corporate tax rate of 30 per cent. (28 per cent. from 1 April 2008) primarily due to the level of profits earned in higher tax jurisdiction countries. The underlying tax rate for the year ended 30 June 2007 of 33.7 per cent. is 1.6 per cent. higher then for the 15 months to 30 June 2006, as Sygen has a large proportion of its business in North America.

With the adoption of IFRS, Genus changed the method of calculating the adjusted earnings to exclude both the result of discontinued operations and share based payments.

3.3.5 *Discontinued operations*

During the year ended 30 June 2007 and 15 month period to 30 June 2006, the Group decided to divest the Development Consulting, Animal Health and Shrimp Genetics businesses to concentrate resources and investment on its core bovine and porcine businesses. The businesses referred to are treated as discontinued under IFRS.

For the 15 month period to 30 June 2006, the operating loss from discontinued operations under UK GAAP totalled £2.1 million and the loss on sale of operations was £1.9 million. On adoption of the IFRS income statement format, these losses are separately presented after profit for the period from continuing operations (net of associated taxation of £0.7 million) as a loss for the period of £3.3 million. Under UK GAAP, Group revenue from these operations, which was disclosed as discontinuing, was £42.8 million.

Additionally, on transition to IFRS, the Animal Health, Development Consulting and Shrimp Genetics businesses became classified as discontinued operations as at 30 June 2006, in accordance with IFRS 5. Adjusted operating profit of £3.4 million attributable to these businesses less an exceptional impairment of £2.3 million and a £1.0 million tax charge recorded under UK GAAP have, therefore, been transferred to losses from discontinued operations on the face of the income statement. Group revenue from continuing operations is reduced by £43.2 million.

In the 12 months to the 30 June 2007 the Shrimp Genetics business in Thailand was disposed of and progress was made with the divestments of the Animal Health and Development Consulting. In the meantime, these businesses performed in accordance with plan and were profitable during the period. In total £1.9 million was generated from these businesses after taxation of £0.7 million. In October 2007 the Company announced the disposal of the Mexico shrimp business for a total consideration of £1.3 million. The disposal of the Development Consulting business for a total consideration of £3.2 million took place on 5 November 2007. The Animal Health businesses remains actively marketed for sale.

4 Balance sheet

The balance sheets for the Group are set out below:

	IFRS		*UK GAAP*	
	30 June 2007	*30 June 2006*	*30 June 2006*	*31 March 2005*
	£m	*£m*	*£m*	*£m*
Goodwill	60.7	64.9	174.3	25.9
Other intangibles assets	77.4	86.0	0.2	0.1
Biological assets	114.1	115.1	–	–
Property, plant and equipment	27.3	30.4	35.1	16.7
Interests in joint ventures, associates and investments	3.5	3.4	3.0	0.3
Available for sale investments	0.5	0.8	–	–
Derivative financial assets	4.5	3.0	–	–
Deferred tax assets	10.4	10.8	1.3	–
Total non-current assets	298.4	314.4	213.9	43.0
Inventories	18.8	18.1	20.6	17.4
Biological assets	25.3	25.7	–	–
Trade & other receivables	43.0	41.6	51.7	37.3
Cash & cash equivalents	26.0	32.2	22.9	7.6
Income tax receivable	1.4	1.6	1.6	–
Assets held for sale	21.9	22.7	–	–
Total current assets	136.4	141.9	96.8	62.3
Total assets	434.8	456.3	310.7	105.3
Trade & other payables	(34.8)	(37.0)	(44.2)	(30.5)
Interest-bearing debt	(27.2)	(25.5)	(14.4)	(14.3)
Provisions	(1.9)	(2.9)	(4.1)	–
Obligations under finance leases	(0.9)	(2.1)	(0.1)	(0.4)
Current tax liabilities	(4.3)	(4.5)	(4.9)	(1.0)
Liabilities held for sale	(8.3)	(8.8)	–	–
Total current liabilities	(77.4)	(80.8)	(67.7)	(46.2)
Interest bearing debt	(108.9)	(126.4)	(125.3)	(0.2)
Retirement benefit obligations	(15.9)	(22.8)	(13.9)	(6.6)
Provisions	(2.3)	(2.3)	(2.3)	–
Deferred tax liabilities	(78.0)	(79.9)	–	(0.9)
Obligations under finance leases	(1.4)	(0.1)	(0.1)	(0.1)
Total non-current liabilities	(206.5)	(231.5)	(141.6)	(7.8)
Total liabilities	(283.9)	(312.3)	(209.3)	(54.0)
Net assets	150.9	144.0	101.4	51.3

4.1 ***Goodwill***

As discussed in section 3.2.2 above the existing goodwill balance as at the transition date of 1 April 2005, was frozen. The movement under IFRS between 30 June 2007 and 30 June 2006 is due to foreign currency exchange fluctuations as the underlying goodwill is now treated as an asset of the acquired operation in its appropriate local functional currency rather than that of the acquirer. Under UK GAAP the goodwill recorded as at 30 June 2006 was £174.3 million compared to £64.9 million recoded under IFRS. The difference is due primarily to four significant items. First, £54.0 of goodwill was reclassified as other intangible assets (net of deferred tax) as discussed in section 3.2.3 above. Secondly, Sygen's porcine biological assets were required to be valued under IFRS and this resulted in a further reduction of £46.5 million allocated to goodwill after deferred taxes. Thirdly, £5.6 million of the goodwill related to the animal care business and has, therefore, been transferred to the assets held for sale line. The remaining difference is due to foreign currency exchange movements.

The significant increase between 30 June 2006 and 31 March 2005 was due to the goodwill initially recorded under UK GAAP for the Sygen acquisition.

4.2 ***Other intangibles assets***

On transition to IFRS, £89.1 million of goodwill at 30 June 2006 was reclassified as other intangible assets which is being amortised. The movement of £8.6 million between 30 June 2007 and 30 June 2006 is due to the annual amortisation charge of £5.1 million and foreign currency exchange differences of £3.5 million.

4.3 ***Biological assets***

Biological assets are required to be recorded under IFRS for the porcine breeding stock and the bovine bull herd. The value of non-current and current biological assets as at 30 June 2007 was £139.7 million compared to £141.7 million in 30 June 2006. The fair value movement in the income statement of £10.9 million, as discussed in section 3.2.1 above, was broadly offset by exchange movements in arriving at the IAS 41 valuation.

4.4 ***Property, plant and equipment***

Property, plant and equipment reduced in value from £30.4 million to £27.3 million as a result of the negative impact of foreign currency exchange and disposals of surplus assets. Capital expenditure was £7.3 million for the year ended 30 June 2007 compared to £6.4 million for the 15 months to 30 June 2006. Depreciation was £4.7 million for the year ended 30 June 2007 compared to £4.5 million for the 15 months to 30 June 2006.

The key item of difference between the IFRS and UK GAAP balance sheets as at 30 June 2006 is that the assets belonging to the Development Consulting, Animal Health and Shrimp Genetics businesses have been reclassified and presented as held for sale under IFRS.

4.5 ***Investments***

The Group holds equity investments in the joint ventures as noted in section 3.3.1 above.

4.6 ***Cash and interest bearing debt***

See section 7 below.

4.7 ***Derivative financial assets***

Under IFRS the fair value of derivative instruments is reflected in the balance sheet.

In January 2006, as part of its treasury strategy the Group entered into two swaps.

The first was an interest rate swap which was taken out to manage interest rate movements on its debt with Barclays Bank (see section 7 below). Under this swap, interest rate payments are fixed to a rate of 4.74 per cent. in accordance with the table below:

Dates	*Notional amount fixed £m*
15 January 2007 – 13 July 2007	115,000,000
13 July 2007 – 14 January 2008	95,000,000
14 January 2008 – 14 July 2008	85,000,000
14 July 2008 – 13 January 2009	75,000,000
13 January 2009 – 13 July 2009	65,000,000
13 July 2009 – 13 January 2010	55,000,000
13 January 2010 – 13 July 2010	50,000,000
13 July 2010 – 13 January 2011	45,000,000

This derivative financial instrument is accounted for as a cash flow hedge and its fair value is recorded in a hedging reserve within equity.

The second hedge was a currency swap where Genus forward swapped $66.2 million for £35 million fixed at an interest rate 5.19 per cent. The swap matures on 13 January 2011. The fair value of any gain or loss on the swap is accounted for in two stages:

(i) the amount of the gain/ loss attributable to exchange is classified as a net investment hedge as the forward dollar liability is offset by translation gains/ losses on the net assets of the group in the US. The fair value of the net investment hedge is recorded within the translation reserve within equity.

(ii) the gain or loss arising on the interest component is accounted for as a cash flow hedge and its fair value is recorded in hedging reserves within equity.

To date these hedges have resulted in fair value gains to Genus, since they were entered into when interest rates were lower and the US$ was stronger.

4.8 ***Employee benefits***

The Group has three principal defined benefit funds all in the UK: the Milk Pension Fund, the Dalgety Pension Fund and the National Pig Development Company Limited retirement benefit scheme. The assets of these funds are held separately from the assets of the Group and administered by trustees and managed professionally. The schemes are closed to new members. Additionally, the Group has certain unfunded plans including an unfunded medical scheme.

As at 30 June 2007 the net deficit in the defined benefit schemes had reduced to £15.9 from £22.8 million as at the end of June 2006 primarily due to actuarial gains of £6.5 million.

On transition to IFRS there was an increase in the liability at 30 June 2006 from £22.1 million recorded under UK GAAP to £22.8 million under IFRS. This is due to IAS 19 requiring scheme assets with a quoted market price to be measured at bid-value rather than at mid-market prices as required by FRS 17. In the UK financial statements for the period ended 30 June 2006 £13.9 million is shown on the employee benefits line but this is net of deferred tax of £6.9 million and excluded the unfunded medical scheme liability of £1.3 million which was shown within provisions. On transition to IFRS, the employee benefits line was adjusted to exclude deferred tax assets and to include the medical fund liability.

The significant increase between 30 June 2006 and 31 March 2005 was due to the acquisition of Sygen which held the Dalgety pension fund liability.

4.9 *Provisions*

The Group holds provisions in respect of surplus properties, environmental liabilities and for restructuring. For the year ended 30 June 2006 there was also a £1.3 million liability in respect of unfunded medical fund liabilities but that was reclassified to employee benefits on transition to IFRS.

During the year ended 30 June 2007, an additional provision of £0.7 million was made relating to the restructuring of the European pig breeding business.

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, include dilapidation and letting expenses.

The environmental provision relates to contractual guarantees for environmental liabilities relating to the sale of the Oklahoma businesses, by Sygen, prior to the acquisition by Genus.

4.10 *Deferred taxation*

Under IFRS Genus has significant deferred tax assets and liabilities. The deferred tax asset relates primarily to the pension fund deficits whilst the deferred tax liability arises as a result of recording the fair value of biological assets in accordance with IAS 41 and the valuation of intangible assets in accordance with IFRS 3.

5 Shareholders' equity

The shareholders' equity for the Group is presented below:

	IFRS		*UK GAAP*	
	30 June 2007	*30 June 2006*	*30 June 2006*	*31 March 2005*
	£m	*£m*	*£m*	*£m*
Called up share capital	5.6	5.5	5.5	3.7
Share premium account	92.5	92.2	92.2	40.0
Own shares	(0.2)	(0.2)	(0.2)	(0.1)
Translation reserve	(18.7)	(4.9)	–	–
Hedging reserve	2.4	0.8	–	–
Retained earnings	69.3	50.6	3.9	7.7
Total equity	150.9	144.0	101.4	51.3

In the period under review the only significant movement in share capital was on 2 December 2005 when 16.9 million shares were issued and placed with institutional investors to finance the Sygen acquisition. These were placed at £3.25 per share and the resultant increase in share premium was £52.3 million (after placing costs).

The exchange movements arising on the translation of Genus' overseas subsidiaries were accounted for under UK GAAP within retained earnings. On translation to IFRS on 1 April 2005, Genus has set up a separate reserve for such exchange movements and has elected to have all cumulative translation differences to be set to zero.

The fair values of cash flow hedges are recorded in the hedging reserve in equity.

6 Cash flows

The following statements show a breakdown of the Genus cash flow statements and are extracted from the financial information in Part VI of this document:

	IFRS	
	12 months ended 30 June 2007 £m	*15 months ended 30 June 2006 £m*
Net cash flow from operating activities	23.8	(12.7)
Dividend received from joint venture and associate	1.3	2.2
Interest received	2.1	0.3
Disposal of subsidiaries	1.0	9.1
Acquisition of subsidiaries (net of cash acquired of £17.3 million)	–	(181.1)
Purchase of property, plant and equipment	(7.1)	(6.4)
Proceeds from sales of property, plant and equipment	4.3	13.8
(Repayment)/drawdown of borrowings	(13.8)	146.3
Debt issue costs	–	(2.2)
Interest paid	(10.9)	(5.2)
Payment of finance liabilities	(0.9)	(1.5)
Cash flow from derivative financial instruments	1.7	–
Equity dividends paid	(4.5)	(2.8)
Issue of ordinary shares	0.4	54.1
(Decrease)/increase in bank overdrafts	(2.0)	1.3
Net (decrease)/increase in cash and cash equivalents	(4.6)	15.2
Cash and cash equivalents at start of period	34.0	18.2
Effect of exchange rate fluctuation	(2.1)	0.6
Cash and cash equivalents at end of period	27.3	34.0

	UK GAAP	
	15 months ended 30 June 2006	*12 months ended 31 March 2005*
	£m	*£m*
Net cash flow from operating activities	16.2	8.7
Dividends received from joint ventures	2.2	–
Interest received	0.3	–
Interest paid	(5.2)	(1.1)
Taxation	(4.5)	(2.8)
Capital expenditure	(11.4)	(4.8)
Proceeds from sales of tangible assets	13.8	0.8
Purchase of subsidiaries & businesses	(198.4)	(2.2)
Net cash acquired with subsidiaries and businesses	17.3	–
Receipts from sale of subsidiaries and businesses	9.1	–
Dividends paid	(2.8)	(2.3)
New share capital issued	54.1	3.1
Repayment of loan notes	(1.6)	(1.6)
New bank loans	147.9	0.4
Debt issue costs	(2.2)	–
Repayment of bank loans	(22.9)	(1.4)
Other items	(0.4)	(1.3)
Net increase/(decrease) in cash and cash equivalents (including overdrafts within debt)	11.5	(4.5)

6.1 Review of cash flows

The Group is cash generative from its operating activities. Unusual or significant cash flow items in the periods are discussed below:

6.1.1 *12 months ended 30 June 2007 – IFRS*

The Group's operating cash inflow for the year to 30 June 2007 amounted to £23.8 million (15 month period ended 30 June 2006: outflow £12.7 million) as a result of increased profits and tighter focus on working capital. The net cash outflow for the year was £4.6 million (15 month period ended 30 June 2006: inflow £15.2 million) arising principally from debt servicing and repayments.

6.1.2 *15 months ended 30 June 2006 – IFRS*

During the year Sygen was acquired for £193.2 million. To finance this acquisition and to provide ongoing working capital and financing facilities the Company secured bank and credit facilities of £180 million and raised proceeds of £54.1 million (after expenses) by placing 16.9 million new shares. The new facility was drawn down as required and existing borrowings were repaid. The cost of obtaining this debt was £2.2 million.

As part of the strategy to dispose of non-core businesses the Animal Health's veterinary and dental wholesaling business and the Brazilian Shrimp Genetic business were sold in the period along with surplus properties initially held by these entities. Consequently there were large cash flows from the sales of subsidiaries and fixed assets.

Cash of £17.3 million was obtained with the acquisition of Sygen.

6.1.3 *12 months ended 31 March 2005 – UK GAAP*

The operating cash flow of £8.7 million was negatively impacted by temporary working capital variations at the end start of the year of approximately £5.6 million.

In the year the company acquired Supersires Limited for £1.5 million (the largest acquisition in the year) and funded this through the placing of 1 million ordinary shares at £2.10. The remaining £1.0 million of share capital raised was in respect of exercise of options.

7 Capital resources, liquidity and indebtedness

The net debt of the Group is set out below:

	IFRS		*UK GAAP*	
	30 June 2007	*30 June 2006*	*30 June 2006*	*31 March 2005*
	£m	*£m*	*£m*	*£m*
Cash & cash equivalents	26.0	32.2	22.9	6.8
Cash and cash equivalents within assets held for sale	1.3	1.8	–	–
Interest bearing loans – current	(27.2)	(25.5)	(14.4)	(14.3)
Obligation under finance leases – current	(0.9)	(2.1)	(0.1)	(0.4)
Interest bearing loans – non current	(108.9)	(126.4)	(125.2)	(0.1)
Obligations under finance leases – non current	(1.4)	(0.1)	(0.1)	(0.1)
Net debt	(111.1)	(120.1)	(116.9)	(8.1)

As at 30 June 2007 Genus has net debt of £111.1 million. Interest bearing loans totalled £136.1 million of which £135.0 million is financed with Barclays Bank.

UK GAAP and IFRS as at 30 June 2006

There are some significant classification differences between IFRS and UK GAAP most significantly overdrafts and cash are now shown on a gross basis where there is no intention to make a net settlement, resulting in £11.1 million re-classification between cash and short-term interest bearing debt. The cash belonging to operations held for sale is also classified separately.

Net debt under IFRS does increase to £120.1 million compared to £116.9 million under UK GAAP due to two items:

(i) the classification of finance leases under IAS 17 "leases" is wider then the corresponding UK GAAP standard. As a consequence certain of the Group's leases, amounting to £2.0 million, treated as operating leases under UK GAAP are considered to be finance leases under IFRS.

(ii) a gain of £1.1 million recognised under UK GAAP in respect of derivative financial instruments was offset against the Barclays loan. Under IFRS the fair value of derivative instruments is shown on a separate line on the balance sheet.

Barclays facility

In respect of the Barclays Bank borrowings, Barclays Bank is the lead lender supported by a syndicate of other banks; the borrowing is available to the company in 3 separate facilities. The borrowing was arranged to part finance the acquisition of Sygen and to support the ongoing working capital requirements of the Group. The facilities available are discussed below:

Facility A: The borrowing outstanding as at 30 June 2007 was £19.7 million. No more monies are available under this facility and this amount is due to be repaid on 26 October 2009.

Facility B: The borrowing outstanding at 30 June 2007 was £60 million. No more monies are available under this facility and this amount is due to be repaid as set out below:

26 October 2007:	£5.0 million
26 April 2008:	£7.5 million
26 October 2008:	£7.5 million
26 April 2009:	£7.5 million
26 October 2009:	£7.5 million
26 April 2010:	£7.5 million
26 October 2010:	£17.5 million

Facility C: This is a £70.0 million multi-currency revolving facility available through to 26 October 2010. Of this amount £10.0 million is available on overdraft. The borrowings and overdraft under this facility as at 30 June 2007 was £49.1 million. Hence the Group has available facilities of £20.9 million as at 30 June 2007.

The facilities are available to Genus based on the following financial covenants:

- Net debt to EBITDA: Consolidated net debt will not exceed 3.5 times EBITDA as at June and December 2007, 3.0 times as at June and December 2008 and 2.5 times thereafter.
- Interest cover ratio: EBITDA for each 12 month period ending on the last day of Genus' financial year and half year to be a minimum of 3.0 times net finance charges as at June 2007, 3.5 times as at 31 December 2007 and 4.0 times thereafter.

EBITDA is calculated under UK GAAP before exceptional items fixed as at 31 March 2005. At 30 June 2007 the ratio of net debt to EBITDA was 3.03 and the interest ratio cover was 4.11.

The interest applicable to the borrowings is LIBOR plus a margin determined by the debt to EBITDA ratio. The current ratio results in a margin of 140 basis points. However, it should be noted that the Group has hedged a significant proportion of this variable rate borrowing via the derivative financial instruments described in section 4.7 above.

Capitalisation and indebtedness statement as at 30 September 2007

	£m
Guaranteed	1.0
Secured	29.2
Unguaranteed/unsecured	0.9
Total current debt	31.1
Secured	109.0
Unguaranteed/unsecured	1.4
Total non-current debt (excluding current portion of long-term debt)	110.4
Capital reserves as at 30 September 2007	
Share capital	5.6
Share premium	92.5
Own shares	(0.2)
Total	97.9
Net indebtedness as at 30 September 2007	
Cash	23.8
Liquidity	23.8
Current bank debt	(16.7)
Current portion of long-term debt	(12.5)
Bonds issued	(1.0)
Other current financial debt	(0.9)
Current financial debt	(31.1)

	£m
Net current financial indebtedness	(7.3)
Non current Bank loans	(109.0)
Other non-current loans	(1.4)
Non-current financial indebtedness	(110.4)
Net financial indebtedness	(117.7)

8 Qualitative disclosures about financial risks

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 primarily comprised of bank borrowings provided by Barclay's Bank.

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

Interest rate swaps are used to generate the desired interest profile and to manage exposure to interest rate fluctuations. The hedges in place as at the end of the year are discussed in 4.7 above.

Foreign Currency Risk

The Group borrows principally in sterling, US$ and Australian $. 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 contacts.

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. In January 2006, following the acquisition of Sygen, the Company entered into a currency swap by effectively exchanging £35 million of debt for a 5 year term. The fair value of this instrument at 30 June 2007 yields a favourable position of £1.1 million, which has been credited as a currency translation difference in the consolidated statement of changes in equity.

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 30 June 2007, the Group held cash and cash equivalents of £27.3 million and had an available multi-currency facility of £20.9 million see section 7 above. The total loans and finance leases repayable in one year were £28.1 million.

9 Sygen

The five month results of Sygen are presented in Part IX of this document. Below is a summary of the income statement:

For the period 1 July to 2 December 2005:

	£m
Revenue from continuing operations	60.1
Adjusted operating profit from continuing operations	2.8
Fair value movement on biological assets	4.0
Share based payments	(0.2)
Exceptional items	(4.0)
Operating profit from continuing operations	2.6
Share of post tax profit of joint ventures and associates	1.8
Finance costs	(0.3)
Profit before tax from continuing operations	4.1
Taxation	(1.1)
Profit for the period from continuing operations	3.0

The results have been prepared under IFRS and on a stand-alone basis before fair value adjustments arising from Sygen's acquisition by Genus. Certain other costs have been included where the expense would have been incurred regardless of completing the acquisition. All operations including Shrimp Genetics are classed as continuing as it was the intention of Sygen management to invest in this business.

The adjusted operating profit was in line with budget and the prior year performance.

There is a £4.0 million fair value movement on biological assets due to repopulations on two significant porcine farms in the period.

The exceptional items of £4.0 million to 2 December 2005 comprise:

		£m
(i).	Costs relating to disposal of business to Genus	1.4
(ii).	Abortive acquisition costs	0.8
(iii).	Impairment of land and buildings	0.6
(iv).	Surplus property provisions in respect of businesses sold in prior years	0.4
(v).	Environmental provisions on businesses sold in prior years	0.8
Total		4.0

(i) Costs relating to disposal of business to Genus: This represents the non-contingent costs incurred by Sygen in respect of its acquisition by Genus.

(ii) Abortive acquisition costs: Abortive acquisition costs were incurred in connection with the potential acquisitions of businesses prior to the take over by Genus.

(iii) Impairment of land and buildings: In the period the fixed assets of a Genetic Nucleus farm in France were considered to be impaired and were written down to the recoverable value. This farm was held for resale but did not meet the definition of an asset held for sale under IFRS.

(iv) Surplus property provisions on businesses sold in prior years: This expense relates to a downward adjustment to the rents anticipated from sub-leases. No additional properties were classed as surplus in the period.

(v) Environmental provisions on businesses sold in prior years: This represents an increase in the provision for liabilities relating to the sale of businesses in prior years.

The joint venture contributed £1.8 million due to a strong underlying trading performance from the Brazilian joint venture prior to the foot and mouth outbreak which impacted the full year result.

The tax rate for the period was 27 per cent., due to the impact of profits being earned in higher rate tax jurisdictions and non-deductible expenses being more then offset by the release of prior year provision.

The balance sheet of the Sygen Group as at 2 December and 1 July 2005 under IFRS is set out below:

As at 2 December 2005	*2 December 2005*	*1 July 2005*
	£m	*£m*
Assets		
Goodwill	9.8	9.1
Biological assets	49.5	40.4
Property, plant and equipment	26.1	25.6
Interests in joint ventures and other investments	6.9	4.6
Deferred tax assets	5.1	4.7
Total non-current assets	97.4	84.4
Inventories	1.1	1.0
Biological assets	28.7	29.7
Trade and other receivables	23.2	17.1
Cash and cash equivalents	17.4	25.7
Total current assets	70.4	73.5
Total assets	167.8	157.9
Liabilities		
Trade and other payables	(17.2)	(18.5)
Provisions	(2.8)	(2.4)
Obligations under finance leases	(0.3)	(0.3)
Current tax liabilities	(2.7)	(2.6)
Total current liabilities	(23.0)	(23.8)
Interest-bearing loans and borrowings	(0.2)	(0.5)
Retirement benefit obligations	(11.3)	(11.4)
Obligations under finance leases	(0.5)	(0.6)
Provisions	(3.2)	(2.8)
Deferred tax liabilities	(28.6)	(26.8)
Total non-current liabilities	(43.8)	(42.1)
Total liabilities	(66.8)	(65.9)
Net Assets	101.0	92.0

In the period, biological assets increased due to the repopulates noted above. Cash reduced due to payments in respect of the acquisition by Genus. Trade and other receivables increased as some of these payments were contingent on completion of the acquisition by Genus. All other balances were relatively stable period on period.

PART VI

FINANCIAL INFORMATION ON GENUS: IFRS

The Board of Directors
on behalf of Genus plc
Belvedere House
Basing View
Basingstoke
Hants
RG21 4HG

Landsbanki Securities (UK) Limited
Beaufort House
15 St Botolph Street
London
EC3A 7QR

6 November 2007

Dear Sirs

Genus plc

We report on the financial information of Genus plc together with its subsidiaries, the "Group" set out on pages 61 to 119 of the Prospectus of Genus plc (the "Company") (the "Prospectus"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 3. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent therein provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Part VI: Financial Information on Genus: IFRS

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 and in accordance with IFRS.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants
Reading, UK

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Group income statement

For the year ended 30 June 2007 and the 15 month period to 30 June 2006	*Note*	*2007 £m*	*2006 £m*
Revenue from continuing operations	5,9	233.8	201.2
Adjusted operating profit from continuing operations		28.7	19.8
Fair value movement on biological assets	19	10.9	7.0
Amortisation of intangible assets	18	(5.1)	(3.0)
Share based payments	33	(1.4)	(1.0)
		33.1	22.8
Exceptional items	10		
Integration and restructuring expenses		(3.0)	(2.7)
Adjustment to goodwill on recognition of tax assets		(0.7)	–
Preparation for main market listing		(1.0)	–
		(4.7)	(2.7)
Operating profit from continuing operations	11	28.4	20.1
Share of post tax profit/(loss) of joint ventures and associates		1.3	(0.2)
Other gains and losses	12	0.2	1.9
Finance costs	14	(10.0)	(6.7)
Profit before tax from continuing operations		19.9	15.1
Taxation	15	(7.2)	(4.0)
Profit for the period from continuing operations		12.7	11.1
Profit/(loss) for the period from discontinued operations	6	1.9	(3.3)
Profit for the period		14.6	7.8
Earnings per share from continuing operations	17		
Basic earnings per share		23.1p	24.5p
Diluted earnings per share		22.5p	23.9p
Basic adjusted earnings per share		22.6p	19.7p
Diluted adjusted earnings per share		21.9p	19.2p
Earnings per share from total operations	17		
Basic earnings per share		26.6p	17.2p
Diluted earnings per share		25.8p	16.8p

Group statement of changes in equity

	Note	*Called up share capital £m*	*Share premium account £m*	*Own shares £m*	*Trans-lation reserve £m*	*Hedging reserve £m*	*Retained earnings £m*	*Total £m*
Balance at 1 April 2005		3.7	40.0	(0.1)	–	–	46.5	90.1
Foreign exchange translation differences, net of tax		–	–	–	(6.2)	–	–	(6.2)
Fair value movement on net investment hedge, net of tax		–	–	–	1.3	–	–	1.3
Fair value movement on cash flow hedges, net of tax		–	–	–	–	0.8	–	0.8
Actuarial losses on retirement benefit obligations, net of tax		–	–	–	–	–	(2.2)	(2.2)
Net income and expense recognised directly in equity		–	–	–	(4.9)	0.8	(2.2)	(6.3)
Profit for the period		–	–	–	–	–	7.8	7.8
Total recognised income and expense for the period		–	–	–	(4.9)	0.8	5.6	1.5
Recognition of share based payments, net of tax		–	–	–	–	–	1.3	1.3
Adjustment in respect of employee share schemes		–	–	(0.1)	–	–	–	(0.1)
Issue of ordinary shares		1.8	52.2	–	–	–	–	54.0
Dividends	16	–	–	–	–	–	(2.8)	(2.8)
Balance at 30 June 2006		5.5	92.2	(0.2)	(4.9)	0.8	50.6	144.0
Balance at 1 July 2006		5.5	92.2	(0.2)	(4.9)	0.8	50.6	144.0
Foreign exchange translation differences, net of tax		–	–	–	(14.7)	–	–	(14.7)
Fair value movement on net investment hedge, net of tax		–	–	–	0.9	–	–	0.9
Fair value movement on cash flow hedges, net of tax		–	–	–	–	1.6	–	1.6
Actuarial gains on retirement benefit obligations, net of tax		–	–	–	–	–	5.2	5.2
Net income and expense recognised directly in equity		–	–	–	(13.8)	1.6	5.2	(7.0)
Profit for the year		–	–	–	–	–	14.6	14.6
Total recognised income and expense for the period		–	–	–	(13.8)	1.6	19.8	7.6
Recognition of share based payments, net of tax		–	–	–	–	–	3.4	3.4
Issue of Ordinary Shares		0.1	0.3	–	–	–	–	0.4
Dividends	16	–	–	–	–	–	(4.5)	(4.5)
Balance at 30 June 2007		5.6	92.5	(0.2)	(18.7)	2.4	69.3	150.9

Group balance sheet

As at 30 June 2007 and 30 June 2006	*Note*	*30 June 2007* £m	*30 June 2006* £m
Assets			
Goodwill	18	60.7	64.9
Other intangible assets	18	77.4	86.0
Biological assets	19	114.1	115.1
Property, plant and equipment	20	27.3	30.4
Interests in joint ventures and associates	21	3.5	3.4
Available for sale investments	22	0.5	0.8
Derivative financial assets	29	4.5	3.0
Deferred tax assets	23	10.4	10.8
Total non-current assets		298.4	314.4
Inventories	24	18.8	18.1
Biological assets	19	25.3	25.7
Trade and other receivables	25	43.0	41.6
Cash and cash equivalents	26	26.0	32.2
Income tax receivable		1.4	1.6
Assets held for sale	7	21.9	22.7
Total current assets		136.4	141.9
Total assets		434.8	456.3
Liabilities			
Trade and other payables	27	(34.8)	(37.0)
Interest-bearing loans and borrowings	30	(27.2)	(25.5)
Provisions	28	(1.9)	(2.9)
Obligations under finance leases	31	(0.9)	(2.1)
Current tax liabilities		(4.3)	(4.5)
Liabilities held for sale	7	(8.3)	(8.8)
Total current liabilities		(77.4)	(80.8)
Interest-bearing loans and borrowings	30	(108.9)	(126.4)
Retirement benefit obligations	32	(15.9)	(22.8)
Provisions	28	(2.3)	(2.3)
Deferred tax liabilities	23	(78.0)	(79.9)
Obligations under finance leases	31	(1.4)	(0.1)
Total non-current liabilities		(206.5)	(231.5)
Total liabilities		(283.9)	(312.3)
Net assets		150.9	144.0
Equity			
Called up share capital	34	5.6	5.5
Share premium account		92.5	92.2
Own shares		(0.2)	(0.2)
Translation reserve		(18.7)	(4.9)
Hedging reserve		2.4	0.8
Retained earnings		69.3	50.6
Total equity		150.9	144.0

Group statement of cash flows

For the year ended 30 June 2007 and the 15 month period to 30 June 2006	*Note*	*2007 £m*	*2006 £m*
Net cash flow from operating activities	35	23.8	(12.7)
Cash flows from investing activities			
Dividend received from joint ventures and associates		1.3	2.2
Interest received		2.1	0.3
Proceeds from disposal of subsidiaries	6	1.0	9.1
Acquisition of subsidiaries and businesses (net of cash acquired of £17.3m)		–	(181.1)
Purchase of property, plant and equipment		(7.1)	(6.4)
Proceeds from sale of property, plant and equipment		4.3	13.8
Net cash inflow/(outflow) from investing activities		1.6	(162.1)
Cash flows from financing activities			
(Repayment)/drawdown of borrowings		(13.8)	146.3
Debt issue costs		–	(2.2)
Interest paid		(10.9)	(5.2)
Payment of finance lease liabilities		(0.9)	(1.5)
Cashflows from derivative financial instruments		1.7	–
Equity dividends paid		(4.5)	(2.8)
Issue of ordinary shares		0.4	54.1
(Decrease)/increase in bank overdrafts		(2.0)	1.3
Net cash (outflow)/inflow from financing activities		(30.0)	190.0
Net (decrease)/increase in cash and cash equivalents – continuing operations		(2.7)	17.2
Net decrease in cash and cash equivalents – discontinued operations		(1.9)	(2.0)
Net (decrease)/increase in cash and cash equivalents		(4.6)	15.2
Cash and cash equivalents start of the period		34.0	18.2
Net (decrease)/increase in cash and cash equivalents		(4.6)	15.2
Effect of exchange rate fluctuations on cash held		(2.1)	0.6
Total cash and cash equivalents at 30 June		27.3	34.0

Of the cash and cash equivalents of £27.3m at 30 June 2007 (30 June 2006 : £34.0m), £1.3m is included in assets held for sale in the Group balance sheet (30 June 2006: £1.8m).

Notes to the Financial Information

1. Reporting entity

Genus plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 4. The Group Financial Information comprises the Company and its subsidiaries (together referred to as the "Group") and the equity method is used to account the Group's interests in joint ventures and associates.

2. Basis of preparation

The Financial Infomation has been prepared in accordance with International Financial Reporting Standards (IFRS) as announced on 9 January 2007.

The significant accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this Financial Information and in restating the opening IFRS balance sheet at 1 April 2005 for the purposes of the transition to IFRS.

Functional and presentation currency

The Financial Information is presented in sterling, which is the Company's functional and presentation currency. All Financial Information presented in sterling has been rounded to the nearest million at one decimal point.

Basis of measurement

The Financial Information is prepared under the historical cost convention, except for the following, in accordance with IFRS:

- biological assets are measured at fair value less point-of-sale costs, which represent the costs of distribution and selling expenses;
- derivative financial instruments are measured at fair value; and
- disposal groups and non-current assets classified as held for sale are measured at fair value less costs to sell.

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

Use of estimates

The preparation of Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Basis of consolidation

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

2. Basis of preparation (continued)

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

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

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

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

Adjusted operating profit

Adjusted operating profit from continuing operations is defined as operating profit from continuing operations before the fair value movement in biological assets, amortisation of intangible assets, share based payments expense and exceptional items. This additional non-GAAP measure of operating performance is included as the Directors believe that it provides a useful alternative measure for shareholders of the trading performance of the Group since it presents operating profit before the non cash fair value movement in biological assets, non cash amortisation of intangibles, non cash share based payment expense and exceptional items. The reconciliations between operating profit and adjusted operating profit are shown on the face of the income statement. The Directors recognise this alternative measure has limitations.

Foreign currency

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

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

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

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

2. Basis of preparation (continued)

Foreign currency (continued)

The principal exchange rates were as follows:

	Average		*Closing*	
	2007	*2006*	*2007*	*2006*
US Dollar	1.94	1.78	2.01	1.82
Euro	1.48	1.46	1.49	1.44

Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale, the sale is highly probable within one year and management is committed to the sale.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to income statement. The same applies to gains and losses on subsequent remeasurement.

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

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

3. Significant Accounting Policies

Business combinations

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

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

Goodwill

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

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

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

3. Significant Accounting Policies (continued)

As required by IAS 21, goodwill arising on acquisition of a foreign operation and any fair value adjustments made to the carrying amounts of assets and liabilities within the acquired operation on acquisition are treated as assets and liabilities of the acquired entity rather than assets or liabilities of the acquiring entity.

Research and development

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

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

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

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

Exceptional items

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

Intangible assets

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

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

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

The estimated useful lives are as follows:

Licenses	2 to 5 years
Technology	20 years
Multiplier contracts	5 years
Customer relationships	17 years

Intangible assets acquired separately

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

Impairment

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

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

3. Significant Accounting Policies (continued)

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate of 9.2 per cent. that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

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

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

Biological assets and inventories

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

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

The porcine business maintains breeding stock which it develops and improves to be genetically superior. The offspring or semen obtained from these animals is sold to customers for use in commercial farming. The animal genetics offer the potential to improve profitability for farmer and food processing customers by enabling them to increase output of consistently high quality products yielding higher value. To allow the Group to capitalise on its intellectual property it almost entirely out-sources production to its global multiplier network.

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

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

3. Significant Accounting Policies (continued)

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

Determination of fair values – biological assets

Bovine – The fair value of proven bulls and bulls on test, proven bulls being those where the bull's semen is actively marketed, is based on expected net cash flows from the sale of semen discounted at a current market-determined pre-tax rate. The significant assumptions determining the fair values are the expected future demand for semen, estimated production value, the expected marketable life of each bull and, in addition for bulls on test, the percentage whose production is expected to be actively marketed. In assessing the sales price, management uses statistical data for the bulls produced by independent authorities three times a year. In addition, estimates are also used to determine into which markets the semen will be sold, and domestic and export prices.

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

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

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

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

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

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

Since the pigs are sold to the multipliers in the first instance at market price and there is no obligation on the Group to repurchase the offspring, the Group does not record any biological asset in respect of the offspring until purchased. The option to purchase offspring is not valued on the balance sheet as the contracts are entered into and continue to be held for the purpose of the receipt of non-financial items (the offspring) in accordance with the Group's expected purchase requirements. As such they are outside the scope of IAS 39.

Property, plant and equipment

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

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

3. Significant Accounting Policies (continued)

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

Freehold land	Nil
Freehold buildings	10 to 15 years
Leasehold buildings	over the term of the lease
Equipment	3 to 20 years
Motor vehicles	3 to 5 years

Trade and other receivables

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

Cash and cash equivalents

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

Interest-bearing loans and borrowings

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

Provisions

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

Revenue

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

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

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

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

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

Leases

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

3. Significant Accounting Policies (continued)

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

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

Finance costs

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

Taxation

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

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

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

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

Share based payments

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

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

3. Significant Accounting Policies (continued)

Treasury shares

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

Retirement benefit obligations

Defined contribution pension schemes

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

Defined benefit schemes

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

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

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

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

Derivative financial instruments and hedging activities

The Group uses forward foreign currency contracts (implemented through a medium term US dollar cross currency borrowing and related interest rate swap) to hedge exposure to translation risk associated with US dollar net assets of subsidiary entities. The Group also uses interest rate swaps to hedge interest rate risk.

The use of financial derivative instruments is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives.

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

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

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss

3. Significant Accounting Policies (continued)

on the derivative financial instrument is recognised in equity in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Group income statement.

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

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

Net investment hedges

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

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

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2007, and have not been applied in preparing this Financial Information:

- IFRS 7 *Financial Instruments: Disclosures* and the *Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2008 financial statements, will require extensive additional disclosures with respect to Group's financial instruments and share capital. The application of IFRS 7 in the year ending 30 June 2007 would not have affected the balance sheet or income statement as the standard is concerned only with disclosure.

- IFRS 8 *Operating Segments* requires the identification of operating segments based on internal reporting to the chief operating decision makers and extends the scope and disclosure requirements of IAS 14 'Segmental Reporting'. IFRS 8 will become mandatory for the Group's 2010 financial statements and the Group is assessing the impact of the standard on its segmental analysis disclosure.

- IFRIC 10 *Interim Financial Reporting and Impairment* and IFRIC 11 *IFRS 2 Group and Treasury Share Transactions* will become mandatory for the Group's 2008 financial statements. IFRIC 12 *Service Concession arrangements,* IFRIC 13 *Customer Loyalty Programmes and* IFRIC 14 IAS 19 – *The limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction* will become mandatory for the Group's 2009 financial statements. The adoption of these IFRIC's is not expected to have any material impact on the Group.

4. Significant areas of judgement and determination of fair values

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

Determination of the fair value of biological assets and agricultural produce

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

Fair values of assets on business combinations

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

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

Impairment of goodwill, intangible and tangible assets

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

Assets held for sale

Assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to income statement. The proceeds of disposal of these assets may result in a profit or loss on disposal that will be included in the following year's accounts, that is different to directors estimated amounts.

Recognition of deferred tax assets

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

Defined benefit pension scheme and share based payments

Amounts recorded in the Financial Information in respect of defined benefit pension schemes and share based payments are also based on significant estimates and judgement. Details of estimates and judgements made in calculating these transactions are contained in the notes 32 and 33, respectively.

5. Segmental information

Segmental information is presented in respect of the Group's business and geographical segments. The primary business segments are based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segmental results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated costs comprise mainly loans and borrowings and related expenses, corporate assets, head office expenses, income tax assets and liabilities. Assets and liabilities held for sale are excluded.

Segmental capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill and those arising on business combinations.

The Group comprises two main business segments: Bovine Genetics (dairy and beef cattle) and Porcine Genetics (pigs) which provide farmers with genetically improved breeding animals that have better production efficiency and better product quality.

The following non-core business segments were classified as discontinued operations at 30 June 2007:

- Animal Health, a UK based licensed veterinary pharmaceutical distribution business;
- Development Consulting, a UK based consulting business supplying services in the areas of natural resource, economic and social infrastructure and development; and
- Shrimp Genetics, a division supplying genetically improved breeding animals.

5. Segmental information (continued)

Area of activity – continuing operations

	Year ended 30 June 2007			
	Bovine Genetics £m	*Porcine Genetics £m*	*Unallocated £m*	*Total £m*
Revenue from continuing operations	102.3	131.5	–	233.8
Adjusted operating profit before research and product development	20.0	32.8	(6.4)	46.4
Research and product development before amortisation of intangible assets	(8.3)	(9.4)	–	(17.7)
Adjusted operating profit from continuing operations	11.7	23.4	(6.4)	28.7
Fair value movement on biological assets	10.0	0.9	–	10.9
Amortisation of intangible assets	(0.1)	(5.0)	–	(5.1)
Share based payments	(0.4)	(0.3)	(0.7)	(1.4)
Exceptional items				
– Integration and restructuring expenses	(0.4)	(2.6)	–	(3.0)
– Adjustment to goodwill on recognition of tax assets	–	(0.7)	–	(0.7)
– Preparation for main market listing	–	–	(1.0)	(1.0)
Operating profit from continuing operations	20.8	15.7	(8.1)	28.4
Share of profit of joint ventures and associates – gross				1.5
Taxation				(0.2)
Share of profit of joint ventures and associates – net of taxation				1.3
Other gains and losses				0.2
Finance costs				(10.0)
Profit before tax from continuing operations				19.9
Taxation				(7.2)
Profit for the period from continuing operations				12.7
Profit for the period from discontinued operations				1.9
Profit for the period				14.6

5. Segmental information (continued)

Area of activity – continuing operations

	15 month period to 30 June 2006			
	Bovine Genetics £m	*Porcine Genetics £m*	*Unallocated £m*	*Total £m*
Revenue from continuing operations	120.0	81.2	–	201.2
Adjusted operating profit before Research and product development	23.6	18.0	(5.4)	36.2
Research and product development before amortisation of intangible assets	(10.2)	(6.2)	–	(16.4)
Adjusted operating profit from continuing operations	13.4	11.8	(5.4)	19.8
Fair value movement on biological assets	9.2	(2.2)	–	7.0
Amortisation of intangible assets	(0.1)	(2.9)	–	(3.0)
Share based payments	(0.3)	(0.2)	(0.5)	(1.0)
Exceptional items				
– Integration and restructuring expenses	(0.9)	(1.8)	–	(2.7)
Operating profit from continuing operations	21.3	4.7	(5.9)	20.1
Share of loss of joint ventures and associates – gross				(0.1)
Taxation				(0.1)
Share of loss of joint ventures and associates – net of taxation				(0.2)
Other gains and losses				1.9
Finance costs				(6.7)
Profit before tax from continuing operations				15.1
Taxation				(4.0)
Profit for the period from continuing operations				11.1
Loss for the period from discontinued operations				(3.3)
Profit for the period				7.8

5. Segmental information (continued)

Other information – continuing operations	*Year ended 30 June 2007*			
	Bovine Genetics £m	*Porcine Genetics £m*	*Unallocated £m*	*Total £m*
Capital expenditure	5.7	1.6	–	7.3
Depreciation	(2.3)	(2.2)	(0.2)	(4.7)
Amortisation of intangible assets	(0.1)	(5.0)	–	(5.1)
Balance sheet				
Assets				
Segment assets	169.6	185.8	54.0	409.4
Interests in joint ventures and associates				3.5
Group total assets – continuing operations				412.9
Assets held for sale				21.9
Group total assets				434.8
Liabilities				
Segment liabilities	(51.9)	(40.3)	(183.4)	(275.6)
Group total liabilities – continuing operations				(275.6)
Liabilities held for sale				(8.3)
Group total liabilities				(283.9)

Other information – continuing operations	*15 month period to 30 June 2006*			
	Bovine Genetics £m	*Porcine Genetics £m*	*Unallocated £m*	*Total £m*
Capital expenditure	3.4	2.2	0.8	6.4
Depreciation	(2.1)	(2.2)	(0.2)	(4.5)
Amortisation of intangible assets	(0.1)	(2.9)	–	(3.0)
Balance sheet				
Assets				
Segment assets	166.2	209.5	54.5	430.2
Interests in joint ventures and associates				3.4
Group total assets – continuing operations				433.6
Assets held for sale				22.7
Group total assets				456.3
Liabilities				
Segment liabilities	(47.4)	(44.9)	(211.2)	(303.5)
Group total liabilities – continuing operations				(303.5)
Liabilities held for sale				(8.8)
Group total liabilities				(312.3)

Assets and liabilities relating to Research and Product Development are included within Bovine Genetics and Porcine Genetics.

5. Segmental information (continued)

Geographical segments

The bovine and porcine segments are managed on a worldwide basis, but operate in a number of geographical areas. Segment assets are based on the geographical location of the assets.

	Sales revenue by geographical region of origin		*Sales revenue by geographical region at destination*	
	Year ended 30 June 2007	*15 month period ended 30 June 2006*	*Year ended 30 June 2007*	*15 month period ended 30 June 2006*
Continuing operations	*£m*	*£m*	*£m*	*£m*
United Kingdom	44.3	50.5	44.9	48.6
Continental Europe	55.0	36.3	63.9	43.3
North America	111.5	78.1	94.9	78.8
Latin America	19.7	22.0	23.8	22.1
Rest of the world	10.4	19.0	13.4	13.1
Inter–segmental sales	(7.1)	(4.7)	(7.1)	(4.7)
Continuing operations – total	233.8	201.2	233.8	201.2
Discontinued operations	29.2	86.0	29.2	86.0
Total	263.0	287.2	263.0	287.2

Discontinued sales revenue derives from the Development Consulting and Animal Health businesses, which originates in the United Kingdom and from the Shrimp Genetics business in Latin America and Thailand.

	Carrying amount of Segment assets		*Additions to property, plant and equipment and intangible assets*	
	Year ended 30 June 2007	*15 month period ended 30 June 2006*	*Year ended 30 June 2007*	*15 month period ended 30 June 2006*
	£m	*£m*	*£m*	*£m*
Continuing operations				
United Kingdom	84.4	86.7	3.1	49.9
Continental Europe	20.4	22.9	0.1	5.5
North America	251.9	265.9	2.8	69.9
Latin America	28.6	28.4	0.9	19.3
Rest of the world	24.1	26.3	0.4	4.4
Total	409.4	430.2	7.3	149.0

5. Segmental information (continued)

Geographical segments (continued)

	Adjusted operating profit from continuing operations		*Operating profit from continuing operations*	
	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*	*Year ended 30 June 2007 £m*	*15 month period ended 30 June 2006 £m*
Continuing operations				
United Kingdom	4.3	5.1	7.3	3.9
Continental Europe	7.1	2.8	7.1	3.1
North America	15.1	10.9	14.9	11.2
Latin America	5.7	1.5	6.0	2.0
Rest of the world	2.9	4.9	1.2	5.8
Unallocated	(6.4)	(5.4)	(8.1)	(5.9)
Total	28.7	19.8	28.4	20.1

Business segments

Area of activity – discontinued operations	*Year ended 30 June 2007*			
	Animal Health £m	*Development Consulting £m*	*Shrimp Genetics £m*	*Total £m*
Revenue	7.8	18.2	3.2	29.2
Adjusted operating profit	1.6	0.8	–	2.4
Winding up of legacy pension scheme	(0.6)	–	–	(0.6)
Share based payments	(0.1)	–	–	(0.1)
Operating profit	0.9	0.8	–	1.7

Area of activity – discontinued operations	*15 month period to 30 June 2006*			
	Animal Health £m	*Development Consulting £m*	*Shrimp Genetics £m*	*Total £m*
Revenue	51.3	29.5	5.2	86.0
Adjusted operating profit	2.3	1.1	0.4	3.8
Impairment of goodwill in Animal Health	(2.3)	–	–	(2.3)
Impairment of non-current and current assets in Shrimp genetics	–	–	(2.4)	(2.4)
Operating (loss)/profit	–	1.1	(2.0)	(0.9)

The segment result from discontinued operations stated above is equal to the operating profit from discontinued operations disclosed in note 6, which provides a reconciliation to the net loss from discontinued operations.

6. Discontinued operations

The Board decided prior to 30 June 2006 that the Shrimp Genetics business and the Group's other non–core operations, the Animal Health businesses and Development Consulting would be sold. Accordingly, the results of these businesses are shown within discontinued operations, and their assets and liabilities shown as held for sale at 30 June 2007 and 30 June 2006.

The Shrimp Genetics business in Thailand was sold on 9 October 2006 for £1.0 million cash resulting in a profit on disposal of £0.2 million.

In the period ended 30 June 2006, the Animal Health Veterinary product and Dental product wholesale businesses were sold on 28 October 2005 and 22 February 2006, respectively and the Shrimp Genetics business in Brazil was sold on 7 June 2006.

On 4 October 2007 the Company announced the disposal of its SyAqua Mexico shrimp business for a total consideration of £1.3 million. The disposal of the Development Consulting business for a total consideration of £3.2 million took place on 5 November 2007. The remaining Animal Health business continues to be actively marketed. The directors expect this to be completed by the end of the 2007/08 financial year.

Profits/(losses) attributable to the discontinued operations were as follows:

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Adjusted operating profit from discontinued operations comprises:		
Profit in Animal Health for the period	1.6	2.3
Profit in Development Consulting for the period	0.8	1.1
Profit in Shrimp Genetics for the period	–	0.4
Adjusted operating profit from discontinued operations	2.4	3.8
Share based payments	(0.1)	–
Winding up of legacy pension scheme	(0.6)	–
Impairment of net assets in Shrimp Genetics	–	(2.4)
Impairment of goodwill in Animal Health	–	(2.3)
Operating profit/(loss) from discontinued operations	1.7	(0.9)
Other gains and losses		
Sale of properties	0.7	–
Loss arising on sale of Dental products wholesale division	–	(0.5)
Loss on sale of Veterinary product wholesale business	–	(2.1)
Profit on sale of Brazil operation of Shrimp Genetics	–	0.6
Profit on sale of Thailand operation of Shrimp Genetics	0.2	–
Profit/(loss) from discontinued operations before tax	2.6	(2.9)
Tax	(0.7)	(0.4)
Profit/(loss) from discontinued operations	1.9	(3.3)
Earnings per share from discontinued operations		
Basic earnings/(loss) per share	3.5p	(7.3p)
Diluted earnings/(loss) per share	3.4p	(7.3p)

6. Discontinued operations (continued)

An exceptional impairment of net assets in Shrimp Genetics of £2.4m and an exceptional impairment of goodwill in Animal Health of £2.3m were recognised in operating profit for the 15 months ended 30 June 2006 to write down the carrying value of net assets and goodwill to their recoverable amounts.

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Effect of disposals on the financial position of the Group		
Property, plant and equipment	0.4	0.3
Inventories	0.1	6.5
Trade and other receivables	–	0.5
Trade and other payables	(0.1)	(0.3)
Net identifiable assets and liabilities disposed	0.4	7.0
Consideration received, satisfied in cash	1.0	11.4
Cash disposed of	–	(2.3)
Net cash inflow	1.0	9.1

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Cash flows attributable to discontinued operations		
From operating activities	(2.2)	(2.0)
From investing activities	0.4	–
From financing activities	(0.1)	–
	(1.9)	(2.0)

7. Non–current assets and disposal groups held for sale

At 30 June 2007, Animal Health, Development Consulting, Shrimp Genetics and PIC Italia Spa were classified as held for sale together with one freehold property (2006: Animal Health, Development Consulting, Shrimp Genetics and Cazals Genetique SA together with two freehold properties).

The major classes of assets and liabilities comprising the operations held for sale are as follows:

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Assets		
Goodwill and intangibles	6.3	6.1
Biological assets	0.3	0.9
Property, plant and equipment	2.7	2.0
Inventories	1.3	1.7
Trade and other receivables	10.0	10.2
Cash and cash equivalents	1.3	1.8
Total assets	21.9	22.7
Liabilities		
Trade and other payables	(8.3)	(8.8)
Total liabilities	(8.3)	(8.8)
Net assets of disposal groups	13.6	13.9

8. Acquisition of Sygen

On 2 December 2005 the company purchased 100 per cent. of the issued share capital of Sygen for a total cash consideration, including costs, of £193.2m. The transaction has been accounted for by the purchase method of accounting.

On transition to IFRS, the fair value adjustments in the period from acquisition to 30 June 2006, as reported in the UK GAAP financial statements for the period ended 30 June 2006, were restated in accordance with the IFRS accounting policies adopted.

The table below summarises the adjustments to the book values of the assets and liabilities of Sygen made during the hindsight period which extended to 1 December 2006. These were fully reflected in the Group's first time reporting under IFRS.

			IFRS Adjustments				
	Provisional fair value under UK GAAP £m	*Hindsight Adjustments £m*	*Holiday Pay £m*	*Biological Assets £m*	*Intangibles £m*	*Leases £m*	*Fair value of acquired net assets £m*
Non current assets	33.2	0.5	–	71.1	91.0	0.9	196.7
Current assets	42.6	2.1	–	–	–	–	44.7
Current liabilities	(26.4)	0.2	(0.7)	–	–	(0.8)	(27.7)
Non–current liabilities	(13.3)	(1.7)	–	(25.5)	(30.5)	–	(71.0)
Net assets acquired	36.1	1.1	(0.7)	45.6	60.5	0.1	142.7
Cash consideration	193.2	–	–	–	–	–	193.2
Goodwill	157.1	(1.1)	0.7	(45.6)	(60.5)	(0.1)	50.5

Fair value hindsight adjustments to the estimated fair values of the assets and liabilities acquired primarily relate to an increase in current assets of £2.1m, including legal fees recoverable of £1.8m; increases in non-current liabilities of £1.7m, in relation to post retirement benefit liabilities; and an increase in provisions relating to environmental liabilities for past disposals made by Sygen.

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing business.

9. Revenue

	Continuing operations		*Discontinued operations*		*Total*	
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
	Year ended 30 June 2007	*15 month period ended 30 June 2006*	*Year ended 30 June 2007*	*15 month period ended 30 June 2006*	*Year ended 30 June 2007*	*15 month period ended 30 June 2006*
Sale of animals, semen & veterinary products	192.6	174.8	11.0	56.5	203.6	231.3
Royalties	35.4	21.7	–	–	35.4	21.7
Consulting Services	5.8	4.7	18.2	29.5	24.0	34.2
	233.8	201.2	29.2	86.0	263.0	287.2
Interest income	2.1	0.4	–	–	2.1	0.4
Total	235.9	201.6	29.2	86.0	265.1	287.6

9. Revenue (continued)

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

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

10. Exceptional items

Exceptional items in the period to 30 June 2007 comprise:

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Integration and restructuring expenses	3.0	2.7
Adjustment to goodwill on recognition of tax assets	0.7	–
Preparation for main market listing, including IFRS adoption	1.0	–
	4.7	2.7

Integration and restructuring expenses of £3.0m (2006: £2.7m) comprise £2.6m (2006: £1.8m) in respect of the Porcine Genetics business, £nil (2006: £0.9m) in respect of the Bovine genetics business and £0.4m (2006: £nil) in respect of project management fees for new systems.

The Group has acquired businesses with tax losses. These were recognised in the Group balance sheet on acquisition to the extent that they were expected to be realised based on information at the acquisition date and to the end of the hindsight period. The Group has subsequently been able to use tax losses to a greater extent than anticipated thereby reducing the value of goodwill. In order to comply with the requirements of IAS 12 "Income Taxes", a charge for the reduction in goodwill is reported to the extent of any further recognition of tax losses that arose pre–acquisition.

Preparation for main market listing expense primarily relates to professional fees in relation to the early adoption of International Financial Reporting Standards, a necessary preparation for the main market listing.

11. Profit for the period

	Continuing operations		*Discontinued operations*		*Group*	
Operating costs comprise:	*Year ended 30 June 2007 £m*	*15 month period ended 30 June 2006 £m*	*Year ended 30 June 2007 £m*	*15 month period ended 30 June 2006 £m*	*Year ended 30 June 2007 £m*	*15 month period ended 30 June 2006 £m*
Cost of sales excluding fair value movement on biological assets	(108.8)	(77.5)	(20.5)	(70.7)	(129.3)	(148.2)
Fair value movement on biological assets	10.9	7.0	–	–	10.9	7.0
Amortisation of multiplier contract intangible assets	(0.2)	(0.1)	–	–	(0.2)	(0.1)
Cost of sales	(98.1)	(70.6)	(20.5)	(70.7)	(118.6)	(141.3)
Distribution costs	(62.4)	(59.0)	(4.4)	(8.9)	(66.8)	(67.9)
Amortisation of customer relationship intangible assets	(2.9)	(1.7)	–	–	(2.9)	(1.7)
Distribution costs	(65.3)	(60.7)	(4.4)	(8.9)	(69.7)	(69.6)
Research and product development expenditure	(17.7)	(16.4)	–	–	(17.7)	(16.4)
Amortisation of technology intangible assets	(2.0)	(1.2)	–	–	(2.0)	(1.2)
Research and Product development costs	(19.7)	(17.6)	–	–	(19.7)	(17.6)
Administrative expenses (excluding exceptionals)	(16.2)	(28.5)	(1.9)	(3.1)	(18.1)	(31.6)
Share based payments	(1.4)	(1.0)	(0.1)	–	(1.5)	(1.0)
Exceptional items within administrative expenses	(4.7)	(2.7)	(0.6)	(4.7)	(5.3)	(7.4)
Administrative expenses	(22.3)	(32.2)	(2.6)	(7.8)	(24.9)	(40.0)
Total operating costs	(205.4)	(181.1)	(27.5)	(87.4)	(232.9)	(268.5)

11. Profit for the period (continued)

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

	Continuing operations		*Discontinued operations*		*Group*	
	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*	*Year ended 30 June 2007 £m*	*15 month period ended 30 June 2006 £m*	*Year ended 30 June 2007 £m*	*15 month period ended 30 June 2006 £m*
Net foreign exchange losses/(gains)	0.5	(0.2)	–	–	0.5	(0.2)
Depreciation of owned fixed assets	3.6	3.6	0.5	0.5	4.1	4.1
Depreciation of assets held under finance leases and hire purchase contracts	0.6	0.4	–	–	0.6	0.4
Impairment of goodwill	–	–	–	2.3	–	2.3
Operating lease rentals						
– plant and machinery	1.4	1.2	–	–	1.4	1.2
– other	3.1	1.9	–	–	3.1	1.9
Employee costs (see note 13)	74.1	66.7	4.1	8.0	78.2	74.7
Write-down of inventories recognised as an expense	2.2	1.6	–	–	2.2	1.6

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Auditors' remuneration is as follows:		
Fees payable to the company's auditors for the audit of the company's annual report and financial statements	0.2	0.1
Fees payable to the company's auditors and associates for the audit of the company's subsidiaries	0.4	0.4
Total audit fees	0.6	0.5
Tax services	0.6	0.5
Assistance with IFRS transition	0.3	–
Transaction support on acquisition of Sygen	–	0.4
Other services	0.1	0.1
Total non–audit fees	1.0	1.0
Total fees to the Group's auditors	1.6	1.5

12. Other gains and losses

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Net gain on sale of property, plant and equipment	0.2	1.9

13. Employee costs

Employee costs, including directors' remuneration during the period amounted to:

	Continuing operations		*Discontinued operations*		*Group*	
	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*	*Year ended 30 June 2007 £m*	*15 month period ended 30 June 2006 £m*	*Year ended 30 June 2007 £m*	*15 month period ended 30 June 2006 £m*
Wages and salaries	62.3	57.2	3.6	7.2	65.9	64.4
Social security costs	7.6	5.0	0.3	0.6	7.9	5.6
Contributions to defined contribution pension plans	1.3	1.6	0.1	0.2	1.4	1.8
Expenses related to defined benefit pension plans	1.5	1.9	–	–	1.5	1.9
Share–based payments	1.4	1.0	0.1	–	1.5	1.0
	74.1	66.7	4.1	8.0	78.2	74.7

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

	Continuing operations		*Discontinued operations*		*Group*	
	Year ended 30 June 2007 Number	*15 month period ended 30 June 2006 Number*	*Year ended 30 June 2007 Number*	*15 month period ended 30 June 2006 Number*	*Year ended 30 June 2007 Number*	*15 month period ended 30 June 2006 Number*
Production and product development	404	934	134	83	538	1,017
Distribution	1,164	1,348	63	63	1,227	1,411
Research and development	92	72	–	–	92	72
Administration	241	257	26	26	267	283
	1,901	2,611	223	172	2,124	2,783

14. Finance costs

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Interest payable on bank loans and overdrafts	(11.0)	(6.2)
Amortisation of debt issue costs	(0.3)	(0.3)
Net interest cost in respect of pension scheme liabilities	(0.6)	(0.4)
Other interest payable	(0.2)	(0.2)
Interest expense	(12.1)	(7.1)
Interest income on bank deposits	1.2	0.3
Other interest receivable	0.9	0.1
Interest income	2.1	0.4
Net finance costs	(10.0)	(6.7)

15. Income tax expense in the income statement

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Current tax expense		
Current period	7.5	6.1
Adjustment for prior periods	(1.7)	(0.7)
Total current tax expense in the Group income statement	5.8	5.4
Deferred tax expense		
Origination and reversal of temporary differences	1.5	0.1
Adjustment for prior period	0.9	(0.4)
Reduction in tax rate	(0.4)	–
Total deferred tax expense/(income) in the Group income statement	2.0	(0.3)
Income tax expense from continuing operations	7.2	4.0
Income tax expense from discontinued operations (excluding gain on sale)	0.6	1.1
Total income tax expense excluding tax on sale of discontinued operations and share of income tax of equity accounted investees	7.8	5.1
Income tax on gain on sale of discontinued operations	0.1	(0.7)
Share of income tax of equity accounted investees	0.2	–
Total income tax expense in the Group income statement	8.1	4.4

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

15. Income tax expense in the income statement (continued)

Reconciliation of effective tax rate

	2007 %	Year ended 30 June 2007 £m	2006 %	15 month period ended 30 June 2006 £m
Profit before tax:				
Continuing		19.9		15.1
Discontinued operations		2.6		(2.9)
Profit before tax		22.5		12.2
Income tax at UK corporation tax of 30% (*2006: 30%*)	84%	6.8	84%	3.7
Effect of tax rates in foreign jurisdictions*	25%	2.0	7%	0.3
Effect of UK tax rate change	(5%)	(0.4)	0%	–
Non–deductible expenses	5%	0.4	41%	1.8
Tax exempt income	(4%)	(0.3)	0%	–
Tax incentives	(2%)	(0.2)	(2%)	(0.5)
Movements in recognition of tax losses	5%	0.4	2%	0.4
Change in unrecognised temporary differences	0%	–	(5%)	(0.2)
Tax included in share of associate profits	2%	0.2	0%	–
Tax over provided in prior periods	(6%)	(0.8)	(25%)	(1.1)
Total income tax expense within the Group income statement		8.1		4.4

* Tax rates in respect of foreign jurisdictions increased in the year ended 30 June 2007 as a result of the impact of the Sygen acquisition in December 2005 which raised the effective tax rate in relation to foreign jurisdictions due to a greater proportion of operations in North America.

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

Income tax recognised directly in equity

	Year ended 30 June 2007 £m	15 month period ended 30 June 2006 £m
Foreign exchange differences on long term intra Group currency loans	(1.6)	(0.7)
Gain on financial instruments	0.7	0.9
Actuarial movement on retirement benefit obligations	2.4	(0.4)
Translation of biological assets and intangible assets	(4.6)	(1.4)
Short term timing difference and holiday pay	(0.6)	(0.1)
Income tax on income and expense recognised directly in equity	(3.7)	(1.7)
Share based payments	(1.2)	(0.3)
Total income tax recognised directly in equity	(4.9)	(2.0)

16. Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Final dividend		
8.25p (2006 : 7.5p) per share	4.5	2.8

A dividend of 9.1p per share has been proposed by the directors for 2007. The proposed final dividend of £5.1m (15 month period ended 30 June 2006: £4.5m) is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in this Financial Information.

17. Earnings per share

Basic earnings per share from continuing operations

The calculation of basic earnings per share from continuing operations at 30 June 2007 is based on the profit attributable to ordinary shareholders of £12.7m (2006: £11.1m) and a weighted average number of ordinary shares outstanding of 54,890,000 (2006: 45,331,000), calculated as follows:

Weighted average number of ordinary shares (basic)

In thousands of shares	*Year ended 30 June 2007*	*15 month period ended 30 June 2006*
Issued ordinary shares at start of the period	55,239	37,261
Effect of own shares held	(956)	(564)
Shares issued on exercise of stock options	608	804
Shares issued in December 2005 in relation to Sygen acquisition	–	7,830
Weighted average number of ordinary shares in period	54,891	45,331

Diluted earnings per share from continuing operations

The calculation of diluted earnings per share at 30 June 2007 is based on profit attributable to ordinary shareholders of £12.7m (2006: £11.1m) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 56,528,000 (2006: 46,415,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

In thousands of shares

	Year ended 30 June 2007	*15 month period ended 30 June 2006*
Weighted average number of ordinary shares (basic)	54,891	45,331
Dilutive effect of share options	1,637	1,085
Weighted average number of ordinary shares for the purposes of diluted earnings per share	56,528	46,416

17. Earnings per share (continued)

Adjusted Earnings per share

Adjusted earnings per share is calculated on profit before fair value movements on biological assets, amortisation of intangible assets, share based payments, exceptional items and other gains and losses after charging taxation associated with those profits, of £12.4m (15 months ended 30 June 2006: £8.9m), as follows:

	Year ended 30 June 2007 £m	*15 month period ended 30 June 2006 £m*
Profit before tax from continuing operations	19.9	15.1
Add/(deduct):		
Fair value movement on biological assets	(10.9)	(7.0)
Amortisation of intangible assets	5.1	3.0
Share based payments	1.4	1.0
Integration and restructuring expenses	3.0	2.7
Preparation for main market listing	1.0	–
Adjustment to goodwill on recognition of tax assets	0.7	–
Share of post tax profit/(loss) of joint ventures and associate	(1.3)	0.2
Other gains and losses	(0.2)	(1.9)
Profit before fair value movement on biological assets, amortisation of intangible assets, share based payments, exceptional items and other gains and losses	18.7	13.1
Adjusted tax charge	(6.3)	(4.2)
Profit before fair value movement on biological assets, amortisation of intangible assets, share based payments, exceptional items and other gains and losses, after taxation	12.4	8.9

Total operations

Earnings per share for total operations has been calculated as the profit attributable to ordinary shareholders of £14.6m (15 months ended 30 June 2006 : £7.8m) divided by weighted average number of ordinary shares (basic and diluted) as calculated above.

18. Intangible assets

	Goodwill *£m*	*Licenses* *£m*	*Technology* *£m*	*Multiplier contracts* *£m*	*Customer relationships* *£m*	*Total* *£m*
Cost						
Balance at 1 April 2005	26.4	0.1	–	–	–	26.5
Additions	0.9	0.1	–	–	–	1.0
Acquired on acquisition of subsidiary	50.5	–	40.4	3.3	48.4	142.6
Transferred to assets held for sale	(5.9)	(0.2)	–	–	–	(6.1)
Disposals	(4.7)	–	–	–	–	(4.7)
Effect of movements in exchange rates	(2.3)	–	–	(0.1)	(3.0)	(5.4)
Balance at 30 June 2006	64.9	–	40.4	3.2	45.4	153.9
Balance at 1 July 2006	64.9	–	40.4	3.2	45.4	153.9
Adjustment to goodwill on recognition of tax assets	(0.7)	–	–	–	–	(0.7)
Effect of movements in exchange rates	(3.5)	–	–	(0.2)	(3.4)	(7.1)
Balance at 30 June 2007	60.7	–	40.4	3.0	42.0	146.1
Amortisation and impairment losses						
Balance at 1 April 2005	–	–	–	–	–	–
Amortisation for the period	–	–	1.2	0.1	1.7	3.0
Effect of movements in exchange rates	–	–	–	–	–	–
Balance at 30 June 2006	–	–	1.2	0.1	1.7	3.0
Balance at 1 July 2006	–	–	1.2	0.1	1.7	3.0
Amortisation for the year	–	–	2.0	0.2	2.9	5.1
Effect of movements in exchange rates	–	–	–	–	(0.1)	(0.1)
Balance at 30 June 2007	–	–	3.2	0.3	4.5	8.0
Carrying amounts						
At 30 June 2007	60.7	–	37.2	2.7	37.5	138.1
At 30 June 2006	64.9	–	39.2	3.1	43.7	150.9

Impairment testing for cash-generating units containing goodwill

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

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2007 *£m*	*2006* *£m*
Porcine	44.6	47.7
Bovine	16.1	17.2
Animal Health	5.8	5.8
Development consulting	0.1	0.1
	66.6	70.8
Less transferred to 'assets held for sale'	(5.9)	(5.9)
	60.7	64.9

18. Intangible assets (continued)

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

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

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

The key assumptions for the value in use calculations are:

A real growth rate of 3.6 per cent. which has been used to extrapolate cash flows beyond the budget period.

A post tax discount rate of 9.2 per cent. applied to cash flow projections which equates to a pre tax rate of approximately 13.1 per cent.

19. Biological assets

Fair value of biological assets	*Bovine* £m	*Porcine* £m	*Total* £m
Balance at 1 April 2005	61.2	–	61.2
Acquired through business combinations	–	78.2	78.2
Transfers to inventory	(18.5)	(3.8)	(22.3)
Changes in fair value less estimated sale costs	27.3	0.3	27.6
Effect of movements in exchange rates	0.6	(3.6)	(3.0)
Balance at 30 June 2006	70.6	71.1	141.7
Non current biological assets	70.6	44.5	115.1
Current biological assets	–	25.7	25.7
Biological assets – continuing operations	70.6	70.2	140.8
Biological assets included within assets held for sale	–	0.9	0.9
Balance at 30 June 2006	70.6	71.1	141.7
Balance at 1 July 2006	70.6	71.1	141.7
Transfers to inventory	(19.9)	(5.9)	(25.8)
Changes in fair value less estimated sale costs	27.9	6.3	34.2
Effect of movements in exchange rates	(4.7)	(5.7)	(10.4)
Balance at 30 June 2007	73.9	65.8	139.7
Non current biological assets	73.9	40.2	114.1
Current biological assets	–	25.3	25.3
Biological assets – continuing operations	73.9	65.5	139.4
Biological assets included within assets held for sale	–	0.3	0.3
Balance at 30 June 2007	73.9	65.8	139.7

Bovine biological assets include £5.6m (2006 : £5.4m) representing the fair value of bulls owned by third parties but managed by the Group, and therefore treated as assets held under finance leases. There are no minimum lease payments as the amount payable is dependent upon future semen sales.

19. Biological assets (continued)

	2007	*2006*
Quantities		
Bovine – number of marketable bulls in stud	174	161
Bovine – number of doses of semen in inventory	7.1m	6.8m
Porcine – number of pigs (own farms)	88,711	114,491
Porcine – number of pigs despatched on a royalty basis and valued at fair value	70,680	84,098
Fair value of agricultural produce – semen, harvested during the period		
Bovine	£19.9m	£18.5m
Porcine	£5.9m	£3.8m

	Bovine £m	*Porcine* £m	*Total* £m
Year ended 30 June 2007			
Fair value movement on biological assets			
Changes in fair value of biological assets	27.9	6.3	34.2
Inventory transferred to cost of sales at fair value	(17.9)	(5.9)	(23.8)
Cost of sale already reflected in adjusted operating profit	–	0.5	0.5
	10.0	0.9	10.9
15 month period to 30 June 2006			
Fair value movement on biological assets			
Change in fair value of biological assets	27.3	0.3	27.6
Inventory transferred to cost of sales at fair value	(15.4)	(3.8)	(19.2)
Cost of sale already reflected in adjusted operating profit	(2.7)	1.3	(1.4)
	9.2	(2.2)	7.0

The Group is exposed to a number of risks related to its holdings of porcine and bovine biological assets. The Group limits these risks by outsourcing porcine production, maintaining porcine genetic nucleus farms and bovine stud farms in different locations and ensuring high veterinary standards.

The key drivers in the movement in the Bovine biological asset value are forecast sales volumes, sales prices, expected marketable lives of bulls, production volumes and the change in proportion of owned bulls to leased bulls.

The key drivers in the movement in the Porcine biological asset value are the number of pigs on owned farms, number of pigs despatched on a royalty basis, number of pigs on owned farms that will achieve a genetic premium, prices achieved for premium genetics and changes between own and outsourced production.

20. Property, plant and equipment

	Land and buildings £m	*Plant, Motor Vehicles and equipment £m*	*Total £m*
Cost or deemed cost			
Balance at 1 April 2005	8.5	20.9	29.4
Additions	2.3	4.1	6.4
Acquisitions	20.6	14.3	34.9
Transfer to assets held for sale	(4.6)	(2.3)	(6.9)
Disposals	(3.5)	(16.2)	(19.7)
Effect of movements in exchange rates	(1.6)	(1.6)	(3.2)
Balance at 30 June 2006	21.7	19.2	40.9
Balance at 1 July 2006	21.7	19.2	40.9
Additions	1.0	6.3	7.3
Transfer to assets held for sale	(1.7)	(1.0)	(2.7)
Disposals	(3.6)	(6.3)	(9.9)
Effect of movements in exchange rates	(1.8)	(1.1)	(2.9)
Balance at 30 June 2007	15.6	17.1	32.7
Depreciation and impairment losses			
Balance at 1 April 2005	2.0	12.6	14.6
Depreciation for the period	1.1	3.4	4.5
Transfer to assets held for sale	(0.1)	(0.6)	(0.7)
Disposals	(0.5)	(6.5)	(7.0)
Effect of movements in exchange rates	(0.2)	(0.7)	(0.9)
Balance at 30 June 2006	2.3	8.2	10.5
Balance at 1 July 2006	2.3	8.2	10.5
Depreciation for the year	1.3	3.4	4.7
Transfer to assets held for sale	(0.8)	(0.8)	(1.6)
Disposals	(1.2)	(5.8)	(7.0)
Effect of movements in exchange rates	(0.7)	(0.5)	(1.2)
Balance at 30 June 2007	0.9	4.5	5.4
Carrying amounts			
At 30 June 2007	14.7	12.6	27.3
At 30 June 2006	19.4	11.0	30.4

Leased plant and machinery

At 30 June 2007 fixed assets included assets held under finance leases with a carrying value of £2.9m (2006: £3.0m). The associated depreciation charge for the year was £0.6m (15 month period ended 30 June 2006: £0.4m).

Property, plant and equipment under construction

Additions during the year ended 30 June 2007 include £0.1m in respect of Genotyping laboratory renovations and £2.3m in respect of the implementation of new systems.

21. Equity accounted investees

The Group's share of profit after tax in its equity accounted investees for the year was £1.3m (15 month period ended 30 June 2006: loss of £0.2m).

	£m
Balance at 1 April 2005	0.3
Acquisition	5.8
Share of post tax joint venture losses retained	(0.2)
Dividends received	(2.2)
Effect of movements in exchange rates	(0.3)
Balance at 1 July 2006	3.4
Share of post tax joint venture profits retained	1.3
Dividends received	(1.3)
Effect of movements in exchange rates	0.1
Balance at 30 June 2007	3.5

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

Year ended 30 June 2007

Net assets	*Ownership*	*Current assets*	*Non-current assets £m*	*Total assets £m*	*Current liabilities £m*	*Non-current liabilities £m*	*Total liabilities £m*	*Net assets £m*
Agroceres – PIC Suinos (Brazil)	49%	2.5	2.4	4.9	(1.0)	(0.7)	(1.7)	3.2
Hybridschweine Cooperations GmbH (Germany)	50%	0.2	–	0.2	–	–	–	0.2
Hu Mei Pig Improvement Company Ltd (China)	50%	0.3	–	0.3	(0.2)	–	(0.2)	0.1
		3.0	2.4	5.4	(1.2)	(0.7)	(1.9)	3.5

Income statement	*Ownership*	*Revenues* £m	*Movement in fair value of biological assets* £m	*Expenses* £m	*Operating profit* £m
Agroceres – PIC Suinos (Brazil)	49%	5.0	0.2	(3.8)	1.4
Hybridschweine Cooperations GmbH (Germany)	50%	5.0	–	(4.9)	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	0.8	–	(0.8)	–
		10.8	0.2	(9.5)	1.5

21. Equity accounted investees (continued)

15 month period ended 30 June 2006

Net assets	*Ownership*	*Current assets*	*Non-current assets £m*	*Total assets £m*	*Current liabilities £m*	*Non-current liabilities £m*	*Total liabilities £m*	*Net Assets £m*
Agroceres – PIC Suinos (Brazil)	49%	2.5	2.4	4.9	(1.0)	(0.7)	(1.7)	3.2
Hybridschweine Cooperations GmbH (Germany)	50%	0.1	–	0.1	–	–	–	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	0.2	–	0.2	(0.1)	–	(0.1)	0.1
		2.8	2.4	5.2	(1.1)	(0.7)	(1.8)	3.4

Income statement	*Ownership*	*Revenues* £m	*Movement in fair value of biological assets* £m	*Expenses* £m	*Operating loss* £m
Agroceres – PIC Suinos (Brazil)	49%	3.4	(0.9)	(2.7)	(0.2)
Hybridschweine Cooperations GmbH (Germany)	50%	3.1	–	(3.1)	–
Hu Mei Pig Improvement Company Ltd (China)	50%	0.7	–	(0.7)	–
		7.2	(0.9)	(6.5)	(0.2)

22. Available for sale investments

	2007 £m	*2006 £m*
Fair value	0.5	0.8
	0.5	0.8

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

23. Deferred tax assets and liabilities

Unrecognised deferred tax assets

At the balance sheet date, the Group has unused tax losses with a potential tax benefit of £12.8m (2006: £15.6m) available for offset against future profits. A deferred tax asset has been recognised in respect of £3.0m (2006 : £2.8m) of such losses. No deferred tax asset has been recognised in respect of the remaining £9.8m (2006 : £12.8m) due to the uncertainty over the availability of future taxable profits.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		*Net*	
	2007	*2006*	*2007*	*2006*	*2007*	*2006*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Property, plant and equipment	–	–	0.6	0.7	0.6	0.7
Intangible assets	–	–	28.5	30.3	28.5	30.3
Biological assets	–	–	47.7	48.3	47.7	48.3
Financial instruments	–	–	1.2	0.6	1.2	0.6
Retirement benefit obligations	(4.8)	(6.9)	–	–	(4.8)	(6.9)
Share-based payments	(2.2)	(0.8)	–	–	(2.2)	(0.8)
Holiday pay	–	(0.3)	–	–	–	(0.3)
Short term timing differences	(0.4)	–	–	–	(0.4)	–
Tax loss carry-forwards	(3.0)	(2.8)	–	–	(3.0)	(2.8)
Net tax (assets)/liabilities	(10.4)	(10.8)	78.0	79.9	67.6	69.1

Movement in temporary differences during the year

	Balance brought forward 1 July 2006 *£m*	*Recognised in income statement* *£m*	*Prior Year adjustments* *£m*	*Recognised in equity* *£m*	*Changes in tax rate* *£m*	*Transfers* *£m*	*Foreign exchange difference* *£m*	*Balance carried forward 30 June 2007* *£m*
Property, plant and equipment	0.7	–	(0.1)	–	–	–	–	0.6
Intangible assets	30.3	(1.6)	0.1	–	(0.3)	–	–	28.5
Biological assets	48.3	4.1	–	(4.6)	(0.1)	–	–	47.7
Financial instruments	0.6	0.3	(0.4)	0.7	–	–	–	1.2
Retirement benefit obligations	(6.9)	(0.3)	–	2.4	–	–	–	(4.8)
Share-based payments	(0.8)	(0.2)	–	(1.2)	–	–	–	(2.2)
Short term timing differences	(0.3)	(0.6)	1.3	(0.6)	–	(0.3)	0.1	(0.4)
Tax loss carry-forwards	(2.8)	(0.2)	–	–	–	–	–	(3.0)
	69.1	1.5	0.9	(3.3)	(0.4)	(0.3)	0.1	67.6

	Balance brought forward 1 April 2005 *£m*	*Acquired in Business combinations* *£m*	*Recognised in income statement* *£m*	*Prior Year adjustments* *£m*	*Recognised in equity* *£m*	*Foreign exchange difference* *£m*	*Balance carried forward 30 June 2006* *£m*
Property, plant and equipment	0.9	–	(0.1)	–	–	(0.1)	0.7
Intangible assets	–	30.9	(0.6)	–	–	–	30.3
Biological assets	21.9	25.6	2.2	–	(1.4)	–	48.3
Financial instruments	–	–	(0.3)	–	0.9	–	0.6
Retirement benefit obligations	(3.0)	(3.0)	(0.5)	–	(0.4)	–	(6.9)
Share-based payments	(0.2)	–	(0.3)	–	(0.3)	–	(0.8)
Short term timing differences	0.5	(1.1)	0.5	(0.1)	(0.1)	–	(0.3)
Tax loss carry-forwards	–	(1.7)	(0.8)	(0.3)	–	–	(2.8)
	20.1	50.7	0.1	(0.4)	(1.3)	(0.1)	69.1

24. Inventories

	2007	*2006*
	£m	*£m*
Biological assets classed as inventories	15.2	13.7
Raw materials and consumables	0.6	0.6
Finished goods	4.3	5.5
	20.1	19.8
Inventories classified as assets held for sale	(1.3)	(1.7)
	18.8	18.1

25. Trade and other receivables

	2007	*2006*
	£m	*£m*
Trade receivables	34.7	33.8
Other debtors	3.8	2.4
Prepayments and accrued income	2.0	2.9
Other taxes and social security	2.5	2.5
	43.0	41.6

At 30 June 2007 trade receivables are shown net of an allowance for doubtful debts of £1.0m (2006: £1.0m).

The carrying values of current trade and other receivables are a reasonable approximation of their fair values. There is no concentration of credit risk with respect to trade receivables, since the Group has a broad customer base.

Receivables denominated in currencies other than the functional currency comprise £12.0m of receivables denominated in U.S. Dollar (2006: £11.3m) and £5.4m of receivables denominated in Euros (2006: £6.7m). Receivables denominated in other currencies total £12.7m (2006: £11.9m)

26. Cash and cash equivalents

	2007	*2006*
	£m	*£m*
Bank balances	26.0	32.2

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

27. Trade and other payables

	2007	*2006*
	£m	*£m*
Trade payables	12.3	13.0
Other trade payables	2.7	3.5
Non-trade payables and accrued expenses	16.4	16.6
Other taxes and social security	3.4	3.9
	34.8	37.0

Payables denominated in currencies other than the functional currency comprise £7.9 million of payables denominated in U.S. Dollars (2006: £8.5 million) and £5.1 million of payables denominated in Euros (2006: £5.1 million). Payables denominated in other currencies total £7.9 million (2006: £8.2 million). The carrying amount of these liabilities are a reasonable approximation of their fair values.

28. Provisions

	Surplus properties £m	*Environmental provision £m*	*Restructuring £m*	*Total £m*
Balance at 1 April 2005	–	–	–	–
Acquisition	3.2	2.4	0.4	6.0
Utilisation of provision	(0.6)	(0.1)	(0.3)	(1.0)
Provided during the period	0.1	–	–	0.1
Unwinding of discount	0.1	–	–	0.1
Balance at 1 July 2006	2.8	2.3	0.1	5.2
Utilisation of provision	(0.3)	(0.4)	(0.7)	(1.4)
Provided during the year	–	–	0.7	0.7
Provisions released during the year	(0.2)	–	–	(0.2)
Effect of movements in exchange rates	–	(0.2)	–	(0.2)
Unwinding of discount	0.1	–	–	0.1
Balance at 30 June 2007	2.4	1.7	0.1	4.2
Non-current	1.9	0.4	–	2.3
Current	0.5	1.3	0.1	1.9
	2.4	1.7	0.1	4.2

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 8 years.

The environmental provision relates to environmental liabilities in respect of the sale of the Oklahoma businesses by Sygen, prior to the acquisition by Genus. The majority of the provision is expected to be utilised within the next 2 years with on-going monitoring costs over the next 5 years.

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

29. Financial instruments

Interest rate swaps

The Group uses interest rate swaps to manage its interest rate movements on its bank borrowings. Contracts with no nominal value have fixed interest payments at an average rate of 4.74 per cent. for periods up until 2010 and have floating interest receipts at three month LIBOR.

The fair value of the Swaps entered into at 30 June 2007 is estimated at £3.4 million (2006: £1.2 million). These amounts are based on market values of equivalent instruments at the balance sheet date. All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity.

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. At 30 June 2007, the fair value of the Group's currency derivatives is estimated to be £1.1 million (2006 : £1.8 million). These amounts are based on market values of equivalent instruments at the balance sheet date. The fair value of currency derivatives that are designated and effective as net investment hedges amounting to £1.1 million (2006: £1.8 million) has been deferred in equity.

29. Financial instruments (continued)

Fair values

The fair values of financial assets and liabilities, which have been calculated following the methods used in note 3 by the relevant financial institution, together with the carrying amounts shown in the balance sheet, are as follows:

	2007		*2006*	
	Carrying Amount £m	*Fair value £m*	*Carrying Amount £m*	*Fair value £m*
Interest rate swap treated as cash flow hedge	3.4	3.4	1.2	1.2
Cross currency swap treated as net investment hedge	1.1	1.1	1.8	1.8
Gain recognised in equity	4.5	4.5	3.0	3.0

Estimation of fair values

The methods used in determining the fair values of financial instruments are explained in note 3.

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings.

At 30 June 2007 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately £0.3 million (2006: £0.5 million). Interest rate swaps have been included in this calculation.

It is estimated that a general increase of one percentage point in the value of the pound against the dollar would have decreased the Group's profit before income tax by approximately £0.1 million for the year ended 30 June 2007 (2006: £0.1 million).

30. Loans and borrowings

	2007 £m	*2006 £m*
Non-current liabilities		
Secured bank loans	108.9	126.4
Obligations under finance leases	1.4	0.1
	110.3	126.5
Current liabilities		
Current portion of secured bank loans	27.2	25.5
Current portion of obligations under finance lease liabilities	0.9	2.1
	28.1	27.6

30. Loans and borrowings (continued)

Terms and debt repayment schedule

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

	Currency	*Nominal Interest rate*	*30 June 2007 £m*	*30 June 2006 £m*
Secured bank loan and overdraft	GBP	6.3%	131.0	147.4
Secured bank loan	AUD	7.2%	5.1	4.5
Finance lease liabilities	USD	5.0%	2.3	2.2
Total interest-bearing liabilities			138.4	154.1

For information about the Group's exposure to interest rate and foreign currency risk, see note 29.

	Notes	*2007 £m*	*2006 £m*
Loans and borrowings (excluding finance leases):			
Amounts falling due:			
In one year or less on demand		27.6	25.9
In more than one year but not more than two years		35.2	38.1
In more than two years but not more than five years		74.9	89.8
		137.7	153.8
Less: issue costs		(1.6)	(1.9)
		136.1	151.9
Current liabilities		(27.2)	(25.5)
Non current liabilities		108.9	126.4

The bank loans, overdrafts and loan notes are secured by a floating charge over the assets of the Company and the Group's significant subsidiaries, a list of which appears in note 40.

The Company has secured bank credit facilities with Barclays Bank. These comprise a three year term loan repayable on 26 October 2008 (£19.7 million) and a five year term loan repayable in instalments between 26 October 2006 and 26 October 2010 (£60.0 million), and a five year £70.0 million multi currency revolving credit facility repayable on 26 October 2010.

As part of its interest rate strategy the company has entered into an interest rate swap. As a result bank loan and overdrafts include £115.0 million fixed at 4.74 per cent.

31. Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2007 £m	*Interest 2007 £m*	*Principal 2007 £m*	*Minimum lease Payments 2006 £m*	*Interest 2006 £m*	*Principal 2006 £m*
Less than one year	1.0	0.1	0.9	2.3	0.2	2.1
Between one and five years	1.4	0.1	1.3	0.1	–	0.1
After 5 years	0.1	–	0.1	–	–	–
	2.5	0.2	2.3	2.4	0.2	2.2

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

32. Retirement benefit obligations

Summary of schemes

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

The financial position of the defined benefit schemes as recorded in accordance with IAS19 are aggregated for disclosure purposes.The liability split by principal scheme is set out below.

	2007	*2006*
	£m	*£m*
The Milk Pension Fund	7.2	14.9
The Dalgety Pension Fund	1.4	0.1
Other retirement benefit obligations	7.3	7.8
Gross liability	15.9	22.8
Deferred taxation	(4.8)	(6.9)
Net liability	11.1	15.9

Overall, the Group expects to pay £2.9 million in contributions to defined benefit plans in the 2007/8 financial year.

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 now known as Community Foods Group Limited), National Milk Records plc, First Milk Ltd, Dairy Farmers of Britain Ltd, Milk Link Ltd, the Milk Development Council and hauliers associated to First Milk Ltd, Dairy Farmers of Britain Ltd 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 2006. The valuation of the fund used the projected unit method (for future service, a control period of 3 years was used) and was carried out by a professionally qualified actuaries.

The principal actuarial assumptions adopted for the funding valuation as at 31 March 2006, with each being expressed as the excess over the assumption for the annual rate of inflation, were as follows. For the annual rate of return on the investments for discounting liabilities pre-retirement: 4 per cent., and for discounting liabilities post-retirement: 2.05 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: 1 per cent. At the date of the valuation, the market value of the Fund's assets amounted to £313 million, of which Genus' notional share is £110 million. The actuarial value of the assets of the whole fund was sufficient to cover 98 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 2006 valuation, is £6.8 million (of which Genus' notional share is £1.9 million) and this shortfall is being addressed by additional contributions from the participating employers.

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

32. Retirement benefit obligations (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. An actuarial valuation of the fund as at 31 March 2006 has been carried out and discussions to finalise it are nearing completion.

The disclosure required under IAS19 have been calculated by an independent actuary based on accurate calculations carried out as at 31 March 2006 updated to 30 June 2007. For the purposes of their calculations, the Dalgety Pension Fund actuaries have offset the value of the annuity policies and the element of the surplus under the control of the Trustees. New employees are no longer able to join the scheme. Under the projected unit method the current service cost will increase as the members approach retirement.

The principal actuarial assumptions adopted in the 2003 valuation were that investment returns on existing assets would be 6 per cent. per annum before retirement and 4.5 per cent. per annum after retirement, that pay increases would average 3.5 per cent. per annum and that the annual increase in pensions in payment would be 2.5 per cent. 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 cent. per annum was assumed before retirement. An annuity policy was secured with an insurance company in July 1999, which matched almost all of the Fund's current and deferred pension liabilities at that time. The value of this policy was estimated to be around £450 million 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 £39.7 million.

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

After offsetting the element of surplus under the control of the Trustees, the market value of the remaining assets at 31 March 2003 was £7.0 million. The value of those assets represents approximately 74 per cent. of the value of the residual uninsured liabilities which were £9.5 million at 31 March 2003, after allowing for expected future increases in earnings.

For the purposes of determining the Group'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 cent. per annum before retirement and 4.9 per cent. after retirement, that pay increases would average 3.5 per cent. per annum, and that the annual increase in pensions' payment would be 2.5 per cent. per annum. On this basis, the residual uninsured liabilities were calculated to be £7.4 million at 31 March 2003. The market value of the remaining assets of £7.0 million represents approximately 95 per cent. 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 Group's pension cost is £0.6 million.

Other defined benefit scheme in deficit:

The Group also operates a closed defined benefit scheme for a small number of former employees of the National Pig Development Company Limited. The total market value of scheme assets and liabilities at 30 June 2007 under the provisions of IAS 19 were £3.3 million (2006: £3.0 million) and £4.1 million (2006: £3.9 million), respectively. Employer contributions of £30,000 (2006: £30,000) were made into the scheme during the period.

32. Retirement benefit obligations (continued)

Aggregated position of defined benefit schemes

	2007	*2006*
	£m	*£m*
Present value of funded obligations	134.2	138.2
Present value of unfunded obligations	6.5	6.8
Total present value of obligations	140.7	145.0
Fair value of plan assets	(124.8)	(122.2)
Recognised liability for defined benefit obligations	15.9	22.8

Plan assets consist of the following:

	2007	*2006*
	£m	*£m*
Equity securities	65.1	53.2
Gilts and corporate bonds	58.2	67.2
Cash	1.5	1.8
	124.8	122.2

Movement in the liability for defined benefit obligations

	2007	*2006*
	£m	*£m*
Liability for defined benefit obligations at the start of the period	145.0	108.6
Obligation acquired on acquisition of Sygen	–	24.4
Benefits paid by the plan	(10.3)	(6.8)
Current service costs and interest	9.1	9.9
Actuarial (gains)/losses recognised in equity	(4.1)	8.6
Losses/(gains) on curtailments and settlements	0.6	(0.3)
Contributions by scheme members	0.7	0.8
Exchange rate adjustment	(0.3)	(0.2)
Liability for defined benefit obligations at the end of period	140.7	145.0

Movement in plan assets	*2007*	*2006*
	£m	*£m*
Fair value of plan assets at the start of the period	122.2	98.8
Contributions paid into the plan	3.6	4.1
Plan assets acquired on acquisition of Sygen	–	13.5
Benefits paid by the plan	(10.3)	(6.8)
Expected return on plan assets	6.9	7.3
Actuarial gains recognised in equity	2.4	5.3
Fair value of plan assets at the end of the period	124.8	122.2

32. Retirement benefit obligations (continued)

Amounts recognised in the Group income statement	*2007* £m	*2006* £m
Current service costs	1.5	1.9
Interest obligation	7.6	8.0
Expected return on plan assets	(7.0)	(7.3)
Losses/(gains) on curtailments and settlements	0.6	(0.3)
	2.7	2.3

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

	2007 £m	*2006* £m
Administration expenses	1.5	1.9
Included in discontinued operations	0.6	(0.3)
Finance costs	0.6	0.7
	2.7	2.3

Actual return on plan assets

Actuarial gains and losses recognised directly in equity	*2007* £m	*2006* £m
Cumulative amount at the start of the period	3.1	–
Recognised during the period	(6.5)	3.3
Exchange rate adjustment	(0.3)	(0.2)
Cumulative amount at the end of the period	(3.7)	3.1

Actuarial assumptions and sensitivity analysis

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

	2007	*2006*
Discount rate	5.7%	5.4%
Expected return on plan assets	6.6%	6.1%
Future salary increases	4.2%	4.0%
Medical cost trend rate	7.2%	6.5%
Future pension increases	3.2%	3.0%

Following analysis of the mortality trends under the Milk Pension Fund, which was carried out as part of the formal valuation of the Fund as at 31 March 2006, it was decided to alter the post-retirement mortality assumptions used in the formal valuation. The updated mortality tables are the PxA92 tables, with birth year and medium cohort projections, with mortality rates increased by 25 per cent. at all ages. This change has been adopted in the IAS19 assumptions as at 30 June 2007. The IAS19 assumption as at 30 June 2006 was the PxA92 tables projected to calendar year 2006. The discount rate under IAS19 as at 30 June 2006 was reduced by 0.25 per cent. to allow for future mortality improvements. This effect is not shown in the life expectancy.

32. Retirement benefit obligations (continued)

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

		At 30 June 2007 (years)	*At 30 June 2006 (years)*
Retiring at balance sheet date at age 65:	Male	20.2	18.6
	Female	23.0	21.5
Retiring at age 65 in 20 years' time:	Male	21.4	18.6
	Female	24.1	21.5

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

The overall expected long-term rate of return on assets is 6.6 per cent. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in the Group income statement. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase	*One percentage point decrease*
Effect on the aggregate service and interest cost	–	–
Effect on defined benefit obligation	0.1 million	(0.1) million

The history of experience adjustment is as follows:

	2007 £m	*2006 £m*	*2005 £m*
Present value of the defined benefit obligation	140.7	145.0	108.6
Fair value of plan assets	(124.8)	(122.2)	(98.8)
Deficit in the plan	15.9	22.8	9.8
Experience adjustments arising on plan liabilities (%)	3.3	(9.2)	(1.6)
Experience adjustments arising on plan assets (%)	2.4	5.3	1.2

Other Unfunded Schemes

On the acquisition of Sygen, Genus acquired two unfunded defined benefit schemes. Based on the methods and assumptions of IAS 19 the scheme liabilities amount to £5.1 million (period ended 30 June 2006 : £5.6 million) and this amount is included within pension liabilities in the Group's balance sheet. The current cost charged to operating profit amounted to £nil (period ended 30 June 2006 : £nil)and the interest on pension scheme liabilities amount to £0.3 million (period ended 30 June 2006 : £0.2 million).

The principal assumptions used to calculate the scheme liabilities were that the discount rate would be 6.0 per cent., that pay increases would average nil per cent. per annum and that inflation and pension payments would be 3.2 per cent. per annum.

Genus also operates an unfunded retirement health benefit plan. Based on the methods and assumptions of IAS 19, scheme liabilities amount to £1.4 million (period ended 30 June 2006 : £1.3 million) and this amount is included within retirement benefit obligations in the Group's balance sheet. The current cost charged to operating profit amounted to £nil (period ended 30 June 2006 : £nil) and the interest on plan liabilities amounted to £0.1 million (period ended 30 June 2006 : £0.1 million).

The principle assumptions used to calculate the plan liabilities were that the discount rate would be 5.7 per cent. and that the long term rate of medical expense inflation would be 7.2 per cent.

33. Share-based payments

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

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

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

Grant date/ employees entitled	*Options granted*	*Number of instruments*	*Vesting conditions*	*Contractual life of options*
(1) 2000 Company share plan	11 June 2002	7,141	Exercisable	10 years
(2) 2000 Company share plan	6 June 2003	263,791	Exercisable	10 years
(3) 2004 Company share plan	9 September 2004	400,000	3 years service (*)	10 years
(4) 2004 Company share plan	19 May 2005	320,500	3 years service (*)	10 years
(5) 2004 Company share plan	7 December 2005	78,740	3 years service (*)	10 years
(6) 2004 Company share plan	21 June 2006	532,200	3 years service (*)	10 years
(7) 2004 Company share plan	25 September 2006	50,609	3 years service (*)	10 years
Total share options		1,652,981		

* The options under (1) and (2) are now exercisable.

The options under (3), (4) and (5) can only be exercised if over a three year period the average annual increase in relevant underlying divisional operating profit exceeds a minimum of 3 per cent. over RPI for the same period. The options under (6) and (7) can only be exercised if over a three year period the average annual percentage growth in Group underlying EPS exceeds a minimum of 5 per cent. over RPI for the same period.

In addition to the outstanding share options above, a total of 888,356 conditional shares were awarded to executive directors and senior executives on 9 September 2004, 19 May 2005, 7 December 2005 and 21 June 2006 under the 2004 Performance Share Plan. In accordance with the terms of the plan, executive directors and certain senior executives are eligible to receive a conditional annual award of shares or nil cost option award which will vest after three years, with the proportion of the award vesting being based on growth in Group underlying earnings per share.

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

	Weighted average exercise price Year ended 30 June 2007	*Number of options Year ended 30 June 2007*	*Weighted average exercise price 15 month period ended 30 June 2006*	*Number of options 15 month ended period 30 June 2006*
Outstanding at start of period	302p	1,802,367	193p	1,286,545
Forfeited during the period	440p	(17,581)	–	–
Exercised during the period	197p	(182,414)	180p	(474,718)
Granted during the period	472p	50,609	384p	990,540
Outstanding at 30 June	317p	1,652,981	302p	1,802,367
Exercisable at 30 June		270,932		415,827

The options outstanding at 30 June 2007 have an exercise price in the range of 173p to 472p and a weighted average contractual life of 6.5 years.

In the year to 30 June 2007, options were granted on 25 September 2006 . The aggregate of the fair values of those options granted was £86,000.

33. Share-based payments (continued)

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

Fair value of share options and assumptions	*2007*	*2006*
Fair value at grant date		
Share price	170p	108p
Exercise price	472p	384p
Expected volatility (weighted average volatility)	35%	28%
Option life (expected weighted average life)	6.5 years	6.5 years
Expected dividends	2.05%	2.38%
Risk-free interest rate (based on government bonds)	4.6%	4.58%

The Group recognised total share based payments of £1.5 million (15 month period ended 30 June 2006 : £1.0 million).

34. Capital and reserves

Share capital and share premium

	2007 Number	*2006 Number*	*2007 £m*	*2006 £m*
Authorised				
Ordinary shares of 10p	75,989,400	75,989,400	7.6	7.6
Issued and fully paid				
Ordinary shares of 10p	55,931,344	55,239,010	5.6	5.5

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

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

		2007 Number	*2006 Number*	*2007 £m*	*2006 £m*
New shares issued	(1)	–	16,923,080	–	1.7
Issued under the following share option plans – Executive share option Plan (see note 33)	(2)	182,414	474,718	–	–
Issued to the Employee Benefit Trust	(3)	509,920	580,200	0.1	0.1
		692,334	17,977,998	0.1	1.8

(1) In 2006, 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.

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

	2007		*2006*	
	Number	*Price*	*Number*	*Price*
Executive Share Option Plan	91,802	175p	104,000	175p
	53,612	173p	234,161	173p
	–	–	21,557	192.5p
	–	–	15,600	50p
	10,000	221.5p	25,000	162.5p
	27,000	310.5p	60,000	221.5p

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

34. Capital and reserves (continued)

Reserve for own shares

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

	2007	*2006*	*2007*	*2006*
	Number	*Number*	*£m*	*£m*
Shares allocated but not vested	885,356	580,200	6.2	2.5
Unallocated shares	70,389	92,334	0.5	0.4
	955,745	672,534	6.7	2.9

Translation reserve

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

Hedging reserve

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

35. Notes to the cash flow statement

	2007	*2006*
	£m	*£m*
Profit for the period	14.6	7.8
Adjustment for:		
Fair value movement on biological assets	(10.9)	(7.0)
Amortisation of intangible assets	5.1	3.0
Adjustment to goodwill on recognition of tax assets	0.7	–
Share based payment expense	1.5	1.0
Share of (profit)/loss of joint ventures and associates	(1.3)	0.2
Other gains and losses	(0.2)	(1.9)
Finance costs	10.0	6.7
Income tax expense	7.8	4.0
(Gain)/loss on disposal of discontinued operations	(0.2)	3.3
Depreciation of property, plant and equipment	4.7	4.5
Gain on disposal of property, plant and equipment	–	(6.0)
Decrease in provisions	(0.9)	(1.4)
Operating cash flows before movement in working capital	30.9	14.2
Decrease/(increase) in inventories	1.6	(2.3)
Increase in receivables	(1.2)	(4.7)
Decrease in payables	(4.0)	(15.4)
Cash generated/(used) by operations	27.3	(8.2)
Income taxes paid	(3.5)	(4.5)
Net cash from operating activities	23.8	(12.7)

35. Notes to the cash flow statement (continued)

	At 1 July 2006 £m	*Cash flows £m*	*Foreign exchange £m*	*Non cash movements £m*	*At 30 June 2007 £m*
Cash and cash equivalents	32.2	(4.1)	(2.1)	–	26.0
Cash and cash equivalents within assets held for sale	1.8	(0.5)	–	–	1.3
	34.0	(4.6)	(2.1)	–	27.3
Interest bearing loans – current	(25.5)	15.8	–	(17.5)	(27.2)
Obligation under finance leases – current	(2.1)	0.9	–	0.3	(0.9)
	(27.6)	16.7	–	(17.2)	(28.1)
Interest bearing loans – non current	(126.4)	–	–	17.5	(108.9)
Obligation under finance lease – non current	(0.1)	–	–	(1.3)	(1.4)
	(126.5)	–	–	16.2	(110.3)
Net Debt	(120.1)	12.1	(2.1)	(1.0)	(111.1)

36. Operating leases

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

	2007 £m	*2006 £m*
Less than one year	2.0	2.3
Between one and five years	7.2	7.9
More than five years	1.0	2.0
	10.2	12.2

37. Capital commitments

At 30 June 2007 capital expenditure amounting to £0.2 million (2006: nil) had been contracted for.

38. Contingencies

At 30 June 2007 Barclays Bank had issued performance bonds and guarantees totalling £1.0 million (2006: £1.4 million) 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.

The Group is a participating employer of the Milk Pension Fund, a defined benefit scheme administered by Milk Pension Fund Trustees. Although managed on a sectionalised basis the Group, together with the other participating employers, is joint and severally liable for the scheme's obligations. Further details of the pension scheme arrangements are given in note 32.

39. Related parties

Transactions with key management personnel

Key management compensation (including Directors)

	2007	*2006*
	£m	*£m*
Salaries and short term employee benefits	1.5	1.5
Post – employment benefits	0.1	0.2
Other long term benefits	0.3	0.4
Termination benefits	0.2	–
Share based payment expense	1.3	0.3
	3.4	2.4

Other transactions with key management personnel

The Group has an ongoing relationship with Salamander Organization Limited ("Salamander"). During the period, the Group incurred costs of £2.4 million (2006: £0.6 milllion) under an agreement with Salamander, a party related to Mr. J E Hawkins, the Chairman, for the provision of professional IT consultancy services. Amounts payable at 30 June 2007 were £0.4 million (2006: nil).

Mr. J E Hawkins is the Chairman of the Board of Salamander and he has a financial interest in that company. Mr. J E Hawkins had no involvement in the commercial negotiation of the agreement between the Company and Salamander.

Other related party transactions

	Transaction value		*Balance outstanding*	
	Year/period ended 30 June		*As at 30 June*	
	2007	*2006*	*2007*	*2006*
	£m	*£m*	*£m*	*£m*
Sale of goods and services				
Joint ventures and associates	7.0	6.7	0.5	0.2

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

40. Group entities

Significant subsidiaries

The principal subsidiaries of Genus and their main activities are set out below. All are 100 per cent. owned by Genus. Except where shown, all of the companies are registered in England and Wales. The companies listed below include all those which principally affected the amount of the profit and assets of the Group.

Subsidiary companies	*Holding*	*Nature of Business*
ABS Global Inc (incorporated in United States)	US$1 Capital stock[1]	Supply of dairy and beef semen
ABS Italia Srl (incorporated in Italy)	€1 quota capital[1]	Supply of dairy and beef semen
ABS Mexico SA de CV (incorporated in Mexico)	US$1 Common stock	Supply of dairy and beef semen
ABS Pecplan Ltda (incorporated in Brazil)	RS1 quota stock	Supply of dairy and beef semen
ABS Global (Canada) Inc (incorporated in Canada)	CN$1 common shares	Supply of dairy and beef semen
Animalcare Limited	£1 ordinary shares[1]	Supply and distribution of veterinary and other products
Genus Australia Pty Ltd (incorporated in Australia)	AU$1 ordinary shares	Supply of dairy and beef semen
Genus Breeding Limited	£1 ordinary shares	Supply of dairy and beef semen
HTSPE Limited	£1 ordinary shares	Consultancy and contract management
Promar International Limited	£1 ordinary shares[1]	Market research and consultancy
PIC Andina SA (incorporated in Chile)	Peso 1 ordinary shares[1]	Supply of pigs and semen
PIC-Canada Limited (incorporated in Canada)	CN$1 common shares[1]	Supply of pigs and semen
PIC Espana SA (Spain) (incorporated in Spain)	€ capital stock[1]	Supply of pigs and semen
PIC USA, Inc (incorporated in United States)	US$1 capital stock[1]	Supply of pigs and semen
Pig Improvement Company Deutschland GmbH (incorporated in Germany)	€ 1 capital stock[1]	Supply of pigs and semen
Pig Improvement Company Mexico S.A. de C.V. (incorporated in Mexico)	Peso 1 quota stock[1]	Supply of pigs and semen
Pig Improvement Company UK Limited	10p ordinary shares[1]	Supply of pigs and semen

(1) Held by subsidiary undertaking

41. Transition methodology

Effective date

The figures for the 15 month period ended 30 June 2006 reported in the Financial Information have been restated in accordance with IFRS. The transition date for Genus is 1 April 2005.

Transitional exemptions and decisions

As permitted by IFRS 1 "First time adoption of International Financial Reporting Standards", the following transitional exemptions and decisions have been applied in this Financial Information.

Business combinations

Business combinations arising prior to 1 April 2005 have not been restated in accordance with IFRS 3. Existing goodwill has been held at net book value on transition and has been denominated in the functional currency of the operating unit to which it relates from this date.

Cumulative translation differences

Cumulative translation differences for all foreign operations have been set to zero at 1 April 2005.

Employee benefits

All cumulative actuarial gains and losses on defined benefit plans have been recognised in equity at 1 April 2005.

Share based payments

Recognition and measurement criteria for share based payments have been applied prospectively for equity instruments granted after 7 November 2002 and not vested prior to 1 April 2005. No adjustment has been made in respect of equity instruments issued prior to this date.

The reconciliations in this section set out a summary of the transition to IFRS at the following reporting dates:

- **1 April 2005** – IFRS transitional balance sheet to provide the opening position for reporting financial performance in the 15 month period to 30 June 2006.
- **30 June 2006** – IFRS balance sheet as at 30 June 2006 and results for the 15 month period then ended.

The transition from UK GAAP to IFRS has not affected the cash flows of the Group, although the cash flow statement is now presented in accordance with IAS 7 "Cash flow statements", hence a number of reclassifications from the UK GAAP format will be evident.

Reconciliation of transition group balance sheet at 1 April 2005

Figures presented in £m	*UK GAAP*	*Biological assets*	*Goodwill & intangibles*	*Other*	*IFRS*
Assets					
Goodwill	25.9	–	0.5	–	26.4
Other intangible assets	0.1	–	–	–	0.1
Biological assets	–	61.2	–	–	61.2
Property, plant and equipment	16.7	(3.1)	–	1.2	14.8
Interests in joint ventures and associates	0.3	–	–	–	0.3
Available for sale investments	–	–	–	–	–
Derivative financial assets	–	–	–	–	–
Deferred tax assets	–	–	–	3.2	3.2
Total non-current assets	43.0	58.1	0.5	4.4	106.0
Inventories	17.4	2.7	–	–	20.1
Biological assets	–	–	–	–	–
Trade and other receivables	37.3	–	–	–	37.3
Cash and cash equivalents	7.6	–	–	10.6	18.2
Assets held for sale	–	–	–	–	–
Income tax receivable	–	–	–	–	–
Total current assets	62.3	2.7	–	10.6	75.6
Total assets	105.3	60.8	0.5	15.0	181.6
Liabilities					
Trade and other payables	(30.5)	–	–	(0.3)	(30.8)
Interest-bearing loans and borrowings	(14.3)	–	–	(10.6)	(24.9)
Provisions					
Obligations under finance leases	(0.4)	–	–	(1.1)	(1.5)
Current tax liabilities	(1.0)	–	–	–	(1.0)
Liabilities held for sale	–	–	–	–	–
Total current liabilities	(46.2)	–	–	(12.0)	(58.2)
Interest-bearing loans and borrowings	(0.2)	–	–	–	(0.2)
Retirement benefit obligations	(6.6)	–	–	(3.2)	(9.8)
Provisions					
Deferred tax liabilities	(0.9)	(21.9)	–	(0.4)	(23.2)
Obligations under finance leases	(0.1)	–	–	–	(0.1)
Total non-current liabilities	(7.8)	(21.9)	–	(3.6)	(33.3)
Total liabilities	(54.0)	(21.9)	–	(15.6)	(91.5)
Equity					
Called up share capital	(3.7)	–	–	–	(3.7)
Share premium account	(40.0)	–	–	–	(40.0)
Own Shares	0.1	–	–	–	0.1
Reserves	(7.7)	(38.9)	(0.5)	0.6	(46.5)
Total equity	(51.3)	(38.9)	(0.5)	0.6	(90.1)

Reconciliation of group balance sheet at 30 June 2006

Figures presented in £m	*UK GAAP*	*Biological assets*	*Goodwill & intangibles*	*Other*	*IFRS*
Assets					
Goodwill	174.3	(46.5)	(54.0)	(8.9)	64.9
Other intangible assets	0.2	–	89.1	(3.3)	86.0
Biological assets	–	115.9	–	(0.8)	115.1
Property, plant and equipment	35.1	(4.8)	–	0.1	30.4
Interests in joint ventures and associates	2.2	0.2	–	1.0	3.4
Available for sale investments	0.8	–	–	–	0.8
Derivative financial assets	–	–	–	3.0	3.0
Deferred tax assets	1.3	–	–	9.5	10.8
Total non-current assets	213.9	64.8	35.1	0.6	314.4
Inventories	20.6	(1.5)	–	(1.0)	18.1
Biological assets	–	25.7	–	–	25.7
Trade and other receivables	51.7	–	–	(10.1)	41.6
Cash and cash equivalents	22.9	–	–	9.3	32.2
Assets held for sale	–	–	–	22.7	22.7
Income tax receivable	1.6	–	–	–	1.6
Total current assets	96.8	24.2	–	20.9	141.9
Total assets	310.7	89.0	35.1	21.5	456.3
Liabilities					
Trade and other payables	(44.2)	–	–	7.2	(37.0)
Interest-bearing loans and borrowings	(14.4)	–	–	(11.1)	(25.5)
Provisions	(4.1)	–	–	1.2	(2.9)
Obligations under finance leases	(0.1)	–	–	(2.0)	(2.1)
Current tax liabilities	(4.9)	–	–	0.4	(4.5)
Liabilities held for sale	–	–	–	(8.8)	(8.8)
Total current liabilities	(67.7)	–	–	(13.1)	(80.8)
Interest-bearing loans and borrowings	(125.3)	–	–	(1.1)	(126.4)
Retirement benefit obligations	(13.9)	–	–	(8.9)	(22.8)
Provisions	(2.3)	–	–	–	(2.3)
Deferred tax liabilities	–	(48.2)	(30.3)	(1.4)	(79.9)
Obligations under finance leases	(0.1)	–	–	–	(0.1)
Total non-current liabilities	(141.6)	(48.2)	(30.3)	(11.4)	(231.5)
Total liabilities	(209.3)	(48.2)	(30.3)	(24.5)	(312.3)
Equity					
Called up share capital	(5.5)	–	–	–	(5.5)
Share premium account	(92.2)	–	–	–	(92.2)
Own shares	0.2	–	–	–	0.2
Reserves	(3.9)	(40.8)	(4.8)	3.0	(46.5)
Total equity	(101.4)	(40.8)	(4.8)	3.0	(144.0)

Detailed group income statement reconciliation for the 15 month period ended 30 June 2006

Figures presented in £m	*UK GAAP*	*Reclassify to IFRS format*	*UK GAAP in IFRS format*	*Biological assets*	*Held for sale*	*Other*	*IFRS*
Group revenue	287.2	(42.8)	244.4	–	(43.2)	–	201.2
Adjusted operating profit	22.6	0.6	23.2	–	(3.4)	–	19.8
Fair value movement on biological assets	–		–	7.0	–		7.0
Amortisation of UK GAAP goodwill/IFRS acquired intangible assets	(6.6)	0.1	(6.5)	–	–	3.5	(3.0)
Share based payments	–	(0.9)	(0.9)	–	–	(0.1)	(1.0)
Restructuring and integration costs	–	(2.7)	(2.7)	–	–		(2.7)
Exceptional items	(7.3)	5.0	(2.3)	–	2.3	–	–
Operating profit	8.7	2.1	10.8	7.0	(1.1)	3.4	20.1
Share of profit/(loss) of associates and joint ventures	0.7	–	0.7	(0.9)	–	–	(0.2)
Other gains and losses	–	1.9	1.9	–	–	–	1.9
Net finance costs	(6.6)	–	(6.6)	–	–	(0.1)	(6.7)
Profit before tax	2.8	4.0	6.8	6.1	(1.1)	3.3	15.1
Taxation	(3.1)	(0.6)	(3.7)	(2.2)	1.0	0.9	(4.0)
(Loss)/profit for the period from continuing operations	(0.3)	3.4	3.1	3.9	(0.1)	4.2	11.1
(Loss)/profit for the period from discontinued operations	–	(3.4)	(3.4)	–	0.1	–	(3.3)
Profit for the period	(0.3)	–	(0.3)	3.9	–	4.2	7.8

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PART VII

FINANCIAL INFORMATION ON GENUS: UK GAAP

In relation to this Part VII of the Prospectus, the financial information has been extracted without adjustment from the audited financial statements of Genus for the year ended 31 March 2005 as originally published. Also extracted without adjustment is the independent auditors' report in relation to the audited financial statements of Genus for the year ended 31 March 2005 as originally published. Both the financial information and the independent auditors' report have been extracted verbatim, and as such page and other references may no longer be valid.

INDEPENDENT AUDITORS' REPORT
to the members of Genus plc

We have audited the Group's financial statements for the year ended 31 March 2005 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows, Analysis of Changes in Net Debt and the related notes 1 to 31. These financial statements have been prepared on the basis of 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 United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities in Relation to the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 the information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, Chief Executive's Review, Finance Director's Review, Directors' Report, Report on Directors' Remuneration, Corporate Governance statement and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, 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 of the state of affairs of the Company and of the Group as at 31 March 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Southampton
24 May 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2005

	Notes	Total 2005 £000	Before Exceptional Items 2004 £000	Exceptional Items 2004 £000	Total 2004 £000
TURNOVER					
Continuing operations	2	183,249	183,710	–	183,710
Underlying operating profit	2	11,389	10,923	(503)	10,420
Amortisation of goodwill		(1,747)	(1,674)	–	(1,674)
OPERATING PROFIT	2,3	9,642	9,249	(503)	8,746
Of which:					
Continuing operations		9,642	9,685	(503)	9,182
Discontinued operations		–	(436)	–	(436)
Continuing operations					
Profit on disposal of properties		298	–	711	711
Interest receivable and similar income	4	17	5	–	5
Interest payable and similar charges	5	(1,203)	(1,319)	–	(1,319)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,754	7,935	208	8,143
Tax on profit on ordinary activities					
– continuing operations		(2,390)	(3,135)	189	(2,946)
– discontinued operations		–	150	–	150
	6	(2,390)	(2,985)	189	(2,796)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,364	4,950	397	5,347
Minority interests – equity		–	(74)	–	(74)
PROFIT FOR THE FINANCIAL YEAR		6,364	4,876	397	5,273
Dividends on equity shares	7	(2,788)	(2,306)	–	(2,306)
RETAINED PROFIT FOR THE YEAR		3,576	2,570	397	2,967
Earnings per share					
– underlying	8	20.3p			19.5p
– basic	8	17.6p			15.5p
– diluted	8	17.3p			15.3p
Dividend per share	7	7.5p			6.5p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2005 £000	2004 £000
Profit for the financial year	6,364	5,273
Exchange adjustments	(176)	(4,165)
Total recognised gains and losses relating to the year	6,188	1,108

CONSOLIDATED BALANCE SHEET

As at 31 March 2005

	Notes	*2005* *£000*	*2004* *£000*
FIXED ASSETS			
Intangible assets	10	26,062	25,875
Tangible assets	11	16,697	15,876
Investments	12	269	241
		43,028	41,992
CURRENT ASSETS			
Stocks	13	17,396	16,233
Debtors	14	36,846	32,456
Cash at bank and in hand		7,559	4,330
		61,801	53,019
CREDITORS: amounts falling due within one year	15	48,479	45,020
NET CURRENT ASSETS		13,322	7,999
TOTAL ASSETS LESS CURRENT LIABILITIES		56,350	49,991
CREDITORS: amounts falling due after more than one year	16	282	605
PROVISIONS FOR LIABILITIES AND CHARGES	19	923	681
NET ASSETS		55,145	48,705
CAPITAL AND RESERVES			
Called up share capital	20	3,726	3,536
Share premium account	21	39,899	36,975
Profit and loss account	21	11,520	8,194
EQUITY SHAREHOLDERS' FUNDS	22	55,145	48,705

Approved by the Board on 24 May 2005
and signed on their behalf

R K Wood Chief Executive

J E Hawkins Chairman

COMPANY BALANCE SHEET

As at 31 March 2005

	Notes	2005 £000	2004 £000
FIXED ASSETS			
Tangible assets	11	448	–
Investments	12	48,745	46,769
		49,193	46,769
CURRENT ASSETS			
Debtors	14	21,800	25,542
Cash at bank and in hand		636	–
		22,436	25,542
CREDITORS: amounts falling due within one year	15	26,380	29,555
NET CURRENT LIABILITIES		(3,944)	(4,013)
TOTAL ASSETS LESS CURRENT LIABILITIES		45,249	42,756
CREDITORS: amounts falling due after more than one year	16	157	–
PROVISIONS FOR LIABILITIES AND CHARGES	19	10	–
NET ASSETS		45,082	42,756
CAPITAL AND RESERVES			
Called up share capital	20	3,726	3,536
Share premium account	21	39,899	36,975
Profit and loss account	21	1,457	2,245
EQUITY SHAREHOLDERS' FUNDS		45,082	42,756

Approved by the Board on 24 May 2005
and signed on their behalf

R K Wood Chief Executive

J E Hawkins Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2005

	Notes	2005 £000	2004 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	9,403	14,393
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received and similar income	4	17	5
Interest paid and similar charges		(1,093)	(1,028)
Interest element of finance lease and hire purchase rental payments		(43)	(291)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,119)	(1,314)
TAXATION			
UK Corporation tax paid		(1,382)	(1,374)
Overseas tax paid		(1,441)	(1,168)
		(2,823)	(2,542)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire intangible fixed assets	10	(117)	–
Payments to acquire tangible fixed assets	11	(4,725)	(3,986)
Payments to acquire investments	12	(13)	(158)
Receipts from sales of tangible fixed assets		759	1,625
NET CASH OUTFLOW ON CAPITAL EXPENDITURE		(4,096)	(2,519)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiaries and businesses	12	(2,225)	(1,234)
EQUITY DIVIDENDS PAID		(2,298)	(1,853)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(3,158)	4,931

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 March 2005

	Note	2005 £000	2004 £000
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(3,158)	4,931
FINANCING			
Repayment of loan notes		(1,637)	(979)
New bank loans		437	378
Repayment of bank loans		(1,395)	(6,133)
Sale and leaseback		154	160
Repayments of capital element of finance leases and hire purchase rental payments		(1,103)	(997)
Share register rationalisation			
– sale of shares		4,015	–
– purchase of shares		(4,126)	–
– associated costs		(85)	–
Issue of new ordinary shares		3,134	2,446
NET CASH OUTFLOW FROM FINANCING		(606)	(5,125)
DECREASE IN CASH	24	(3,764)	(194)

ANALYSIS OF CHANGES IN NET DEBT DURING THE YEAR

Reconciliation of net cash flow to movement in net debt:

	Note	2005 £000	2004 £000
Decrease in cash in year		(3,764)	(194)
Repayment of loan notes		1,637	979
New long term loans		(437)	(378)
Repayment of bank loans		1,395	6,133
Sale and leaseback		(154)	(160)
Repayment of capital element of finance lease contracts & hire purchase rental payments		1,103	997
Change in net debt resulting from cash flows		(220)	7,377
Exchange differences and other non-cash movements		210	(2,639)
Movement in net debt		(10)	4,738
Net debt at 1 April	24	(7,458)	(12,196)
Net debt at 31 March	24	(7,468)	(7,458)

NOTES TO THE ACCOUNTS
for the year ended 31 March 2005

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards.

Goodwill

For acquisitions made on or after 1 April 1998 positive goodwill is capitalised as an intangible fixed asset and amortised 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.

Basis of consolidation

The Group's financial statements consolidate the financial statements of Genus plc and its subsidiary companies made up to 31 March. No profit and loss account is presented for the holding company as permitted by Section 230 of the Companies Act 1985.

The results of new subsidiaries are consolidated from the date of acquisition and have been included in the Group accounts using the acquisition method of accounting.

Fixed assets, depreciation and amortisation

Fixed assets, with the exception of the MOET herd, are stated at cost less depreciation. 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%
Equipment	5% – 33⅓%
Motor vehicles	20% – 30%
Livestock	14% – 50%

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.

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.

Government grants

EC and UK Government grants received for the purchase of fixed assets are included in deferred income and subsequently released to the profit and loss account over the useful lives of the assets.

1. ACCOUNTING POLICIES (continued)

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.

The Group holds stock on consignment from third party suppliers which is not recognised in the accounts. Title to such stock only passes to the Group when it is sold on to a third party and no payment is due until title passes. The Group has no obligation to purchase the stock and is able to return it to the supplier at no cost.

Contract revenues and profit recognition

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.

Pensions

The Group operates a defined benefit scheme for some of its employees. 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. The assets of these schemes are held separately from those of the Group.

Deferred taxation

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.

1. ACCOUNTING POLICIES (continued)

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 accounts of overseas subsidiary undertakings 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 taken directly to reserves. All other translation 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 reserves. Tax charges and credits attributed to exchange differences on those borrowings are also taken to reserves.

Research and development

The Group's policy is to write off expenditure on pure research and development as incurred. Applied development expenditure relating to the granting of patents, marketing rights and licences is capitalised and amortised over the life of the patent, marketing right or licence, provided its future recoverability can reasonably be regarded as assured.

Own 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.

This new abstract has no impact on the reported profit or cash flows for the period.

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.

Share awards under the 2004 Performance Share Plan

Executive Directors and Chief Operating Officers of the Group receive 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 increase 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.

Derivative instruments

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 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.

1. ACCOUNTING POLICIES (continued)

Derivative instruments (continued)

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 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 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 year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover, which is stated net of value added tax and overseas sales taxes, represents amounts invoiced to third parties.

	Turnover		*Underlying operating profit**		*Net assets*	
	2005	*2004*	*2005*	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Area of activity						
Bovine Genetics	83,573	80,650	10,719	10,567	46,069	42,648
Consultancy	23,954	22,657	792	764	1,246	127
Animal Health	76,195	80,438	1,926	1,624	19,137	17,770
	183,722	183,745	13,437	12,955	66,452	60,545
Inter-segmental sales	(475)	(43)	–	–	–	–
Unallocated	2	8	(2,048)	(1,596)	(11,307)	(11,840)
	183,249	183,710	11,389	11,359	55,145	48,705

* operating profit from continuing operations, before goodwill amortisation and exceptional items

Unallocated net liabilities comprise investments, net borrowings, taxation and dividends in addition to corporate fixed assets, debtors and creditors.

2. TURNOVER AND SEGMENTAL ANALYSIS (continued)

	Operating profit	
	2005	*2004*
	£000	*£000*
Area of activity		
Bovine Genetics	9,727	9,145
Consultancy	761	297
Animal Health	1,202	900
	11,690	10,342
Unallocated	(2,048)	(1,596)
	9,642	8,746
Non-operating exceptional items		
Bovine Genetics	298	711
Net interest	(1,186)	(1,314)
Profit on ordinary activities before taxation	8,754	8,143

Geographical region of origin

	Turnover		*Operating profit*		*Net assets*	
	2005	*2004*	*2005*	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
United Kingdom	137,545	139,354	6,974	5,888	45,857	41,481
Europe	5,063	5,593	1,632	1,550	2,172	2,742
North America	32,373	30,925	332	785	14,137	13,408
Rest of the World	8,266	7,830	2,752	2,119	4,286	2,914
	183,247	183,702	11,690	10,342	66,452	60,545
Unallocated	2	8	(2,048)	(1,596)	(11,307)	(11,840)
	183,249	183,710	9,642	8,746	55,145	48,705
Non-operating exceptional items			298	711		
Net interest			(1,186)	(1,314)		
Profit on ordinary activities before taxation			8,754	8,143		

Unallocated costs within operating profit are common corporate costs.

Unallocated net liabilities comprise investments, net borrowings, taxation and dividends in addition to corporate fixed assets, debtors and creditors.

Results from discontinued operations, all originating in the United Kingdom, were £nil (2004: loss £436,000).

2. TURNOVER AND SEGMENTAL ANALYSIS (continued)

Geographical region of destination

	Turnover	
	2005	*2004*
	£000	*£000*
United Kingdom	112,897	116,473
Europe	19,652	19,953
North America	24,522	22,721
Rest of the World	26,178	24,563
	183,249	183,710

3. OPERATING PROFIT

Operating costs comprise:	*2005 Total £000*	*2004 Continuing operations £000*	*2004 Discontinued operations £000*	*2004 Total £000*
Cost of sales	109,526	113,755	–	113,755
Distribution costs	40,900	37,466	–	37,466
Administrative expenses	23,181	23,307	436	23,743

There were no discontinued activities in the year. Included in the segmental analysis of the prior year is an operating loss of £436,000 relating to the consulting division and originating wholly in the United Kingdom.

Exceptional costs within administrative expenses above comprise:

	2005	*2004*
	£000	*£000*
Abortive acquisition costs	–	147
Settlement of employment case in USA and related costs	–	356
	–	503

Cash flows associated with these charges were £nil (2004: £503,000 outflow).

Operating profit is stated after charging/(crediting):	*2005*	*2004*
	£000	*£000*
Auditors' remuneration		
- audit services	212	264
- non-audit services	60	59
Depreciation of owned fixed assets	3,112	2,786
Depreciation of assets held under finance leases and hire purchase contracts	437	850
Amortisation of milk quota	8	8
Amortisation of goodwill	1,747	1,674
Operating lease rentals		
- plant and machinery	454	530
- land and buildings	708	824
Research and development costs	8,422	8,955
Government grants released	(2)	(2)
Loss on sale of fixed assets	1	183

£53,000 (2004: £48,000) of auditors' remuneration for audit services relates to the Company.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 *£000*	*2004* *£000*
Bank interest receivable	17	5

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 *£000*	*2004* *£000*
Bank loans and overdrafts	1,036	1,036
Loan notes	39	75
Finance charges payable under finance lease and hire purchase contracts	43	124
Amortisation of issue costs	72	72
Other similar charges	13	12
	1,203	1,319

6. TAXATION

(a) ***Tax on profit on ordinary activities***

The taxation charge for the year is made up as follows:

	2005 *£000*	*2004* *£000*
UK corporation tax	1,420	1,220
Adjustment in respect of previous periods – UK corporation tax	(32)	(34)
Total UK tax	1,388	1,186
Overseas tax	847	1,491
Adjustment in respect of previous periods – Overseas tax	(234)	77
Total Overseas tax	613	1,568
Total current tax (note 6(b))	2,001	2,754
Deferred tax		
– origination and reversal of timing differences	627	137
– adjustment in respect of previous periods	(238)	(95)
Group deferred tax (note 19)	389	42
Tax on profit on ordinary activities	2,390	2,796

The tax effect of disposals of properties, investments and businesses amounted to £nil (2004: £nil).

Included in the current tax charge of £2,001,000 (2004: £2,754,000) is a credit of £500,000 (2004: £nil) relating to claims made in respect of research and development costs. Of this amount £200,000 relates to current year and £300,000 relates to prior years.

6. TAXATION (continued)

(b) ***Factors affecting the tax charge for the year***

The tax charged for the year is lower (2004: higher) than the standard rate of corporation tax in the UK of 30 per cent. The differences are explained below:

	2005 *£000*	*2004* *£000*
Profit on ordinary activities before tax	8,754	8,143
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	2,626	2,443
Effects of:		
Expenses not deductible for tax purposes (including goodwill amortisation)	321	140
Current year research and development credits	(200)	–
Tax effect of timing differences arising in the accounts	(619)	(154)
Adjustments to tax charge in respect of previous periods	(266)	43
Overseas tax rates higher than in UK	228	378
Utilisation of tax losses	(89)	(96)
Total current tax (note 6(a))	2,001	2,754

(c) ***Factors that may affect the future tax charge***

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances, short term timing differences and losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £825,332 (2004: £876,000) and is recoverable against future relevant profits.

7. DIVIDEND

	2005		*2004*	
	Per share	*£000*	*Per share*	*£000*
Prior year dividend on shares issued after year end		–		7
Proposed dividend	7.5p	2,788	6.5p	2,299
		2,788		2,306

8. EARNINGS PER SHARE

The basic earnings per share of 17.6p (2004: 15.5p) is based on the profit for the financial year of £6,364,000 (2004: £5,273,000) and the weighted average number of ordinary shares in issue of 36,208,931 (2004: 34,051,042).

The underlying earnings per share of 20.3p (2004: 19.5p) is based on the earnings of continuing operations before exceptional items, amortisation of goodwill and prior year research and development tax credits, as set out below:

	2005	*2004*
	£000	*£000*
Profit for the financial year	6,364	5,273
Add: Amortisation of goodwill	1,747	1,674
Exceptional operating items	–	503
Profit on disposal of properties and businesses	(298)	(711)
Loss on discontinued operations	–	436
	7,813	7,175
Less: Associated taxation on adjustments	(179)	(539)
Research and development tax credits relating to prior years	(300)	–
Underlying earnings	7,334	6,636

The directors consider that underlying earnings per share as calculated above is an appropriate and consistent measure of the Group's performance.

The diluted earnings per share of 17.3p (2004: 15.3p) is based on profit for the financial year of £6,364,000 (2004: £5,273,000) and on 36,755,735 (2004: 34,488,843) diluted ordinary shares as set out below:

	2005	*2004*
	000's	*000's*
Basic weighted average number of shares	36,209	34,051
Dilutive potential ordinary shares:		
Employee share options	547	438
	36,756	34,489

9. EMPLOYEES

Staff costs during the year amounted to:

	2005	*2004*
	£000	*£000*
Wages and salaries	29,036	26,981
Social security costs	4,644	3,928
Other pension costs	1,098	1,260
	34,778	32,169

The average number of employees during the year was as follows:

	2005	*2004*
	No	*No*
Production and service	634	670
Distribution	454	430
Administration	213	225
	1,301	1,325

Details of directors' emoluments, pensions and share options are included in the Report on Directors' Remuneration on pages 17 to 20.

10. INTANGIBLE FIXED ASSETS

Group	*Goodwill £000*	*Milk Quota £000*	*Development costs £000*	*Total £000*
Cost:				
At 1 April 2004	36,479	126	–	36,605
Additions	2,135	–	117	2,252
Exchange rate adjustment	(347)	–	–	(347)
At 31 March 2005	38,267	126	117	38,510
Amortisation:				
At 1 April 2004	10,619	111	–	10,730
Charge in the year	1,747	8	–	1,755
Exchange rate adjustment	(37)	–	–	(37)
At 31 March 2005	12,329	119	–	12,448
Net book value:				
At 31 March 2005	25,938	7	117	26,062
At 1 April 2004	25,860	15	–	25,875

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

The cumulative amount of goodwill written off to reserves at 31 March 2005 is £1,368,000 (2004: £1,368,000).

Additions during the year can be summarised as follows:

	£000
Acquisition of Supersires (2004) Limited	1,511
Acquisition of Heywood AB	203
Fair value adjustments relating to Agrotec ABS Ltda	279
Development expenditure	117
Other additions	142
	2,252

The development expenditure relates to costs incurred in obtaining marketing rights for the distribution of certain veterinary pharmaceutical products in the United Kingdom.

11. TANGIBLE FIXED ASSETS

Group	*Land and buildings £000*	*Motor vehicles and equipment Owned £000*	*Leased £000*	*Livestock £000*	*Total £000*
Cost:					
At 1 April 2004	8,132	12,929	5,144	5,779	31,984
Additions	335	2,747	270	1,373	4,725
Acquisitions	–	99	–	–	99
Disposals	–	(1,296)	(425)	(1,237)	(2,958)
Exchange rate adjustment	8	(2)	–	29	35
At 31 March 2005	8,475	14,477	4,989	5,944	33,885
Depreciation:					
At 1 April 2004	1,675	8,876	2,841	2,716	16,108
Charge in the year	287	2,021	371	870	3,549
Disposals	–	(1,278)	(408)	(810)	(2,496)
Exchange rate adjustment	2	–	–	25	27
At 31 March 2005	1,964	9,619	2,804	2,801	17,188
Net book value:					
At 31 March 2005	6,511	4,858	2,185	3,143	16,697
At 1 April 2004	6,457	4,053	2,303	3,063	15,876

As at 31 March 2005 and 31 March 2004, 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 31 March 2005 leasehold buildings with a net book value of £388,000 were included within land and buildings (2004: £467,000).

Company	*Leasehold Land and Buildings £000*	*Motor vehicles and equipment Owned £000*	*Total £000*
Cost:			
At 1 April 2004	–	–	–
Transfers	15	595	610
Additions	–	61	61
At 31 March 2005	15	656	671
Depreciation:			
At 1 April 2004	–	–	–
Transfers	6	104	110
Charge for the year	6	107	113
At 31 March 2005	12	211	223
Net book value:			
At 31 March 2005	3	445	448
At 1 April 2004	–	–	–

At 1 April 2004 all the tangible fixed assets of Genus Management Services Limited were transferred to Genus plc.

12. INVESTMENTS

Group	*Trade Investments Unlisted £000*
Cost:	
At 1 April 2004	241
Additions	13
Exchange rate adjustment	15
At 31 March 2005	269

Company	*Loans to subsidiary undertakings £000*	*Subsidiary undertakings £000*	*Total £000*
Cost:			
At 1 April 2004	5,424	45,487	50,911
Additions	454	1,669	2,123
Foreign exchange movement	(147)	–	(147)
At 31 March 2005	5,731	47,156	52,887
Provision for impairment:			
At 1 April 2004 and at 31 March 2005	–	4,142	4,142
Net book value:			
At 31 March 2005	5,731	43,014	48,745
At 1 April 2004	5,424	41,345	46,769

12. INVESTMENTS (continued)

Analysis of acquisitions during the year

On 12 August 2004 the Group acquired Supersires (2004) Ltd, a company incorporated in the United Kingdom, for a consideration of £1,501,000, inclusive of fees. An analysis of this acquisition is set out below.

	Supersires (2004) Limited		*Agrotec ABS Ltda*			
	Book Value £000	*Fair value Adjustments £000*	*Fair Value £000*	*Fair value Adjustments £000*	*Other Acquisitions £000*	*Total £000*
Net assets acquired:						
Fixed assets	108	(22)	86	7	6	99
Stocks	85	(85)	–	50	15	65
Debtors	324	(45)	279	(46)	–	233
Creditors: amounts falling due within one year	(375)	–	(375)	(82)	(43)	(500)
	142	(152)	(10)	(71)	(22)	(103)
Goodwill arising on acquisition			1,511	279	345	2,135
Consideration inclusive of fees			1,501	208	323	2,032
Discharged by:						
Cash consideration			1,390	155	301	1,846
Acquisition costs			111	53	22	186
Working capital adjustment receivable			136	–	–	136
Deferred consideration paid			–	–	57	57
			1,637	208	380	2,225

Fair value adjustments made in respect of Supersires (2004) Limited include an adjustment to align tangible fixed assets to their fair values, based on market value. Adjustments were made to stock and debtors based on their recoverable amounts.

Supersires (2004) Limited contributed £800,000 to group turnover. The contributions to Group operating profit and cash flows are not separately identifiable as the operations of Supersires (2004) Limited were integrated with the UK breeding business from October 2004. The contribution to group turnover and group operating profit in the year to 31 March 2005 for the other acquired businesses was not material.

During the year, the provisional fair value adjustments relating to the 2004 acquisition of Agrotec ABS Ltda were finalised, as shown below:

	Provisional fair values £000	*Revisions to fair values £000*	*Final fair values £000*
Fixed assets	39	7	46
Stocks	151	50	201
Debtors	246	(46)	200
Creditors: amounts falling due within one year	(200)	(82)	(282)
	236	(71)	165

Fair value revaluation adjustments made in respect of Agrotec ABS Ltda include an adjustment to align fixed assets to their fair values, reflecting prevailing local market conditions, adjustments to stock and debtors based on their recoverable amounts and an adjustment to creditors to fully recognise the fair value of obligations acquired.

Other acquisitions include the purchase of the trade and assets of Heywood AB, a business based in Australia, and deferred consideration relating to prior year acquisitions.

13. STOCKS

	Group	
	2005	*2004*
	£000	*£000*
Consumable stores	10	8
Goods for resale	16,906	15,635
Livestock	480	590
	17,396	16,233

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

14. DEBTORS

	Group		Company	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Trade debtors	28,816	26,054	–	–
Amounts recoverable on contracts	4,850	4,220	–	–
Other debtors	1,850	1,172	672	342
Amounts owed by subsidiaries	–	–	20,174	24,950
Prepayments and accrued income	1,330	1,010	130	–
Prepaid corporation tax recoverable	–	–	293	250
Group relief receivable	–	–	531	–
	36,846	32,456	21,800	25,542

15. CREDITORS: amounts falling due within one year

		Group		Company	
		2005	*2004*	*2005*	*2004*
	Notes	*£000*	*£000*	*£000*	*£000*
Bank loans	17	1,360	2,170	1,360	2,094
Bank overdrafts		12,951	6,240	21,581	16,950
Loan notes	17	–	1,637	–	1,637
Obligations under finance leases	18	434	1,136	–	–
Trade creditors		18,857	16,255	167	–
Payments on account on contracts		2,938	3,825	–	–
Other creditors		305	842	9	–
Corporation and overseas tax		1,008	1,670	–	–
Amounts owed to subsidiaries		–	–	–	6,282
Other taxes and social security		3,380	2,983	29	–
Accruals and deferred income		4,388	5,876	404	293
Deferred government grants		28	30	–	–
Proposed dividend		2,788	2,299	2,788	2,299
Deferred consideration		42	57	42	–
		48,479	45,020	26,380	29,555

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

16. CREDITORS: amounts falling due after more than one year

		Group		Company	
		2005	*2004*	*2005*	*2004*
	Notes	*£000*	*£000*	*£000*	*£000*
Bank loans	17	157	233	157	–
Obligations under finance leases	18	125	372	–	–
		282	605	157	–

17. LOANS

		Group		Company	
		2005	*2004*	*2005*	*2004*
	Note	*£000*	*£000*	*£000*	*£000*
Amounts falling due:					
In one year or less or on demand		1,396	2,596	1,396	2,520
In more than one year but not more than two years		152	1,396	152	1,320
In more than two years but not more than five years		5	157	5	–
		1,553	4,149	1,553	3,840
Less: issue costs		(36)	(109)	(36)	(109)
		1,517	4,040	1,517	3,731
Less: included in creditors – amounts falling due within one year	15	(1,360)	(3,807)	(1,360)	(3,731)
		157	233	157	–
Loans comprise:					
Bank loans – due within one year		1,360	2,170	1,360	2,094
Bank loans – due after more than one year		157	233	157	–
Loan notes – due within one year		–	1,637	–	1,637
		1,517	4,040	1,517	3,731

18. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these is as follows:

	Group	
	2005	*2004*
	£000	*£000*
Amounts payable:		
Within one year	434	1,136
In more than one year but less than two years	101	343
In more than two years but less than five years	24	29
	559	1,508

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Provision for deferred taxation	923	599	10	–
Other	–	82	–	–
	923	681	10	–

The movements in deferred taxation are as follows:

	Group	*Company*
	£000	*£000*
At 1 April 2004	599	–
Deferred tax charge/(credit) in profit and loss account (note 6(a))	389	(8)
Foreign exchange movement	(46)	–
Other movements	(19)	18
At 31 March 2005	923	10

The amounts provided are as follows:

	Group		Company	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Capital allowances in excess of depreciation	412	301	25	–
Other timing differences	511	298	(15)	–
	923	599	10	–

20. SHARE CAPITAL

	2005		*2004*	
	No	*£000*	*No*	*£000*
Authorised				
Ordinary shares of 10p	43,070,000	4,307	43,070,000	4,307
Allotted and fully paid				
Ordinary shares of 10p	37,261,012	3,726	35,363,284	3,536

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

		2005		*2004*	
		Consideration		*Consideration*	
	Notes	*No*	*£000*	*No*	*£000*
New shares issued	(1)	1,000,000	2,100	725,000	1,450
Issued under the following share option plans –					
Executive	(2)	845,007	971	108,138	193
Company Share Option Plan	(2)	25,000	13	354,887	236
Savings Related	(2)	54,240	50	609,255	567
		1,924,247	3,134	1,797,280	2,446

20. SHARE CAPITAL (continued)

A managed rationalisation of the share register was performed between 23 November and 15 December 2004 enabling 1,589,974 shares to be purchased from smaller shareholders at an average price of £2.595 per share. These shares were then placed with institutional investors at a price of £2.525 on 16 December 2004.

(1) 1,000,000 shares were issued and placed with institutional investors on 17 August 2004, principally to finance the acquisition of Supersires (2004) Ltd.

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

	2005		*2004*	
Plan	*No*	*Price*	*No*	*Price*
Executive	207,169	175p	5,710	175p
	604,592	90p	11,111	90p
	–	–	13,395	173p
	33,246	192.5p	77,922	192.5p
Company Share Option Plan	25,000	50p	274,400	50p
	–	–	80,487	123p
Savings Related	54,240	93p	609,255	93p

(3) At 31 March 2005 the Qualifying Employee Share Ownership Trust ("Quest") held 92,334 shares in the Company (31 March 2004: 92,334). The cost of such shares purchased by the Quest totalled £128,000 (2004: £128,000) and is recorded as a reduction in shareholders' funds. The Quest was established to be the custodian of any shares purchased in respect of a number of share option schemes on behalf of employees. At 31 March 2005 and 31 March 2004 none of the shares held by the Quest were under option. The Quest has waived its rights to dividends from the Company. The market value of shares in the Quest as at 31 March 2005 was £293,622 (31 March 2004: £174,050).

Options outstanding to employees were as follows:

Option scheme	*Options granted*	*Number of shares*	*Option price per share*
(1) Executive Plan	21 March 1997	15,600	50p
(2) 1999 Executive Plan	4 November 1999	89,800	175p
(3) 1999 Executive Plan	6 March 2000	106,400	175p
(4) 2000 Company Share Plan	11 June 2002	294,916	173p
(5) 2000 Company Share Plan	19 December 2002	25,000	162.5p
(6) 2000 Company Share Plan	6 June 2003	284,829	192.5p
(7) 2004 Company Share Plan	9 September 2004	470,000	221.5p

The options are exercisable between the following dates

(1) 21 March 2000 and 20 March 2007

(2) 4 November 2002 and 3 November 2009

(3) 6 March 2003 and 5 March 2010

(4) 11 June 2005 and 10 June 2012

(5) 19 December 2005 and 18 December 2012

(6) 6 June 2006 and 5 June 2013

(7) 9 September 2007 and 8 September 2014

20. SHARE CAPITAL (continued)

The options under (1), (2) and (3) are now exercisable. Some share options from (6) have been exercised in the year 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 per cent. or a minimum of 3 per cent. above RPI for the same period, unless provisions for "good leavers" have been met at the absolute discretion of the Remuneration Committee.

In addition to the outstanding share options above, 363,500 conditional shares were awarded to executive directors and certain senior executives on 9 September 2004 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.

21. RESERVES

	Share premium account £000	*Profit and loss account £000*
Group		
At 1 April 2004	36,975	8,194
Retained profit for the year	–	3,576
Premium on shares issued	2,942	–
2004 Performance Share Plan	–	102
Other movements	2	–
Exchange difference on the re-translation of net assets of subsidiary undertakings	–	(458)
Exchange difference on permanent as-equity loans	–	282
Share register rationalisation	(20)	(176)
At 31 March 2005	39,899	11,520
Company		
At 1 April 2004	36,975	2,245
Profit for the financial year	–	2,220
Proposed dividend	–	(2,788)
Premium on shares issued	2,942	–
2004 Performance Share Plan	–	102
Other movements	2	–
Exchange difference on permanent as-equity loans	–	(146)
Share register rationalisation	(20)	(176)
At 31 March 2005	39,899	1,457

The profit attributable to members of the parent company was £2,220,000 (2004: £4,189,000).

22. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2005 *£000*	*2004* *£000*
Group		
Shareholders' funds at 1 April	48,705	47,457
Retained profit for the year	3,576	2,967
New share capital subscribed	3,134	2,446
2004 Performance Share Plan	102	–
Share register rationalisation		
sale of shares	4,015	–
purchase of shares	(4,126)	–
associated costs	(85)	–
Exchange rate adjustments	(176)	(4,165)
Shareholders' funds at 31 March	55,145	48,705

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2005 *£000*	*2004* *£000*
Operating profit	9,642	8,746
Depreciation	3,549	3,636
Amortisation of milk quota	8	8
Amortisation of goodwill	1,747	1,674
Loss on disposal of fixed assets	1	183
Deferred government grants	(2)	(2)
(Increase)/decrease in stocks	(1,262)	1,558
Increase in debtors	(3,976)	(33)
Decrease in creditors	(304)	(1,377)
Net cash inflow from operating activities	9,403	14,393

24. ANALYSIS OF CHANGES IN NET DEBT DURING THE YEAR

	At 1 April 2004 £000	*Cash flows £000*	*Foreign exchange and other non-cash movements £000*	*At 31 March 2005 £000*
Cash at bank and in hand	4,330	3,268	(39)	7,559
Bank overdrafts	(6,240)	(7,032)	321	(12,951)
Cash	(1,910)	(3,764)	282	(5,392)
Bank loans	(2,403)	958	(72)	(1,517)
Loan notes	(1,637)	1,637	–	–
Obligations under finance leases and hire purchase contracts	(1,508)	949	–	(559)
	(7,458)	(220)	210	(7,468)

25. CAPITAL COMMITMENTS

At 31 March 2005 capital expenditure amounting to £37,000 (2004: £53,000) had been contracted for.

26. CONTINGENT LIABILITIES

Group

At 31 March 2005 Barclays Bank PLC had issued performance bonds and guarantees totalling £1,447,000 (31 March 2004: £3,995,000) 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 Limited. 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 28.

27. OPERATING LEASE RENTALS

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

	Land and buildings		*Other*	
	2005	*2004*	*2005*	*2004*
Group	*£000*	*£000*	*£000*	*£000*
Operating leases which expire:				
within one year	139	65	72	65
within two to five years	212	452	468	376
after five years	322	320	–	–
	673	837	540	441

28. PENSIONS

Some permanent staff of Genus are eligible for membership of The Milk Pension Fund ("the Fund"), which is a defined benefit scheme administered by Milk Pension Fund Trustees Limited which includes three Genus Trustee directors, T P Acton, S J Amies and A J Gatley. The scheme is closed to new Genus members.

The funded scheme is that previously operated by the Milk Marketing Board, and is 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. In the past year Milk Marque Ltd has revoked its notice of intended withdrawal from the Milk Pension Fund and intends to remain an active participant.

The net pension cost for the year was £1,098,000 (2004: £1,260,000), split between £842,000 into defined benefit schemes (2004: £952,000) and £256,000 into defined contribution schemes (2004: £308,000), which includes £122,000 (2004: £nil) in respect of the amortisation of the past service deficits over the remaining service lives of employees. The term of the amortisation is eleven years from 2003. This cost is determined on the basis of an actuarial valuation of the Fund for SSAP 24 purposes which was made by an independent qualified actuary as at 31 March 2003, using the projected unit method.

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 5 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 £95million. 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.

28. PENSIONS (continued)

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 £2.7million) and this shortfall is being addressed by additional contributions from the participating employers.

With effect from 1 April 2004, the Group amended the benefit and member contribution structure for future service, which has had the effect of reducing Group contributions in respect of future service accrual. This is reflected in the current valuation of the SSAP 24 and FRS 17 liabilities. As a result, the contribution rate of the Group in respect of pension payments from 1 April 2004 has been agreed with the Milk Pension Fund at 10.7 per cent. This rate includes a contribution of 1.4 per cent. per annum to the past service deficit of £2,676,000 as at 31 March 2003.

The Group operates a closed defined benefit scheme for a small number of former employees of VDC plc. The total market value of scheme assets at 31 March 2005 under the provisions of FRS 17 was £891,000. No contributions were made into the scheme during the year and the scheme is in the process of being wound-up.

For closed schemes and those in which the age profile of the active membership is rising significantly, under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The Group also operates defined contribution pension schemes in respect of some employees. The assets of the schemes are held separately from those of the companies to which they relate in independently administered funds.

PENSION ARRANGEMENTS

Under the transitional arrangements of FRS 17, the Group is required to disclose the following information about the pension schemes and the figures that would have been shown under FRS 17 in the current balance sheets as at 31 March 2005 and 31 March 2004 and in the profit and loss account and statement of total recognised gains and losses for the period ended 31 March 2005.

The actuarial valuation was updated by the actuary to 31 March 2005 using the following assumptions:

	At 31 March 2005 (p.a.)	*At 31 March 2004 (p.a.)*	*At 31 March 2003 (p.a.)*
Rate of increase in salaries	4.3%	4.3%	3.9%
Rate of increase in pensions in payment and deferred pensions	2.8%	2.8%	2.4%
Discount rate	5.5%	5.5%	5.5%
Inflation	2.8%	2.8%	2.4%

The share of the overall Milk Pension Fund's assets and liabilities notionally allocated to Genus, together with those in the VDC retirement plan, and the expected rates of return on their investments are as follows:

28. PENSIONS (continued)

	At 31 March 2005		*At 31 March 2004*		*At 31 March 2003*	
	Long term Expected Rate of Return (p.a.)	*Market Value £000*	*Long term Expected Rate of Return (p.a.)*	*Market Value £000*	*Long term Expected Rate of Return (p.a.)*	*Market Value £000*
Equities	8.0%	32,100	8.0%	31,500	8.0%	26,700
Bonds	5.5%	66,200	4.8%	63,400	4.5%	59,600
Cash	4.75%	800	4.0%	800	4.0%	800
Total market value of scheme assets		99,100		95,700		87,100
Present value of scheme liabilities		(108,600)		(103,200)		(95,200)
Deficit in the scheme		(9,500)		(7,500)		(8,100)
Less deferred taxation		2,900		2,300		2,400
Net pension liability		(6,600)		(5,200)		(5,700)

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

	2005 £000	*2004 £000*	*2003 £000*
Amounts charged to operating profit:			
Current service cost	1,300	1,400	1,500
Total operating charge	1,300	1,400	1,500
Amounts charged/(credited) to finance income:			
Expected return on pension scheme assets	(5,400)	(4,600)	(5,700)
Interest on pension scheme liabilities	5,600	5,000	5,000
Net charge/(credit)	200	400	(700)
Amounts recognised in the statement of total recognised gains and losses (STRGL):			
Actual return less expected return on pension scheme assets	1,500	7,300	(13,600)
Experience (losses) and gains arising on the scheme liabilities	(2,600)	300	(900)
Changes in assumptions underlying the present value of the scheme liabilities	(300)	(6,000)	(5,300)
Actuarial (loss)/gain recognised in the STRGL	(1,400)	1,600	(19,800)

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

28. PENSIONS (continued)

The movement in the deficit in the scheme is analysed as follows:

	2005	*2004*
	£000	*£000*
Deficit in the scheme at 1 April	(7,500)	(8,100)
Current service cost	(1,300)	(1,400)
Contributions	900	800
Other finance charges	(200)	(400)
Actuarial (loss)/gain	(1,400)	1,600
Deficit in the scheme at 31 March	(9,500)	(7,500)

Had the above amounts been recognised in the financial statements, the Group's net assets and profit and loss reserves, stated net of associated deferred tax asset, at 31 March would be as follows:

	2005	*2004*
	£000	*£000*
Net assets excluding pension asset	55,145	48,705
Pension liability	(6,600)	(5,200)
Net assets including pension liability	48,545	43,505
Profit and loss reserve excluding pension asset	11,520	8,194
Pension liability	(6,600)	(5,200)
Profit and loss reserve including pension liability	4,920	2,994

29. 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 12 to 13. 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.

In the opinion of the directors the fair values of all financial instruments required to be reported are not materially different from their carrying values

29. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile of financial assets and liabilities

		Financial liabilities		
Currency	*Financial assets (cash) Floating rate*	*Fixed rate*	*Floating rate*	*Net financial (assets)/ liabilities*
	£000	*£000*	*£000*	*£000*
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
2004				
Sterling	(225)	1,263	7,581	8,619
US Dollar	(2,415)	84	–	(2,331)
Euro	(809)	–	–	(809)
Australian Dollar	(86)	161	2,699	2,774
Other	(795)	–	–	(795)
	(4,330)	1,508	10,280	7,458

Financial assets include cash but exclude trade investments. Trade investments at 31 March 2005 amounted to £269,000 (2004: £241,000) and are non interest-bearing in both periods.

	Fixed rate financial liabilities	
Currency	*Weighted average interest rate*	*Weighted average period for which rate is fixed*
	%	*years*
2005		
Sterling	5.04	1.30
US Dollar	7.38	0.33
Australian Dollar	6.29	0.77
2004		
Sterling	5.3	2.1

Fixed rate financial liabilities consist of finance leases and Australian dollar borrowings under the multi-option facility. The Australian dollar borrowings were converted from floating to fixed rate in the year in order to optimise the mix of fixed and floating debt.

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

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.

29. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

	Net currency monetary assets/(liabilities)					
Functional currency of group operations	*US Dollar £000*	*Canadian Dollar £000*	*Australian Dollar £000*	*Euro £000*	*Other £000*	*Total £000*
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)
2004						
Sterling	(74)	–	(2,699)	(60)	(83)	(2,916)
US Dollar	–	(1,855)	–	(14)	(454)	(2,323)
Euro	(155)	–	–	–	(25)	(180)
Australian Dollar	(1,158)	–	–	–	(35)	(1,193)
	(1,387)	(1,855)	(2,699)	(74)	(597)	(6,612)

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March was as follows:

	2005 £000	*2004 £000*
Amounts falling due:		
In one year or less or on demand	14,745	11,183
In more than one year but not more than two years	282	233
In more than two years but not more than five years	–	372
	15,027	11,788

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 March in respect of which all conditions precedent had been met at that date are as follows:

	2005 £000	*2004 £000*
Expiring in one year or less	9,721	9,466
Expiring in more than one year but not more than two years	–	12,131
Expiring in more than two years	–	–
	9,721	21,597

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 31 March 2005. The nominal value of forward contracts and options on foreign currency liabilities at 31 March 2004 amounted to £138,000.

29. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

The fair value of these contracts at 31 March 2004 amounted to an asset of £2,000, based on the estimated amount which the Group would expect to pay or receive on termination of the contracts taking into consideration current exchange rates.

The recognised gains included in the profit and loss account on forward exchange contracts taken out in previous years amounted to £2,000 (2004: £60,000 loss).

The unrecognised gain on forward contracts and options on foreign currency liabilities at 31 March 2004 amounted to £2,000, all of which was recognised in the current year.

30. RELATED PARTY TRANSACTIONS

There were no related party transactions in the year.

31. 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%[1]	Supply of dairy and beef semen
Animalcare Limited	£1 ordinary shares	100%[1]	Supply and distribution of veterinary and other products
BOVEC SA (incorporated in France)	€1 ordinary shares	100%[1]	Supply of dairy and beef semen
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
Genus Chile Ltda (incorporated in Chile)	Peso 1 quota stock	100%	Supply of dairy and beef semen
Genus Management Services Limited	£1 ordinary shares	100%	Management services
Genusxpress Limited	£1 ordinary shares	100%[1]	Supply and distribution of veterinary and other products

31. PRINCIPAL SUBSIDIARY UNDERTAKINGS (continued)

Subsidiary companies	*Holding*	*Proportion of voting rights and shares held*	*Nature of Business*
HTS Development Limited	£1 ordinary shares	100%	Consultancy and contract management
P-E International Consultants Limited	£1 ordinary shares	100%(1)	Consultancy and contract management
Promar International Limited	£1 ordinary shares	100%	Market research and consultancy
Supersires Limited	£1 ordinary shares	100%(1)	Supply of dairy and beef semen

(1) Held by subsidiary undertaking

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PART VIII

FINANCIAL INFORMATION ON SYGEN: UK GAAP TO 30 JUNE 2005

The audited financial statements of Sygen for the year ended 30 June 2005 together with the auditors report in relation to the audited financial statements of Sygen for the year ended 30 June 2005 are incorporated by reference into this Prospectus. The following list is intended to enable investors to easily identify specific items of information which have been incorporated by reference into this Prospectus:

- Financial Statements of Sygen: pages 20 to 35 of the Annual Report and Accounts for the year ended 30 June 2005; and
- Auditor's report to Financial Statements for Sygen: page 19 of the Annual Report and Accounts for the year ended 30 June 2005.

Copies of this information incorporated by reference may be accessed by public inspection of the UKLA's Document Viewing Facility.

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PART IX

FINANCIAL INFORMATION ON SYGEN: IFRS 1 JULY 2005 TO 2 DECEMBER 2005

The Board of Directors
on behalf of Genus plc
Belvedere House
Basing View
Basingstoke
Hants
RG21 4HG

Landsbanki Securities (UK) Limited
Beaufort House
15 St Botolph Street
London
EC3A 7QR

6 November 2007

Dear Sirs

Sygen International Limited

We report on the financial information on Sygen International Limited set out on pages 161 to 195 of the Prospectus of Genus plc (the "Company") (the "Prospectus"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out on pages 166 to 171. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in on pages 165 to 166 of the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent therein provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and

accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Sygen International Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out on pages 165 to 166 and in accordance with IFRS.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

Reading, UK

Deloitte & Touche LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu ("DTT"), a Swiss Verein whose member firms are separate and independent legal entities. Neither DTT nor any of its member firms has any liability for each other's acts or omissions. Services are provided by member firms or their subsidiaries and not by DTT.

Income statement

For the period 1 July to 2 December 2005

	Note	*£m*
Revenue from continuing operations	2	60.1
Adjusted operating profit from continuing operations		2.8
Fair value movement on biological assets	11	4.0
Share based payments	23	(0.2)
Exceptional items	3	(4.0)
Operating profit from continuing operations	4	2.6
Share of post tax profit of joint ventures and associates	13	1.8
Finance costs	6	(0.3)
Profit before tax from continuing operations		4.1
Taxation	7	(1.1)
Profit for the period		3.0
Earnings per share from total operations		
Basic earnings per share	9	1.0 p
Diluted earnings per share	9	1.0 p

There were no discontinued operations in the period.

Statement of changes in equity

	Note	*Called up share capital £m*	*Share premium account £m*	*Retained earnings £m*	*Translation reserve £m*	*Other reserves £m*	*Total £m*
Balance at 1 July 2005	34	29.5	2.2	347.4	–	(287.1)	92.0
Foreign exchange translation differences	25	–	–	–	8.2	–	8.2
Actuarial gains/(losses) on defined employee benefit schemes, net of tax	22	–	–	–	–	–	–
Adjustment in respect of employee share schemes	23	–	–	0.2	–	–	0.2
Dividends	8	–	–	(2.4)	–	–	(2.4)
Net income and expense recognised directly in equity		–	–	(2.2)	8.2	–	6.0
Profit for the period		–	–	3.0	–	–	3.0
Total recognised income and expense for the period		–	–	0.8	8.2	–	9.0
Balance at 2 December 2005		29.5	2.2	348.2	8.2	(287.1)	101.0

Balance sheet

As at 2 December 2005

	Note	*2 December 2005 £m*	*30 June 2005 £m*
Assets			
Goodwill	10	9.8	9.1
Biological assets	11	49.5	40.4
Property, plant and equipment	12	26.1	25.6
Interests in joint ventures and other investments	13	6.9	4.6
Deferred tax assets	14	5.1	4.7
Total non-current assets		97.4	84.4
Inventories	15	1.1	1.0
Biological assets	11	28.7	29.7
Trade and other receivables	16	23.2	17.1
Cash and cash equivalents	17	17.4	25.7
Total current assets		70.4	73.5
Total assets		167.8	157.9
Liabilities			
Trade and other payables	18	(17.2)	(18.5)
Provisions	19	(2.8)	(2.4)
Obligations under finance leases	21	(0.3)	(0.3)
Current tax liabilities		(2.7)	(2.6)
Total current liabilities		(23.0)	(23.8)
Interest-bearing loans and borrowings	20	(0.2)	(0.5)
Retirement benefit obligations	22	(11.3)	(11.4)
Obligations under finance leases	21	(0.5)	(0.6)
Provisions	19	(3.2)	(2.8)
Deferred tax liabilities	14	(28.6)	(26.8)
Total non-current liabilities		(43.8)	(42.1)
Total liabilities		(66.8)	(65.9)
Net assets		101.0	92.0
Equity			
Called up share capital	24	29.5	29.5
Share premium account	–	2.2	2.2
Other reserves	25	(287.1)	(287.1)
Translation reserves	25	8.2	–
Retained earnings		348.2	347.4)
Total equity		101.0	92.0

Statement of cash flows

For the period 1 July to 2 December 2005

	Note	*£m*
Net cash flow from operating activities	26	(6.8)
Cash flows from investing activities		
Interest received		0.3
Purchase of property, plant and equipment		(0.6)
Proceeds from sale of property, plant and equipment		0.1
Net cash outflow from investing activities		(0.2)
Cash flows from financing activities		
Payment of finance lease liabilities		(0.3)
Dividends paid		(2.4)
Net cash outflow from financing activities		(2.7)
Net decrease in cash and cash equivalents		(9.7)
Cash and cash equivalents at 1 July		25.7
Effect of exchange rate fluctuations on cash held		1.4
Total cash and cash equivalents at 2 December 2005		17.4

Accounting policies to the Financial Information

Reporting entity

Sygen International Limited (in this Part IX only the "Company") is an entity incorporated in the United Kingdom under the Companies Act 1985. The Financial Information of the Company for the period from 1 July 2005 to 2 December 2005 comprises the Company and its subsidiaries (together referred to in this part IX only as the "Group") and equity account the Group's interests in associates and joint ventures.

The principal activity of the Group during the period was the application of quantitative genetics and biotechnology to animal breeding. On 31 October 2005, an offer was made on behalf of Genus plc to acquire all of the existing Sygen International plc share capital for cash consideration. On 2 December 2005, the offer was declared unconditional in all respects and control of the Company therefore passed to Genus plc. As a consequence of this change of control, on 23 February 2006 the company de-listed from the official list and re-registered on that date as a private company.

Basis of preparation

(i) ***General***

The Financial Information of the Company for the period from 1 July 2005 to 2 December 2005 has been presented in accordance with IFRS. This Financial Information includes a comparative IFRS balance sheet as at 30 June 2005 prepared under IFRS along with the results for the period ended 2 December 2005 and the IFRS balance sheet on 2 December 2005. A comparative period income statement under IFRS has not been presented.

Certain specific criteria have been applied in order to prepare this Financial Information. Specifically, the Financial Information has been prepared on a 'stand alone' basis; certain adjustments made during the process of Genus plc looking at the fair value of acquired assets and liabilities would not be applicable to the Company's own accounts. Furthermore, all operations of the Company have been considered as continuing as there was no intention of divestment by the former directors. The reconciliation between the fair values of the Company's assets as shown by Genus in its 30 June 2007 financial statements and those on a stand alone basis are presented in note 33.

The significant accounting policies set out below have, unless otherwise stated, been applied consistently to the periods presented in this Financial Information and in restating the opening IFRS balance sheet at 30 June 2005, for the purpose of presenting the IFRS results for the period.

(ii) ***Functional and presentation currency***

This Financial Information is presented in sterling, which is the Company's functional currency. All Financial Information presented in sterling has been rounded to the nearest million at one decimal point.

(iii) ***Basis of measurement***

The Financial Information is prepared under the historical cost convention, except for the following, in accordance with IFRS.

- Biological assets are measured at fair value less point-of-sale costs, which represent the costs of distribution and selling expenses.

The methods used to measure fair values are described further below.

(iv) ***Use of estimates***

The preparation of Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the Financial Information are identified in (xv) below.

(v) ***Basis of consolidation***

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

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The Financial Information includes the Group's share of profit arising from joint ventures.

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

(vi) ***Adjusted operating profit***

Adjusted operating profit from continuing operations is defined as operating profit from continuing operations before the fair value movement in biological assets, share based payments expense and exceptional items. This additional non-GAAP measure of operating performance is included as the directors believe that it provides a useful alternative measure of the trading performance of the Group since it presents operating profit before the non cash fair value movement in biological assets, non cash share based payment expense and exceptional items. The reconciliations between operating profit and adjusted operating profit are shown on the face of the income statement. The directors recognise this alternative measure has limitations.

(vii) ***Foreign currency***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date and the related foreign exchange differences arising on retranslation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

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

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

Significant Accounting Policies

(i) ***Business combinations***

The Company has applied the transitional relief in IFRS 1 in respect of acquisitions prior to 1 July 2005. There are no acquisitions subsequent to that date.

(ii) ***Goodwill***

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

As required by IAS 21, goodwill arising on acquisition of a foreign operation and any fair value adjustments made to the carrying amounts of assets and liabilities within the acquired operation on acquisition are treated as assets and liabilities of the acquired entity rather than assets or liabilities of the acquiring entity.

(iii) ***Property, plant and equipment***

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

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

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

Freehold land	Nil
Freehold buildings	2% – 10%
Leasehold buildings	over the term of the lease
Plant & equipment	5% – 33 1/3%

(iv) ***Leases***

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

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised directly in the income statement.

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

(v) ***Impairment***

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

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

(vi) ***Biological assets and inventories***

The principal activity of the Group during the period was the global application of quantitative genetics and biotechnology to animal breeding in the porcine and shrimp sectors. In the porcine sector the Group utilises these techniques to identify and select animals that possess the genetics/genes responsible for superior meat quality, high health and performance traits. Sygen sells breeding

animals and semen to customers who produce offspring which yield greater production efficiency, and meat quality for the global food supply chain.

The porcine business maintains breeding stock which it develops and improves to be genetically superior. The offspring or semen obtained from these animals is sold to customers for use in commercial farming. The animal genetics offer the potential to improve profitability for farmer and food processing customers by enabling them to increase output of consistently high quality products yielding higher value. To allow the Group to capitalise on its intellectual property it almost entirely out-sources production to its global supplier network.

Biological assets are recognised and measured at fair value at each balance sheet date for the porcine business. Changes in fair value are recognised in the income statement within operating profit for the period.

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

For the shrimp business it was determined that application of fair values would not result in any significant difference from a historical cost basis. This was assessed after taking into account:

- The period from June to December (encompassing all financial reporting periods of the Group) is out of season, with only low levels of stock being held.
- The significant added value from the Group's production is derived from its patented technology applied to shrimp production, for example Speed LineTM which results in faster growing shrimp. The patented technology is internally generated and not valued separately from the business as a whole.

Determination of fair values – biological assets

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

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

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

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

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

Since the pigs are sold to the multipliers in the first instance at market price and there is no obligation on the Group to repurchase the offspring, the Group does not record any biological asset in respect of the offspring until purchased. The option to purchase offspring is not valued on the balance sheet as the contracts are entered into and continue to be held for the purpose of the receipt of non-financial items (the offspring) in accordance with the Group's expected purchase requirements. As such they are outside the scope of IAS39.

(vii) ***Trade and other receivables***

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

(viii) ***Cash and cash equivalents***

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

(ix) ***Provisions***

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

(x) ***Revenue***

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

(xi) ***Expenses***

Exceptional items

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

Research and development expenditure

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

The Group's development activities comprise the development and maintenance of the porcine genetic nucleus herds.

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

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

Finance costs

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

Taxation

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts

used for taxation purposes where the underlying transactions or events result in an obligation to pay more tax in future or a right to pay less tax in future.

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

(xii) ***Share based payments***

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

In accordance with the transitional arrangements as set out in IFRS 1, the recognition and measurement criteria for share based payments have been applied retrospectively for equity instruments granted after 7 November 2002 and unvested at 1 July 2005. No adjustments have been made for equity instruments granted prior to this date.

(xiii) ***Employee benefits***

Defined contribution pension schemes

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

Defined benefit plans

The Group operates defined benefit schemes for some of its employees. The Group's net obligation in respect of defined benefit schemes is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the 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 using the projected unit credit method.

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

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

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

(xiv) ***Derivative financial instruments and hedging***

The Group has international operations that give rise to exposure from foreign currency fluctuations. The Group's position is to hedge large identifiable transaction exposures that occur in a given financial year to minimise the exposure to currency valuation. As at 1 July 2005 and 2 December 2005 no such exposures were identified and the Group therefore held no derivative instruments.

(xv) ***New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations would not have been effective for the period ended 2 December 2005, and have not been applied in preparing this Financial Information:

- IAS 21 (Amendment), Net investment in a foreign operation;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IAS 39 (Amendment), fair value option;
- IAS 39 (Amendment), cash flow hedge accounting of forecast intra-group transactions;
- IAS 19 (Amendment), Employee benefits;
- IFRS 7 Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures;
- IFRS 8 Operating Segments;
- IFRIC 10 Interim Financial Reporting and Impairment;
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions;
- IFRIC 12 Service Concession arrangements;
- IFRIC 13 Customer Loyalty Programmes; and
- IFRIC 14 IAS 19 – The limit on Defined Benefit Assets, Minimum Funding Requirements and their interaction.

The above standards would not have had any material impact on the Group's financial position had they been applied as at 2 December or 1 July 2005. The Group will not be presenting any further consolidated accounts.

Significant areas of judgement and determination of fair values

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

- The determination of the fair values of biological assets.
- The determination of the defined benefit obligation for pensions which is dependent on a number of actuarial assumptions, changes in which could have a material impact.
- In determining the level of current and deferred income tax assets and liabilities which management believes are reasonable and adequately recognising any income tax related uncertainties.

Details of estimates and judgements made in calculating these transactions are contained in the respective notes.

NOTES TO THE FINANCIAL INFORMATION

1. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

The segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, financing assets and liabilities, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment. There was no spending on intangible assets or goodwill in the period from 1 July 2005 to 2 December 2005.

Business segments

The Group comprises two main business segments SyAqua (Shrimp supply) and Porcine Genetics (pig supply).

Area of activity – continuing operations

	Period ended 2 December 2005			
	SyAqua	*Porcine Genetics*	*Unallocated Costs*	*Total*
	£m	*£m*	*£m*	*£m*
Revenue for continuing operations	1.9	58.2	–	60.1
Adjusted operating profit	(1.7)	6.6	(2.1)	2.8
Fair value movement on biological assets	–	4.0	–	4.0
Share based payments	–	–	(0.2)	(0.2)
Exceptional items:				
(i) Costs relating to disposals of business to Genus plc	–	–	(1.4)	(1.4)
(ii) Abortive acquisition costs	–	–	(0.8)	(0.8)
(iii) Impairment of land and buildings	–	(0.6)	–	(0.6)
(iv) Surplus property provisions in respect of businesses sold in prior years	–	–	(0.4)	(0.4)
(v) Environmental provisions on businesses sold in prior years	–	(0.8)	–	(0.8)
Operating profit from continuing operations	(1.7)	9.2	(4.9)	2.6
Share of profit of joint ventures and associates	–	1.8	–	1.8
Operating profit including joint ventures	(1.7)	11.0	(4.9)	4.4
Finance costs				(0.3)
Profit for the period from continuing operations				4.1
Tax				(1.1)
Profit for the period				3.0

Other information – continuing operations

	Period ended 2 December 2005			
	SyAqua	*Porcine Genetics*	*Unallocated*	*Total*
	£m	*£m*	*£m*	*£m*
Capital additions	0.1	0.7	–	0.8
Impairment of land and buildings	–	0.6	–	0.6
Depreciation and amortisation	0.2	1.3	0.1	1.6
Balance sheet				
Assets				
Segment assets	15.3	134.2	11.4	160.9
Interests in joint ventures	–	–	5.8	5.8
Other investments	–	–	1.1	1.1
Consolidated total assets	15.3	134.2	18.3	167.8
Consolidated total liabilities	(0.6)	(19.4)	(46.8)	(66.8)

Geographical segments

The SyAqua and Porcine segments were managed on a species basis, but operate in a number of geographical areas. Segment assets are based on the geographical location of the assets.

Continuing operations	*Revenue Period ended 2 December 2005 £m*	*Segmental assets As at 2 December 2005 £m*	*Capital expenditure Period ended 2 December 2005 £m*
Europe	24.4	30.0	0.1
North America	28.9	92.1	0.5
Americas	6.5	25.2	0.1
Rest of the world	3.8	8.5	0.1
Inter segmental/unallocated	(3.5)	12.0	–
Continuing total	60.1	167.8	0.8

2. Revenue

	Period ended 2 December 2005 £m
Sale of animals & semen	43.3
Royalties	14.4
Service and other	2.4
Total	60.1

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

- Sale of animals and semen are recognised upon transfer of the 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.

3. Exceptional items

The exceptional items of £4.0 million to 2 December 2005 comprises:

		Period ended 2 December 2005 £m
(i)	Costs relating to disposal of business to Genus plc	1.4
(ii)	Abortive acquisition costs	0.8
(iii)	Impairment of land and buildings	0.6
(iv)	Surplus property provisions in respect of businesses sold in prior years	0.4
(v)	Environmental provisions on businesses sold in prior years	0.8
Total		4.0

(i) Costs relating to disposal of business to Genus: This represents the non-contingent costs incurred by the Group in respect of its acquisition by Genus.

(ii) Abortive acquisition costs: Abortive acquisition costs were incurred in connection with potential acquisitions of businesses.

(iii) Impairment of land and buildings: In the period the fixed assets of a genetic nucleus farm in France were considered to be impaired and were written down to the recoverable value.

(iv) Surplus property provisions on businesses sold in prior years: This expense relates to a downward adjustment to the rents anticipated from sub-leases. No additional properties were classed as surplus in the period.

(v) Environmental provisions on businesses sold in prior years: This represents an increase in the provision for liabilities relating to the sale of businesses in prior years.

4. Operating profit

Operating costs comprise:

	Period ended 2 December 2005 £m
Cost of sales:	
Cost of sale excluding fair value movement on biological assets	40.3
Fair value movement on biological assets	(4.0)
Cost of sales	36.3
Distribution costs	6.8
Administrative expenses:	
Administrative expenses (excluding exceptional items)	10.4
Exceptional items within administrative expenses (see note 3)	4.0
Total administrative expenses	14.4
Total operating costs	57.5

Operating profit is stated after charging:

	Period ended 2 December 2005 £m
Depreciation of owned fixed assets	1.4
Depreciation of assets held under finance leases and hire purchase contracts	0.2
Impairment of land and buildings	0.6
Operating lease rentals	
– plant and machinery	0.8
– other	0.2
Research & development expenditure	3.4

The analysis of auditors remuneration is as follows:

	Period ended 2 December 2005 £m
Fees payable to the company's auditors and associates for the audit of the company's subsidiaries	0.2
Total audit fees	0.2
Tax services	0.1
Due diligence on potential acquisitions	0.2
Total non-audit fees	0.3
Total fees to the group's auditors	0.5

5. Personnel expenses

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

	Period ended 2 December 2005 £m
Wages and salaries	11.7
Social security costs	1.1
Contributions to defined contribution plans	0.3
Redundancy	0.1
Expenses related to defined benefit plans	0.2
Share based payments	0.2
	13.6

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

	Period ended 2 December 2005 £m
Europe	370
North America	338
Americas	360
Rest of the world	335
	1,403

Details of directors' remuneration are given in note 32.

6. Finance costs

	Period ended 2 December 2005 £m
Finance income	
Interest income on bank deposits	0.3
Finance expenses	
Interest payable on obligations under finance leases	–
Net interest cost in respect of pension scheme	(0.4)
Unwinding of discount on provisions	(0.2)
	(0.6)
Net finance cost	(0.3)

7. Income tax expense in the income statement

	Period ended 2 December 2005 £m
Current tax expense	
Current period	0.5
Adjustment for prior periods	0.9
Total current tax expense in the income statement	1.4
Deferred tax expense	
Current period	1.8
Adjustment for prior periods	(2.1)
Total deferred tax expense in the income statement	(0.3)
Total income tax expense	1.1

Reconciliation of effective tax rate

	Period ended 2 December 2005 £m
Profit for the period	4.1
Share of post tax profit of joint ventures	(1.8)
Profit excluding income tax and share of joint ventures	2.3
Income tax at UK corporation tax of 30% (2004/05: 30%)	0.7
Effect of tax rates in foreign jurisdictions	0.4
Non-deductible expenses	0.8
Additional provision on un-remitted profits of joint venture	0.4
Over provided in prior periods	(1.2)
Total income tax expense	1.1

8. Dividends

Amounts recognised as distributions to equity holders in the period:

	Period ended 2 December 2005 £m
Final dividend for the 12 month period ended 30 June 2005 of 0.8p per share	2.4

9. Earnings per share

	Period ended 2 December 2005
Basic earnings per share	1.0p
Diluted earnings per share	1.0p

Basic earnings per share

The calculation of basic earnings per share at 2 December 2005 was based on the profit attributable to ordinary shareholders of £3.0 million and a weighted average number of ordinary shares of Sygen outstanding of 295,267,038.

	Period ended 2 December 2005 £m
Net profit attributable to ordinary shareholders	3.0

	Note	*Period ended 2 December 2005*
Issued ordinary shares at 1 July		295,252,580
Effect of issues	24	14,458
Weighted average number of ordinary shares at 2 December		295,267,038

Diluted earnings per share

The calculation of diluted earnings per share at 2 December 2005 was based on profit attributable to ordinary shareholders of £3.0 million and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of Sygen of 296,631,834 calculated as follows:

Weighted average number of ordinary shares (diluted)

	Period ended 2 December 2005
Weighted average number of ordinary shares (basic)	295,267,038
Effect of share options in issue	1,364,796
Weighted average number of ordinary shares for the purposes of diluted earnings per share	296,631,834

10. Goodwill

	As at 2 December 2005 £m
Cost	
Balance at 1 July 2005	9.1
Effect of movements in exchange rates	0.7
Balance at 2 December 2005	9.8
Amortisation and impairment losses	
Balance at 1 July 2005	–
Effect of movements in exchange rates	–
Balance at 2 December 2005	–
Carrying amounts	
At 30 June 2005	9.1
At 2 December 2005	9.8

Impairment testing for cash-generating units containing goodwill

Goodwill was allocated by region and species which represented the lowest level of cash generating unit which was monitored by management. During the year through the results generated by the entities and the budgets prepared by the company there was no indication of an impairment event.

11. Biological assets

	Total £m
Fair value of biological assets	
Balance at 1 July 2005	70.1
Changes in fair value less estimated point of sale costs	(13.0)
Transfers to inventory	16.1
Effect of movements in exchange rates	5.0
Balance at 2 December 2005	78.2
Non current biological assets	49.5
Current biological assets	28.7
Balance at 2 December 2005	78.2

	2 December 2005
Quantities	
Porcine – number of pigs	156,196
– number of pigs dispatched on a royalty basis and valued at fair value	42,044

Period ended 2 December 2005

	Total £m
Fair value movement on biological assets	
Changes in fair value of biological assets	(13.0)
Inventory transferred to cost of sale at fair value	16.1
Cost of sale already reflected in adjusted operating profit	0.9
	4.0

The Group is exposed to a number of risks related to its holdings of porcine biological assets. The key sensitivities in the Porcine biological asset value are the number of pigs on owned farms, number of pigs despatched on a royalty basis, percentage of pigs on owned farms that will achieve a premium for their genetics, prices achieved for sale of premium genetics and any change between own and outsourced production.

12. Property, plant and equipment

	Land and buildings £m	*Plant and equipment – owned £m*	*Plant and equipment – leased £m*	*Total £m*
Cost or deemed cost				
Balance at 1 July 2005	33.3	20.9	2.0	56.2
Additions	0.1	0.5	0.2	0.8
Disposals	–	–	(0.5)	(0.5)
Effect of movements in exchange rates	2.5	1.0	–	3.5
Balance at 2 December 2005	35.9	22.4	1.7	60.0
Depreciation and impairment losses				
Balance at 1 July 2005	14.1	15.5	1.0	30.6
Depreciation for the year	0.6	0.8	0.2	1.6
Impairment loss	0.6	–	–	0.6
Disposals	–	–	(0.4)	(0.4)
Effect of movements in exchange rates	0.9	0.6	–	1.5
Balance at 2 December 2005	16.2	16.9	0.8	33.9
Carrying amounts				
At 30 June 2005	19.2	5.4	1.0	25.6
At 2 December 2005	19.7	5.5	0.9	26.1

13. Interest in joint ventures and other investments

Equity accounted investees

The Group's share of profit in its equity accounted investees for the year was £1.8 million.

Period ended 2 December 2005

Net assets

	Ownership	*Share of net assets £m*
Agroceres – PIC Suinos (Brazil)	49%	5.6
Hybridschweine Cooperations GmbH (Germany)	50%	–
Hu Mei Pig Improvement Company Ltd (China)	50%	0.2
Total net assets		5.8

Income statement

	Ownership	*Share of profit £m*
Agroceres – PIC Suinos (Brazil)	49%	1.9
Hybridschweine Cooperations GmbH (Germany)	50%	–
Hu Mei Pig Improvement Company Ltd (China)	50%	0.1
Total income		2.0
Taxation		(0.2)
Share of post tax profit of joint venture		1.8

Other investments

Other investments of £1.1 million as at 30 June 2005 and 2 December 2005 represent investments held by the Company in non-Group companies and other long-term investments.

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		*Liabilities*		*Net*	
	2 December 2005 £m	*30 June 2005 £m*	*2 December 2005 £m*	*30 June 2005 £m*	*2 December 2005 £m*	*30 June 2005 £m*
Un-remitted profits	–	–	(1.0)	(3.2)	(1.0)	(3.2)
Biological assets	–	–	(25.5)	(22.3)	(25.5)	(22.3)
Employee benefit plans	3.7	3.7	–	–	3.7	3.7
Provisions	1.4	1.0	–	–	1.4	1.0
Capital allowances	–	–	(0.7)	(0.5)	(0.7)	(0.5)
Other short-term items	–	–	(1.4)	(0.8)	(1.4)	(0.8)
Net tax assets/(liabilities)	5.1	4.7	(28.6)	(26.8)	(23.5)	(22.1)

Movement in temporary differences during the year

	Recognised balance 30 June 2005 £m	*Recognised in equity £m*	*Recognised balance in profit or loss £m*	*Recognised balance 2 December 2005 £m*
Un-remitted profits	(3.2)	–	2.2	(1.0)
Biological assets	(22.3)	(1.7)	(1.5)	(25.5)
Employee benefit plans	3.7	–	–	3.7
Provisions	1.0	–	0.4	1.4
Capital allowances	(0.5)	–	(0.2)	(0.7)
Other short-short term items	(0.8)	–	(0.6)	(1.4)
Total	(22.1)	(1.7)	0.3	(23.5)

The total value of deferred tax assets not recognised on losses as at 2 December 2005 was £8.1 million (30 June 2005: £6.7 million).

15. Inventories

	2 December 2005 £m	*30 June 2005 £m*
Raw materials and consumables	0.7	0.8
Shrimp inventories	0.4	0.2
	1.1	1.0

16. Trade and other receivables

	2 December 2005 £m	*30 June 2005 £m*
Trade debtors	12.1	12.1
Other debtors	7.5	1.9
Prepayments and accrued income	1.5	1.1
Other taxes and social security	2.1	2.0
	23.2	17.1

The carrying values of current trade and other receivables are a reasonable approximation of their fair values. There is no concentration of credit risk with respect to trade receivables, since the Group has a broad customer base.

Other debtors at 2 December 2005 includes £5.2 million paid to advisers which would have been recoverable had the subsequent acquisition by Genus not have completed.

17. Cash and cash equivalents

	2 December 2005 £m	*30 June 2005 £m*
Bank balances	7.3	7.4
Call deposits	10.1	18.3
	17.4	25.7

Cash and cash equivalents comprise cash held by the Group and short term bank deposits which are immediately accessible.

18. Trade and other payables

	2 December 2005 £m	*30 June 2005 £m*
Trade payables	4.6	6.7
Accruals and deferred income	9.8	9.4
Other creditors including other taxation	2.8	2.4
	17.2	18.5

19. Provisions

	Surplus properties £m	*Sale of business – environmental £m*	*European restructuring £m*	*Total £m*
Balance at 1 July 2005	2.8	2.0	0.4	5.2
Provisions made during the period	0.4	0.8	–	1.2
Utilised	–	(0.5)	–	(0.5)
Foreign exchange	–	0.1	–	0.1
Balance at 2 December 2005	3.2	2.4	0.4	6.0
Non-current	3.2	–	–	3.2
Current	–	2.4	0.4	2.8
Total	3.2	2.4	0.4	6.0

20. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

	2 December 2005 £m	*30 June 2005 £m*
Non-current liabilities:		
Secured loans	0.2	0.5
Finance lease liabilities	0.5	0.6
Current liabilities:		
Current portion of finance lease liabilities	0.3	0.3
Total debt	1.0	1.4

Borrowings of £0.2 million (1 July 2005: £0.5 million) attract no interest. Repayments are repayable in 10 equal instalments which commenced in 2007. The loan is secured by a fixed charge over one of the Group's freehold farms in Kentucky, USA and over certain fixtures and fittings on the farm.

21. Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2 December 2005 £m	*Interest 2 December 2005 £m*	*Principal 2 December 2005 £m*	*Minimum lease payments 30 June 2005 £m*	*Interest 30 June 2005 £m*	*Principal 30 June 2005 £m*
Less than one year	0.4	(0.1)	0.3	0.4	(0.1)	0.3
Between one and five years	0.7	(0.2)	0.5	0.8	(0.2)	0.6
	1.1	(0.3)	0.8	1.2	(0.3)	0.9

22. Employee benefits

Summary of schemes

The Group has established a number of defined contribution and defined benefit pension schemes covering many of its employees. The principal fund is in the United Kingdom and is the Dalgety Pension Fund, which is a defined benefit scheme. The assets of this fund are held separately from the assets of the Group and are administered by trustees and managed professionally. This scheme is closed to new members. The benefits are based on final salary, accrue at $^{1}/_{60}$th for each year of service and provides for life assurance but does not cover post-employment medical costs.

The financial position of the defined benefit schemes as recorded in accordance with IAS19 are aggregated for disclosure purposes, however may be split by principal scheme as set out below.

	2 December 2005 £m	*30 June 2005 £m*
The Dalgety Pension Fund	(5.1)	(5.5)
Others including unfunded schemes	(6.2)	(5.9)
Gross liability	(11.3)	(11.4)

Aggregated position of defined benefit schemes

	2 December 2005 £m	*30 June 2005 £m*
Present value of unfunded obligations	(5.3)	(4.9)
Present value of unfunded medical obligations	(1.3)	(1.3)
Present value of funded obligations	(18.2)	(17.4)
Total present value of obligations	(24.8)	(23.6)
Fair value of plan assets	13.5	12.2
Recognised liability for defined benefit obligations	(11.3)	(11.4)

Plan assets consist of the following:

	2 December 2005 £m	*30 June 2005 £m*
Equity securities	8.5	7.8
Government bonds	4.8	1.1
Other	0.2	3.3
Plan assets	13.5	12.2

Movement in the liability for defined benefit obligations

	£m
Liability for defined benefit obligations at 1 July 2005	(23.6)
Benefits paid by the plan	0.1
Current service costs and interest	(0.6)
Actuarial losses recognised in equity	(0.7)
Liability for defined benefit obligations at 2 December 2005	(24.8)

Movement in plan assets

	£m
Fair value of plan assets at 1 July 2005	12.2
Contributions paid into the plan	0.4
Benefits paid by the plan	(0.2)
Expected return on plan assets	0.4
Actuarial gains recognised in equity	0.7
Fair value of plan assets at 2 December 2005	13.5

Amounts recognised in the income statement

	£m
Current service costs	(0.2)
Interest on obligation	(0.4)
Expected return on plan assets	0.4
Net cost	(0.2)

Actual return on plan assets

	£m
Actuarial gains and losses recognised directly in equity	0.7
Cumulative amount at 1 July 2005	–
Recognised during the period	0.7
Cumulative amount at 2 December 2005	0.7

Actuarial assumptions and sensitivity analysis

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

	2 December 2005
	%
Discount rate	5.10
Expected return on equity assets	7.75
Expected return on bonds	4.40
Rate of medical expense inflation	6.25
Future salary increases	3.50
Future pension increases	2.75

Historical information

		2 December 2005
Present value of the defined benefit obligation		(24.8)
Fair value of plan assets		13.5
Deficit in the plan		(11.3)
Experience adjustments arising on plan liabilities	2.8%	(0.7)
Experience adjustments arising on plan assets	5.2%	0.7
Total		–

23. Share-based payments

Charge for the year

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

	2 December 2005 £m
Share option and share appreciation rights issued post 7 November 2002	0.2

The Group has used the Black-Scholes model to value its equity settled options. For cash settled awards the actual cost to the company for exercised options (relating to share appreciation rights) has been accrued. The following key assumptions were used in the calculation of the equity settled awards:

Date of grant	*Total options granted*	*Exercise price on date of grant*	*Volatility*	*Dividend yield*	*Risk free rate*	*Expected life*	*Performance condition*
21/03/03	1,632,000	38.25	57%	1.31%	4.33%	6	Non-market
17/10/03	659,976	54.75	56%	0.91%	4.83%	6	Non-market
19/03/04	1,903,864	47.75	52%	1.15%	4.59%	6	Non-market
15/10/04	918,861	39.25	48%	1.42%	4.68%	6	Non-market

The expected volatility was based on the Company's historical return index data (share price plus dividends) over a period of time commensurate with the award.

Schemes

As at 1 July 2005 a total of 15,667,840 share options and share appreciation rates were outstanding. These were exercisable at prices of 37 pence to 186.1 pence between 2005 and 2014. During the period to 2 December 2005 no further options were issued nor were there any exercises. Post acquisition by Genus all options and share appreciation rights were cancelled unless they were capable of exercise. The total options and share appreciation rights exercised subsequent to the acquisition are set out below:

Scheme Options	*Number exercised*
37.00 pence	351,351
38.25 pence (including share appreciation rights)	2,027,447
39.25 pence	916,861
40.0 pence	1,362,800
47.75 pence (including share appreciation rights)	2,026,524
54.75 pence	659,976
Total	7,344,959

The weighted average option price was 43 pence and the offer price for the Group's shares at that time was 63.2 pence. The net cost of these option exercises has been borne by Genus.

24. Capital and reserves

Share capital and share premium

	2 December 2005 Number	*30 June 2005 Number*	*2 December 2005 £m*	*30 June 2005 £m*
Authorised				
Ordinary shares of 10p	387,500,000	387,500,000	38.8	38.8
Issued and fully paid				
Ordinary shares of 10p	295,280,580	295,252,580	29.5	29.5

The holders of ordinary shares are entitled to receive dividends as declared from time to time. On 14 September 2005 the company issued 28,000 ordinary shares of 10p each for an aggregate cash consideration of £11,000, of which £8,000 relates to share premium.

25. Translation and other reserves

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. On IFRS adoption the Group elected to reset the translation reserve to zero.

Other reserves of £287.1 million arose primarily in 1998 after the restructuring of the Group and return of shareholder capital.

26. Notes to the cash flow statement

	2 December 2005 £m
Profit for the period	3.0
Adjustment for:	
Share of profit of joint ventures	(1.8)
Interest earned	(0.3)
Income tax expense	1.1
Depreciation of property, plant and equipment	1.6
Impairment loss on land and buildings	0.6
Share based payment expense	0.2
Fair value gain on biological assets	(3.1)
Increase in provisions and other items	0.6
Operating cash flows before movement in working capital	1.9
Increase in inventories	(0.1)
Increase in receivables	(5.2)
Decrease in payables	(1.9)
Cash absorbed by operations	(5.3)
Income taxes paid	(1.1)
Interest paid	(0.4)
Net cash from operating activities	(6.8)

27. Operating lease commitments – minimum lease payments

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

	2 December 2005	
	Land & buildings	*Other*
	£m	*£m*
Less than one year	1.3	0.4
Between one and five years	2.8	0.8
More than five years	1.4	–
	5.5	1.2

28. Capital commitments

The Group had no significant capital commitments as at 2 December 2005.

29. Contingencies

As at 2 December 2005 the Group had significant contingent liabilities which crystallised on the acquisition by Genus. These are summarised below:

	2 December 2005
	£m
Contractual redundancy rights resulting from a change of control for certain senior executives	5.6
Pension curtailment loss as a result of the above	0.9
Contingent adviser fees in respect of the acquisition by Genus	5.2
Other	0.1
	11.8

The above contingencies were accounted for as fair value adjustments to the opening balance sheet of the Group by Genus as part of their acquisition accounting.

30. Related parties

Ultimate controlling party

Through to the period to 2 December 2005 as a listed entity the Group did not have a single party with ultimate control. From that date the ultimate controlling entity was Genus.

Other related party transactions

	Balance due from Joint ventures	
	2 December 2005	*30 June 2005*
	£m	*£m*
Joint ventures	0.2	0.2

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

31. Group entities

Significant subsidiaries

The principal subsidiaries of the Company 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. From 2 December 2005 the Company itself was a 100% owned subsidiary of Genus.

Subsidiary companies	*Proportion held*		*Nature of Business*
PIC Andina SA (incorporated in Chile)	100%	(1)	Supply of pigs and semen
PIC-Canada Limited (incorporated in Canada)	100%	(1)	Supply of pigs and semen
PIC Espana SA (Spain) (incorporated in Spain)	100%	(1)	Supply of pigs and semen
PIC USA, Inc (incorporated in United States)	100%	(1)	Supply of pigs and semen
Pig Improvement Company Deutschland GmbH (incorporated in Germany)	100%	(1)	Supply of pigs and semen
Pig Improvement Company Mexico S.A. de C.V. (incorporated in Mexico)	100%	(1)	Supply of pigs and semen
Pig Improvement Company UK Limited	100%	(1)	Supply of pigs and semen
SyAqua US, Inc (incorporated in United States)	100%	(1)	Shrimp breeding
SyAqua Mexico S.de R.L de C.V (Mexico) incorporated in Mexico	100%	(1)	Shrimp breeding
SyAqua Aquatec Industrial Pecuaria Ltda (Brazil) incorporated in Brazil	100%	(1)	Shrimp breeding
PIC Fyfield Limited	100%	(2)	Corporate
Sygen Inc (USA), Incorporated in United States	100%	(1)	Corporate
SyAqua Limited	100%	(1)	Corporate

(1) Held by subsidiary undertaking

(2) Directly owned

32. Directors' remuneration

The emoluments of the directors for the five month period ended 2 December 2005 are presented below:

The emoluments of the directors (excluding pension contributions) were as follows:

	Period ended 2 December 2005 £'000
Remuneration for managerial services	466

Termination payments paid to the directors post 2 December 2005 as a result of the acquisition by Genus are excluded from the above figures.

The emoluments (excluding pension contributions) of the highest paid director are £175,000. As a consequence of the change of control of the company the highest paid director took early retirement on 1 January 2006 and the amount of his pension in payment is £131,000 per annum. In the prior year (30 June 2005), the amount of his accrued pension at the end of the year was £122,000 per annum.

There are no directors for whom retirement benefits are accruing under the defined benefit pension funds.

33. Reconciliation to the acquired net assets of the Group presented by Genus

Genus has presented in its 30 June 2007 financial statements the fair value of the acquired net assets in the Group. The table below reconciles the net assets presented by Genus to the net assets shown in these accounts:

Reconciliation of net assets:

	Note	*2 December 2005 £m*
Fair value of the acquired net assets as presented by Genus in its 30 June 2007 financial statements		142.7
IFRS intangibles adjustment net of deferred tax asset	(i)	(60.5)
Contingent adviser fees	(ii)	5.2
Re-instate the Company's own goodwill	(iii)	9.8
Change of control payments net of deferred tax asset	(iv)	3.1
Other		0.7
Closing value of net assets for the Group on a stand alone basis		101.0

(i) This adjustment was made in order for Genus to reflect the value of internally generated intangible asset value in respect of porcine technology, customer relationships and supplier relationships. The Group did not recognise the value of internally generated intangible assets on its own balance sheet.

(ii) In respect of the acquisition by Genus, the Group had its own advisers whose fees were contingent on the acquisition taking place; these fees are not accrued in these accounts but are instead disclosed as contingent liabilities (note 29).

(iii) The Group's goodwill arising from its own acquisitions is removed by Genus in attributing fair values. In these accounts the goodwill is re-instated.

(iv) Certain contractual payments had to be made to senior executives of the Group following the takeover. These costs have been excluded from these accounts (note 29).

34. Reconciliations of Transition to IFRS

Effective date

In support of Admission, the Company has had to present accounts under IFRS for the period from 1 July 2005 to 2 December 2005 (the pre-acquisition period, post the last annual UK GAAP financial statements presented by the Group). For these special purpose accounts the transition date to IFRS is 1 July 2005. In order to be able to present the profit and loss for the five months to 2 December 2005 under IFRS the balance sheet as at 30 June 2005 has also been re-stated. No comparative profit and loss information is required for these special purpose accounts.

Transitional exemptions and decisions

As permitted by IFRS 1 "First time adoption of International Financial Reporting Standards", the following transitional exemptions and decisions have been applied in these restated financial statements.

Business combinations

Business combinations arising prior to 1 July 2005 have not been restated in accordance with IFRS 3. Existing goodwill has been held at net book value on transition and has been denominated in the functional currency of the operating unit to which it relates from this date.

Cumulative translation differences

Cumulative translation differences for all foreign operations have been set to zero at 1 July 2005.

Employee benefits

All cumulative actuarial gains and losses on defined benefit plans have been recognised in equity at 1 July 2005.

Share based payments

Recognition and measurement criteria for share based payments have been applied prospectively for equity instruments granted after 7 November 2002. No adjustment has been made in respect of equity instruments issued prior to this date.

The analyses below explain in detail the significant adjustments arising on transition to IFRS, as presented in the subsequent reconciliations.

(i) *IAS 41 – Biological assets*

The fair values of porcine biological assets are considered independently and are determined based on, among other things, estimates of breeding quality, price and sales volumes. Changes in fair value are recognised in the income statement within operating profit for the period.

Porcine biological assets

Porcine biological assets relate to breeding pigs, being those proprietary lines which are considered to be genetically superior, and production pigs, being their offspring.

Porcine biological assets which are in use as breeding animals are classified as non-current assets. Porcine biological asset fair values are based on sales of similar assets in an equivalent location and condition. Porcine biological assets held with an intention of resale, being the offspring of the breeding herd, are carried at fair value and classified as current assets.

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

Shrimp biological assets

For the shrimp business it was determined that application of fair values would not result in any significant difference from a historical costs basis. This was assessed after taking into account:

- The period from June to December (encompassing all financial reporting periods of the Group) is out of season, with only low levels of stock being held.
- The significant added value from the Group's production is derived from its patented technology applied to shrimp production, for example Speed LineTM which results in faster growing shrimp. The patented technology is internally generated and not valued separately from the business as a whole.

Financial statement impact of fair values

At date of transition (i.e. 1 July 2005) the fair value of biological assets, was assessed as set out below:

	£m
Porcine – non-current biological assets	40.4
Porcine – current biological assets	29.7
	70.1

These assets were recorded under UK GAAP at a historic cost value of £8.9 million.

As a result of the adoption of IAS 41, the value of biological assets and agricultural produce has increased the Group's total assets by £61.2 million, and increased liabilities for deferred taxation by £22.3 million.

(ii) *IAS 41 – Biological assets – joint ventures*

Applying biological asset valuation to the joint ventures held by the Group resulted in an increased share in equity of £1.3 million after deferred taxes.

(iii) *Goodwill and intangibles*

Goodwill prior to date of transition (1 July 2005)

In respect of acquisitions prior to 1 July 2005, goodwill is recorded on the basis of its deemed cost, which represents the net amount recorded under UK GAAP at 1 July 2005. Thus there is no change to be recorded to the equity as previously reported under UK GAAP as at 30 June 2005. Amortisation of goodwill has ceased as required by IFRS 1 and instead goodwill balances are tested for impairment.

Denomination of goodwill balances

As required by IAS 21 "The effects of changes in foreign exchange rates", goodwill arising on acquisition of a foreign operation and any fair value adjustments made to the carrying amounts of assets and liabilities within the acquired operation on acquisition, are treated as assets and liabilities of the acquired entity rather than assets or liabilities of the acquiring entity. As a result, goodwill carried at deemed cost on transition has been translated in to the relevant functional currency at date of transition.

(iv) *Share awards and options*

Executive Directors, Chief Operating Officers and key employees of the Group received part of their remuneration in the form of share options and share appreciation rights (SAR's).

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

The fair value for share options is measured at grant date and spread over the vesting period of each award or option. The fair value of the options granted is measured using a Black-Scholes option valuation model. The amount recognised as an expense is adjusted to reflect the number of share options that actually vest at the end of the vesting period. The provision required in respect of SAR's, which are cash settled, was assessed at 1 July 2005 and re-assessed at 2 December 2005.

In accordance with IFRS 2, the fair value of options granted has been recognised as an employee expense in the income statement. On settlement of the options there is no cash cost to the Group but the number of shares in issue will be increased. A corresponding credit is therefore made directly to retained earnings. This credit is presented directly within the reconciliation of reserves, rather than passing through either the income statement or the statement of changes in equity. For SAR's, which are cash settled, the required accruals at both periods were negligible.

Thus there is no impact on the net assets of the Group as presented under UK GAAP as at 30 June 2005, however there is a charge in the 5 month period to 2 December 2005.

(v) *Finance leases*

The classification of finance leases under IAS 17 "Leases" is wider than the corresponding UK GAAP standard on leasing. As a consequence certain of the Group's leases treated as operating leases under UK GAAP are considered to be finance leases under IFRS.

On transition to IFRS at 1 July 2005, property, plant and equipment ("PP&E") balances were increased by £1.0 million with a corresponding finance lease creditor of £0.9 million being recognised.

(vi) *Employee Pensions*

Obligations in respect of post employment medical and retirement benefits are required under IAS 19 "Employee benefits" to be recognised as a liability of the Group.

The impact of IAS 19 is to increase the gross scheme deficit before deferred tax at 1 July 2005 by £6.7 million. The related deferred tax asset is £2.1 million.

(vii) *Holiday pay*

IAS 19 also explicitly requires the recognition of an accrual for paid holidays where such an obligation relates to employees' past services and can be carried forward to a future period.

At date of transition, 1 July 2005, an accrual of £0.8 million has been recognised as an adjustment between UK GAAP and IFRS.

(viii) *Dividends*

Under UK GAAP (as at 1 July 2005) dividends were recognised as a liability when they were proposed by the directors. Under IFRS they are recognised only when they have been approved by the company's shareholders. Thus the final proposed dividend in respect of the 2005 financial year of £2.4 million has been removed as a liability from the balance sheet presented as at 30 June 2005 under UK GAAP.

Reconciliation to UK GAAP as at 1 July 2005

Presented below is reconciliation of the UK GAAP financial statements as at 30 June 2005 to the opening IFRS balance sheet as at 1 July 2005.

Figures presented in £m

	UK GAAP 30 June 2005	*Biological assets (IFRS (explanations i&ii)*	*Finance leases (IFRS (explanation v)*	*Pensions (IFRS (explanation vi)*	*Holiday pay (IFRS (explanation vii)*	*Dividend (IFRS (explanation viii)*	*Other*	*IFRS 1 July 2005*
Assets								
Goodwill	9.1	–	–	–	–	–	–	9.1
Biological assets	–	40.4	–	–	–	–	–	40.4
Fixed assets	27.1	(2.5)	1.0	–	–	–	–	25.6
Interest in joint ventures	2.2	1.3	–	–	–	–	–	3.5
Other investments	1.1	–	–	–	–	–	–	1.1
Deferred tax	–	–	–	–	–	–	4.7	4.7
Total non-current assets	39.5	39.2	1.0	–	–	–	4.7	84.4
Inventories	7.4	(6.4)	–	–	–	–	–	1.0
Biological assets	–	29.7	–	–	–	–	–	29.7
Trade and other receivables	17.1	–	–	–	–	–	–	17.1
Cash & cash equivalents	25.7	–	–	–	–	–	–	25.7
Total current assets	50.2	23.3	–	–	–	–	–	73.5
Total assets	89.7	62.5	1.0	–	–	–	4.7	157.9
Liabilities								
Trade payables (i)	(17.7)	–	–	–	(0.8)	–	–	(18.5)
Provisions	(2.4)	–	–	–	–	–	–	(2.4)
Obligations for finance leases	–	–	(0.3)	–	–	–	–	(0.3)
Current tax liabilities	(2.6)	–	–	–	–	–	–	(2.6)
Dividends	(2.4)	–	–	–	–	2.4	–	–
Total current liabilities	(25.1)	–	(0.3)	–	(0.8)	2.4	–	(23.8)
Obligations under finance leases	–	–	(0.6)	–	–	–	–	(0.6)
Non-interest bearing loans	(0.5)	–	–	–	–	–	–	(0.5)
Retirement benefit obligations	(4.7)	–	–	(6.7)	–	–	–	(11.4)
Provisions (i)	(2.8)	–	–	–	–	–	–	(2.8)
Deferred tax liabilities	(2.1)	(22.3)	–	2.1	0.2	–	(4.7)	(26.8)
Total non-current liabilities	(10.1)	(22.3)	(0.6)	(4.6)	0.2	–	(4.7)	(42.1)
Total liabilities	(35.2)	(22.3)	(0.9)	(4.6)	(0.6)	2.4	(4.7)	(65.9)
Net assets	54.5	40.2	0.1	(4.6)	(0.6)	2.4	–	92.0
Equity								
Called up share capital	29.5	–	–	–	–	–	–	29.5
Share premium account	2.2	–	–	–	–	–	–	2.2
Reserves	22.8	40.2	0.1	(4.6)	(0.6)	2.4	–	60.3
Total equity	54.5	40.2	0.1	(4.6)	(0.6)	2.4	–	92.0

(i) After reclassification of £0.7m in respect of pension administration accruals.

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PART X

ADDITIONAL INFORMATION

1. Responsibility statement

1.1 The Directors, whose names, functions and addresses appear on page 4 of this document, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 Deloitte & Touche LLP, whose registered office appears on page 4, accept responsibility for the information contained in Parts VI, and IX of this document. To the best of the knowledge of Deloitte & Touche LLP (which has taken all reasonable care to ensure that such is the case) the information contained in Parts VI and IX of this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

2.1 The Company was incorporated and registered in England and Wales on 26 September 1994 under the 1985 Act with registered no 02972325 as a private company limited by shares with the name Genus Limited. On 13 October 1997, the Company re-registered as a public limited company with the name Genus plc.

2.2 The Company's legal and commercial name is Genus plc.

2.3 The registered and head office of the Company is at Belvedere House, Basing View, Basingstoke, Hampshire RG21 4HG, its telephone number is 01256 347100 and its website address is www.genusplc.com.

2.4 The principal legislation under which the Company operates is the Companies Acts.

3. Share and loan capital

3.1 On Initial AIM Admission, the authorised share capital of the Company was £4,100,000, divided into 41,000,000 Ordinary Shares, 32,413,255 of which were issued credited as fully paid.

3.2 By an ordinary resolution passed on 24 August 2000, the authorised share capital of the Company was increased to £4,307,000 divided into 43,070,000 Ordinary Shares.

3.3 By an ordinary resolution passed on 25 November 2005, the authorised share capital of the Company was increased to £7,598,940 divided into 75,989,400 Ordinary Shares.

3.4 Since Initial AIM Admission, the Company has issued (for cash) the number of Ordinary Shares in the relevant years as set out below:

Year ending	*Ordinary Shares issued*
31 March 2001	2,211,806
31 March 2002	434,958
31 March 2003	317,673
31 March 2004	1,797,280
31 March 2005	1,924,247
30 June 2006	17,977,998
30 June 2007	692,334

3.5 The 692,334 Ordinary Shares issued during the financial year ended 30 June 2007 are accounted for as follows:

3.5.1 On 21 June 2006, 312,550 Ordinary Shares of 10p each were issued for a price of 10 pence each.

3.5.2 On 7 December 2006, 197,370 Ordinary Shares of 10p each were issued from a price of 10 pence each.

3.5.3 On 5 October 2006, 6,000 Ordinary Shares of 10p each were issued for a price of 173 pence each.

3.5.4 On 11 October 2006, 89,800 Ordinary Shares of 10p each were issued for a price of 175 pence each.

3.5.5 On 21 December 2006, 10,000 Ordinary Shares of 10p each were issued for a price of 221.5p each.

3.5.6 On 21 December 2006, 7,000 Ordinary Shares of 10p each were issued for a price of 310.5p each.

3.5.7 On 21 December 2006, 20,000 Ordinary Shares of 10p each were issued for a price of 310.5p each.

3.5.8 On 19 April 2007, 4,200 Ordinary Shares of 10p each were issued for a price of 1.73p each.

3.5.9 On 19 April 2007, 43,414 Ordinary Shares of 10p each were issued for a price of 1.73p each.

3.5.10 On 6 June 2007, 2,000 Ordinary Shares of 10p each were issued for a price of 1.75p each.

3.6 3,272,846 Ordinary Shares have been issued since 1 July 2007. These may be accounted as follows:

3.6.1 On 2 July 2007, 5,194 Ordinary Shares of 10p each were issued for a price of 192.5p each.

3.6.2 On 16 July 2007, 25,000 Ordinary Shares of 10p each were issued for a price of 4.3975p each.

3.6.3 On 21 September 2007, 92,761 Ordinary Shares of 10p each were issued for a price of 10p each.

3.6.4 On 1 October 2007, 8,000 Ordinary Shares of 10p each were issued for a price of 4.3975p each.

3.6.5 On 16 October 2007, 89,529 Ordinary Shares of 10p each were issued for a price of 192.5p each.

3.6.6 On 16 October 2007, 151,296 Ordinary Shares of 10p each were issued for a price of 221.5p each.

3.6.7 On 18 October 2007, 57,884 Ordinary Shares of 10p each were issued for a price of 192.5p each.

3.6.8 On 18 October 2007, 32,207 Ordinary Shares of 10p each were issued for a price of 192.5p each.

3.6.9 On 23 October 2007, 3,766 Ordinary Shares of 10p each were issued for a price of 192.5p each.

3.6.10 On 23 October 2007, 65,320 Ordinary Shares of 10p each were issued for a price of 221.5p each.

3.6.11 On 1 November 2007, 2,700,000 Ordinary Shares of 10p each were allotted for a price of 720p each.

3.6.12 On 6 November 2007, 41,889 Ordinary Shares of 10p each were issued for a price of 310.5p each.

3.7 At the date of this document and immediately following Admission the authorised and issued fully paid share capital of the Company is and will be:

Class of shares	*Nominal value*	*Authorised*		*Issued (fully paid)*	
		£	*No*	*£*	*No*
Ordinary Shares	£0.10	£7,598,940	75,989,400	£5,920,419	59,204,190

None of the capital of the Company has been paid for with assets other than cash within the period covered by the historical financial information.

3.8 The authorised but unissued share capital of the Company immediately following Admission will be £1,678,521 representing approximately 22 per cent. of the authorised share capital.

3.9 Other than as set out in paragraph 3.8 above, the Company has no present intention of issuing any of the authorised but unissued share capital of the Company.

3.10 The Company does not have in issue any securities not representing share capital.

3.11 The Company remains subject to the continuing obligations of the Listing Rules published by the FSA with regard to the issue of securities for cash and the provisions of section 89 of the 1985 Act (to the extent not disapplied pursuant to section 95 of the 1985 Act), which confers on the shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the 1985 Act) which are, or are to be, paid up in cash and, on Admission, will apply to the authorised but unissued share capital of the Company.

3.12 The legislation under which the Ordinary Shares have been created is the 1985 Act and regulations made under the 1985 Act. The Ordinary Shares are denominated in sterling.

3.13 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Title to such shares may be transferred by means of CREST.

3.14 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.15 Save as disclosed in this paragraph 3, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned subsidiaries) in the three years immediately preceding the date of this document and no such issues are proposed.

3.16 No commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.

3.17 On Admission no share or loan capital of the Company or any other member of the Group will be under option or will be agreed conditionally or unconditionally to be put under option.

3.18 None of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to the Official List.

3.19 The Company has no convertible or exchangeable securities or securities with warrants.

3.20 The Company does not hold any treasury shares and no Ordinary Shares are held by, or on behalf of, any member of the Group.

4. Memorandum and articles of association

4.1 The memorandum of association of the Company provides that the principal object of the Company includes the development and provision of breeding, embryo transfer, animal health and farm management services and assistance of every description to all livestock and other farmers. The objects of the Company are set out in full in clause 4 of its memorandum of association.

4.2 The Articles contain, *inter alia*, the following provisions:

4.2.1 *Voting rights*

Subject to the rights or restrictions referred to in paragraph 4.2.2 below and subject to any special rights or restrictions as to voting attached to shares, on a show of hands every member who is present in person or being a corporation is present by a duly authorised representative, not being himself a member, shall have one vote and on a poll every holder who is present in person or by proxy shall have one vote for each Ordinary Share held by him. A corporate member may, by resolution of its directors or other governing body, authorise any person to act as its representative at general meetings and that person may exercise the same powers as the corporate member could exercise if it were an individual member.

4.2.2 *Restrictions on voting*

Unless the board otherwise decides, a member of the Company is not entitled, either in person or by proxy, in respect of any share held by him, to vote at any general meeting of the Company unless all amounts payable by him in respect of that share have been paid.

A member of the Company shall not, if the directors determine, be entitled to attend general meetings and vote or to exercise rights of membership if he or another person appearing to be interested in the relevant shares has failed to comply with a notice given under section 212 of the 1985 Act within 14 days. The restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred or sold in the circumstances set out in the Articles.

4.2.3 *Dividends*

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profit (up to the amount recommended by the board). Such dividend can be paid in any currency and by any means set out in the Articles. However, the risk lies with the person entitled to the money. The directors may pay such interim dividends as appear to the board to be justified by the financial position of the Company. No dividends payable in respect of any share shall bear interest, unless otherwise provided by the rights attached to the share. The directors may, if authorised by an ordinary resolution, offer any holders of shares the right to elect to receive further shares, credited as fully paid, instead of cash in respect of all or part of a dividend ("a scrip dividend"). All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall be forfeited.

4.2.4 *Return of capital*

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may with the same sanction, vest the whole or any part of the whole of the assets in trustees on trusts for the benefit of the members as he with the same sanction thinks fit, but no member shall be compelled to accept any assets on which there is a liability.

4.2.5 *Variation of rights*

Any rights attaching to a class of shares in the Company may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of the class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting shall be two persons holding, or represented by proxy, not less than one-third in nominal value of the issued shares of the relevant class.

4.2.6 *Transfer of shares*

Subject to the restriction set out in the Articles, any member may transfer all or any of his shares in any manner which is permitted by the Statutes (as defined in the Articles) or in any other manner which the directors approve. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Statutes or which the directors approve. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of the relevant system or in any other manner which is permitted by the Statutes and is from time to time approved.

The directors have a discretion to refuse to register a transfer of a certificated share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis) without giving a reason. The directors must provide the transferee with a notice of the refusal within two months from the date on which the transfer was lodged with the Company in the case of certificated shares or, in respect of uncertificated shares, the date on which an instruction was received by the Company through the relevant system. The directors may also decline to register a transfer of shares in certificated form unless (i) the instrument of transfer, duly stamped, is delivered to the office of the Company or at another place which the directors determine, accompanied by the certificate for the shares to which it relates and other evidence which the directors may reasonably require to prove the title of the transferor; (ii) the instrument of transfer is in respect of only one class of share; (iii) the number of joint holders to whom the share is to be transferred does not exceed four.

Save as aforesaid, the Articles contain no restrictions as to the free transferability of fully paid shares.

4.2.7 *Alteration of capital and purchase of own shares*

The Company may alter its share capital as follows:

4.2.7.1 by ordinary resolution, it may increase its share capital, consolidate or divide all or any of its shares into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person;

4.2.7.2 by special resolution and, subject to the provisions of the 1985 Act, it may reduce its share capital, any capital redemption reserve or any share premium account or other undistributable reserves in any manner; and

4.2.7.3 subject to the provisions of the Statutes, the Company may purchase all or any of its shares of any class, including redeemable shares and may hold such shares as treasury shares or cancel them.

4.2.8 *General meetings*

4.2.8.1 *Annual general meetings*

The board shall convene and the Company shall hold annual general meetings in accordance with the requirements of the 2006 Act.

4.2.8.2 *Extraordinary general meetings*

All general meetings other than annual general meetings shall be called extraordinary general meetings.

4.2.8.3 *Convening of extraordinary general meetings*

The board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened by the board on the requisition of members pursuant to the provisions of the Statutes or, in default, may be convened

by such requisitions, as provided by the Statutes. The board shall comply with the provisions of the Statutes regarding the giving and the circulation, on the requisition of members, of notices of resolutions and of statements with respect to matters relating to any resolution to be proposed or business to be dealt with at any general meeting of the Company.

4.2.8.4 *Orderly conduct of meetings*

The board may both prior to and during any general meeting make any arrangements and impose any restrictions which it considers appropriate to ensure the security and/or the orderly conduct of any such general meeting, including, without limitation, arranging for any person attending any such meeting to be searched, for items of personal property which may be taken into any such meeting to be restricted and for any person (whether or not a member of the Company) who refuses to comply with any such arrangements or restrictions to be refused entry to or excluded from any such meeting.

4.2.8.5 *Notice of general meetings*

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or a resolution appointing a person as a director shall be called by not less than 21 clear days' notice. All other extraordinary general meetings shall be called by not less than 14 clear days' notice.

The notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted.

Notice of every general meeting shall be given to all members other than any who, under the provisions of the Articles or the terms of issue of the shares which they hold, are not entitled to receive such notices from the company, and also to the auditors (or, if more than one, each of them) and to each director.

Every notice of meeting shall state with reasonable prominence that a member entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) vote at that meeting instead of him and that a proxy need not be a member of the Company.

4.2.8.6 *Quorum*

No business, other than the appointment of a chairman, shall be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business.

Except as otherwise provided by the Articles three members present in person or by proxy and entitled to vote on a poll shall be a quorum. If within 15 minutes from the time appointed for the holding of a general meeting a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or, if that day is not a business day, to the next business day) and at the same time and place, as the original meeting, or to such other day, and at such other time and place, as the board may decide and in the latter case not less than seven clear days' notice of the adjourned meeting shall be given in any manner in which notice of a meeting may lawfully be given for the time being. If at an adjourned meeting a quorum is not present within 15 minutes from the time fixed for holding the meeting, any two members who are present in person or by proxy and entitled to vote on a poll shall be a quorum, failing which the meeting shall be dissolved.

4.2.8.7 *Chairman*

At each general meeting, the chairman of the board or, if he is absent or unwilling, the deputy chairman (if any) of the board or (if more than one deputy chairman is present and willing) the deputy chairman who has been longest in such office or, if no deputy chairman is present and willing, then one of the other directors who is appointed for the purpose by the board or (failing appointment by the board), by the members present, shall preside as chairman of the meeting, but if no director is present within 15 minutes after the time fixed for holding the meeting or, if none of the directors present is willing to preside, the members present and entitled to vote shall choose one of their number to preside as chairman of the meeting.

4.2.8.8 *Directors entitled to attend and speak*

Whether or not he is a member, a director shall be entitled to attend and speak at any general meeting of the Company and at any separate general meeting of the holders of any class of shares of the Company.

4.2.8.9 *Adjournment*

With the consent of any meeting at which a quorum is present the chairman of the meeting may (and if so directed by the meeting shall) adjourn the meeting from time to time or sine die and from place to place.

In addition, the chairman of the meeting may at any time without the consent of the meeting adjourn the meeting (whether or not it has commenced or a quorum is present) to another time and/or place if, in his opinion, it would facilitate the conduct of the business of the meeting to do so, notwithstanding that by reason of such adjournment some members may be unable to be present at the adjourned meeting.

4.2.8.10 *Method of voting and demand for poll*

At a general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

4.2.8.10.1 the chairman of the meeting; or

4.2.8.10.2 at least three members present in person or by proxy having the right to vote on the resolution; or

4.2.8.10.3 a member or members present in person or by proxy representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to vote on the resolution excluding any voting rights attached to any shares in the Company held as treasury shares; or

4.2.8.10.4 a member or members present in person or by proxy holding shares conferring the right to vote on the resolution on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right excluding any shares in the Company conferring a right to vote at the meeting which are held as treasury shares;

4.2.8.10.5 and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

4.2.8.11 *Taking a poll*

If a poll is demanded (and the demand is not withdrawn), it shall be taken at such time (either at the meeting at which the poll is demanded or within 30 days after the

meeting), at such place and in such manner as the chairman of the meeting shall direct and he may appoint scrutineers (who need not be members).

4.2.8.12 *Chairman's casting vote*

In the case of an equality of votes, either on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, as the case may be, shall be entitled to a further or casting vote in addition to any vote or votes to which he may be entitled.

4.2.8.13 *Representation of corporations*

Any corporation which is a member of the Company may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meeting of the Company or of any class of members of the Company.

4.2.8.14 *Proxies*

A proxy need not be a member of the Company and a member may appoint more than one proxy to attend on the same occasion.

4.2.8.15 *Form of proxy*

An instrument appointing a proxy shall be:

4.2.8.15.1 by means of an instrument in writing in any usual form or in any other form which the board may approve, signed by the appointor, or his agent duly authorised in writing, or, if the appointor is a corporation, shall either be executed under its common seal or be signed by some agent or officer authorised for that purpose; or

4.2.8.15.2 contained in an electronic communication sent to such address (if any) as may for the time being be notified by or on behalf of the Company for that purpose provided that the electronic communication is received in accordance with the Articles not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (or any postponed time appointed for holding the meeting pursuant to the Articles) or, where a poll is taken more than 48 hours after it is demanded, after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

4.2.8.16 *Deposit of proxy*

The appointment of a proxy shall:

4.2.8.16.1 in the case of an instrument, be delivered personally or by post to the office or such other place within the United Kingdom as may be specified by or on behalf of the Company for that purpose in the notice convening the meeting or in any form of proxy sent by or on behalf of the Company in relation to the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting;

4.2.8.16.2 in the case of an appointment contained in an electronic communication where an address has been specified by or on behalf of the Company for the purpose of receiving electronic communications in the notice convening the meeting or in any form of proxy sent by or on behalf of the Company in relation to the meeting or in any invitation contained in an electronic communication to appoint a proxy issued by or on behalf of the Company in relation to the meeting, be received at such address not less

than 48 hours before the time appointed for holding the meeting or adjourned meeting;

4.2.8.16.3 in either case, where a poll is taken more than 48 hours after it is demanded, be delivered or received as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or

4.2.8.16.4 in the case only of an instrument, where a poll is not taken forthwith but is taken not more than 48 hours after it was demanded, be delivered at the meeting at which the poll was demanded to the chairman or to the secretary or to any director.

In relation to any shares which are held in uncertificated form, the board may from time to time permit appointments of a proxy to be made by means of an electronic communication in the form of an uncertificated proxy instruction.

An instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so received for the purposes of any meeting shall not require again to be received for the purposes of any subsequent meeting to which it relates.

4.2.8.17 *Notice of revocation of proxy*

Notice of the revocation of the appointment of a proxy may be given in any lawful manner which complies with the regulations (if any) made by the directors to govern the revocation of a proxy.

4.2.9 *Directors and the board*

4.2.9.1 *Number*

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall be not less than three but there is no maximum.

4.2.9.2 *Appointment of directors by the Company in general meeting*

The Company may by ordinary resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an additional director.

No person (other than a director retiring by rotation or otherwise) shall be appointed or re-appointed a director at any general meeting unless:

4.2.9.2.1 he is recommended by the board; or

4.2.9.2.2 notice has been given to the Company, by a member (other than the person to be proposed) entitled to vote at the meeting, stating his intention to propose a resolution for the appointment of that person, stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors and a notice executed by that person of his willingness to be appointed.

The board may appoint any person who is willing to act to be a director, either to fill a vacancy or by way of addition to their number.

4.2.9.3 *Remuneration*

The directors (other than directors holding executive office) shall be paid out of the funds of the Company for their services determined by the directors. The aggregate of the fees shall not exceed £250,000 per annum or such larger sum as may from time to time be determined by ordinary resolution. Any fee shall be distinct from any remuneration or other amounts payable to a director under other provisions of the

Articles and shall accrue from day to day. The directors may be paid all travel, hotel and other expenses properly incurred in the performance of their duties as directors, including expenses incurred in attending meetings of the board, committees of the board and general meetings or separate meetings of the holders of any class of securities of the Company.

4.2.9.4 *Retirement of directors*

At each annual general meeting any director who has been appointed by the board since the previous annual meeting and any director selected to retire by rotation shall retire from office.

4.2.9.5 *Retirement of directors by rotation*

At each annual general meeting of the Company, one-third of the directors (excluding any director who has been appointed by the directors since the previous annual general meeting) or, if their number is not three or a multiple of three, the number nearest to but not more than one-third shall retire from office. In addition, each director shall retire from office at the third annual general meeting after he was appointed or reappointed, if he would not otherwise fall within the directors to retire by rotation.

The directors to retire by rotation shall be those of the other directors who have been longest in office since their appointment or last reappointment but, as between persons who became or were last reappointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The directors to retire shall be determined (both as to number and identity) by the composition of the board at the commencement of business on the date of the notice convening the annual general meeting. A director shall not be required, or be relieved from the obligation, to retire by reason of a change in the board after that time but before the close of the meeting.

A retiring director shall be eligible for re-appointment and (unless he is removed from office or his office is vacated in accordance with the Articles) shall retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-appoint him is put to the meeting and lost.

If at any meeting at which the appointment of a director ought to take place the office vacated by a retiring director is not filled, the retiring director, if willing to act, shall be deemed to be re-appointed, unless at the meeting a resolution is passed not to fill the vacancy or to appoint another person in his place or unless the resolution to appoint him is put to the meeting and lost.

No person shall be required to vacate from office by reason only of the fact that he has attained the age of 70 years or any other age.

4.2.9.6 *Removal of directors*

The Company may by extraordinary resolution, or by ordinary resolution of which special notice has been given in accordance with the Statutes, remove any director before his period of office has expired notwithstanding anything in these Articles or in any agreement between him and the Company.

4.2.9.7 *Vacation of office of director*

Without prejudice to the provisions of the Articles for retirement or removal, the office of a director shall be vacated:

4.2.9.7.1 if he is prohibited by law from being a director; or

4.2.9.7.2 if he becomes bankrupt or he makes any arrangement or composition with his creditors generally; or

4.2.9.7.3 if he is, or may be, suffering from mental disorder and in relation to that disorder either he is admitted to hospital for treatment or an order is made by a court (whether in the United Kingdom or elsewhere) for his detention or for the appointment of some person to exercise powers with respect to his property or affairs; or

4.2.9.7.4 if for more than six months he is absent (whether or not an alternate director attends in his place), without special leave of absence from the board, from meetings of the board held during that period and the board resolves that his office be vacated; or

4.2.9.7.5 if he serves on the Company notice of his wish to resign, in which event he shall vacate office on the service of that notice on the Company or at such later time as is specified in the notice.

4.2.9.8 *Executive directors*

The directors may appoint a director to an executive office in the Company. The appointment may be on the terms the directors determine.

The appointment of a director to an executive office terminates if he ceases to be a director, but without prejudice to any claim for damages for breach of any contract of employment.

4.2.9.9 *Power to appoint alternate directors*

Each director may appoint another director or any other person who is willing to act as his alternate and may remove him from that office. The appointment as an alternate director of any person who is not himself a director shall be subject to the approval of a majority of the directors or a resolution of the board.

An alternate director shall be entitled to received notice of all meetings of the board and of all meetings of committees of which the director appointing him is a member, to attend and vote at any such meeting at which the director appointing him is not personally present and at the meeting to exercise and discharge all the functions, powers and duties of his appointor as a director and for the purposes of the proceedings at the meeting the provisions of the Articles shall apply as if he were a director.

Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate, in addition to his own vote if he is also a director, but he shall count as only one for the purpose of determining whether a quorum is present.

4.2.9.10 *Directors' interests*

A director shall not vote nor be counted in a quorum at a meeting in relation to any resolution of the board concerning any contract, arrangement or any other proposal in which he has a material interest (including by virtue of the interests of persons connected with him).

The prohibition will not apply to the following:

4.2.9.10.1 the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company (or any of its subsidiary undertakings) or in respect of a debt or obligation of the Company (or any of its subsidiary undertakings) for which he has assumed responsibility,

in whole or in part, under a guarantee or an indemnity or by the giving of security;

4.2.9.10.2 any contract concerning an offer of shares, debentures or other securities by the Company (or any of its subsidiary undertakings) in which offer he is or may be entitled to participate as a holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

4.2.9.10.3 any contract in which he is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;

4.2.9.10.4 a proposal concerning another company in which he is not interested, directly or indirectly, in 1 per cent. or more either of its equity share capital or of its voting rights;

4.2.9.10.5 an arrangement for the benefit of the employees of the Company (or any of its subsidiary undertakings) which does not award the director a privilege or benefit not generally awarded to the employees to whom the arrangement relates; or

4.2.9.10.6 a proposal concerning the purchase or maintenance of insurance for the benefit of persons who include directors.

Subject to the Statutes and provided he has disclosed to the directors the nature and extent of his interest, a director may contract with the Company, the contract shall not be avoided on the grounds of his interest or benefit and the director is not liable to account to the Company for any benefit realised as a result of the contract.

A director may not vote or be counted in the quorum in relation to a resolution of concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment.

Where proposals are under consideration concerning the appointment (including fixing or varying its terms) or the termination of the appointment of two or more directors, a separate resolution may be put in relation to each director. In each case, each director concerned (if not otherwise debarred from voting) is entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.

4.2.9.11 *Benefits*

The directors may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits to any person who is or who has at any time been a director of the Company (and for any of his relations or dependants) or in the employment or service of the Company or any of its subsidiary undertakings (or the relatives or dependants of any such person).

4.2.9.12 *Powers of the board*

The business of the Company shall be managed by the board which may exercise all the powers of the Company, subject to the provisions of the Statutes, the memorandum of association of the Company, the Articles and any special resolution of the Company. No special resolution or alteration of the memorandum of association of the Company or the Articles shall invalidate any prior act of the board which would have been valid if the resolution had not been passed or the alteration had not been made.

4.2.9.13 *Borrowing powers*

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The directors shall restrict the borrowing of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (in relation to subsidiaries only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (as defined in the Articles) (exclusive of intra-group borrowing) shall not, except with the previous sanction of the Company in general meeting, exceed an amount equal to four times the adjusted capital and reserves or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

For this purpose, the adjusted capital and reserves means the aggregate of the amount paid up on the issued or allotted share capital of the Company and the amount standing to the credit of the reserves (including share premium account, capital redemption reserve fund, property revaluation reserve and unappropriated balance of investment or grants), after adding or deducting any balance standing to the credit or debit of the group's profits and loss account, all as shown in the relevant balance sheet but adjusted as may be appropriate in respect of any variation in the amount of the paid up share capital, the share premium account or capital redemption reserve since the date of the relevant balance sheet, excluding amounts attributable to the share capital of any undertaking not owned by a group company and any sum set aside for taxation, and after deducting the amount of any distribution declared recommended or made by any group company and after making such other adjustments (if any) as the board may consider appropriate or necessary and as are approved by the auditors.

4.2.9.14 *Indemnity of officers*

Subject to the Statutes, each current or former director, secretary or other officer (other than an auditor) of the Company or any Associated Company (as defined in the Articles) shall be indemnified out of the assets of the Company against:

4.2.9.14.1 any liability incurred by or in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company other than any liability to the Company or any Associated Company and any liability of the kind referred to in s309B(3) or s309B(4) of the 1985 Act; and

4.2.9.14.2 any other liability incurred by or attaching to him in the actual and/or purported execution of his duties and/or exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office.

Funding of defence proceedings

Subject to the Statutes and to certain other conditions, the directors may exercise the powers of the Company to provide any current or former director, secretary or other officer (other than an auditor) of the Company with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company. References to a "director" shall include references to a former director or a current director, or former secretary or other officer (other than an auditor) of the Company.

Directors' and officers' liability insurance

The board may purchase and maintain for the benefit of any person who holds or has held at any time a relevant office (as defined in the Articles), insurance against any liability or expense incurred by him in relation to the Company or any Associated Company or any third party, in respect of any act or omission in the actual or purported discharge of the duties of the relevant officer concerned or otherwise in connection with the holding of office.

4.2.9.15 *Delegation to individual directors*

The board may entrust to and confer upon any director any of its powers, authorities and discretions (with power to sub-delegate) on such terms and conditions as it thinks fit and may revoke or vary all or any of them, but no person dealing in good faith shall be affected by any revocation or variation.

4.2.9.16 *Committees*

The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) including without prejudice to the generality of the foregoing all powers, authorities and discretions whose exercise involves or may involve the payment of remuneration to, or the conferring of any other benefit on, all or any of the directors to any committee consisting of such person or persons (whether directors or not) as it thinks fit, provided that the majority of the members of the committee are directors and that no meeting of the committee shall be quorate for the purpose of exercising any of its powers, authorities or discretions unless a majority of those present are directors.

4.2.9.17 *Board meetings*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit.

4.2.9.18 *Notice of board meetings*

Notice of a board meeting shall be deemed to be properly given to a director if it is given to him personally or by word or mouth or sent in writing to him at his last known address or any other address given by him to the Company for this purpose or sent by electronic communication to him at an address given by him to the Company for this purpose.

4.2.9.19 *Quorum*

The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, shall be two. Subject to the provisions of the Articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the board meeting if no other director objects and if otherwise a quorum of directors would not be present.

4.2.9.20 *Voting*

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

4.2.9.21 *Telephone and video conference meetings*

A meeting of the board may consist of a conference between directors some or all of whom are in different places provided that each director who participates is able:

4.2.9.21.1 to hear each of the other participating directors addressing the meeting; and

4.2.9.21.2 if he wishes, to address all of the other participating directors simultaneously, whether by conference telephone or by video conference or by any other form of communications equipment (whether in use when the Articles are adopted or developed subsequently) or by a combination of any such methods.

A meeting held in this way is deemed to take place at the place where the largest group of participating directors is assembled or, if no such group is readily identifiable, at the place from where the chairman of the meeting participates.

4.2.9.22 *Resolutions in writing*

A resolution in writing signed or approved by all the directors entitled to notice of a meeting of the directors shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted. The resolution may be contained in one document or in several documents in like form, each signed or approved by one or more of the directors concerned.

4.2.10 *CREST*

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Ordinary Shares are eligible for settlement in CREST.

5 Share Option Schemes

5.1 The following options and awards remain outstanding under the Share Option Schemes:

Plan	*Date granted*	*Options*	*Awards*	*Total*	*Option price exercise (pence)*
2000 Company Share Plan	11 June 2002	7,141		7,141	173
2000 Company Share Plan	06 June 2003	16,883		16,883	192.5
2004 Company Share Plan	09 September 2004	97,400		97,400	221.5
2004 Company Share Plan	19 May 2005	260,500		260,500	310.5
2004 Performance Share Plan	19 May 2005		145,700	145,700	N/A
2004 Performance Share Plan	7 December 2005		168,350	168,350	331.5
2004 Company Share Plan	7 December 2005	78,740		78,740	331.5
2004 Company Share Plan	21 June 2006	499,200		499,200	331.5
2004 Performance Share Plan	21 June 2006		273,006	273,006	N/A
2004 Company Share Plan	25 September 2006	50,609		50,609	472
2004 Company Share Plan	21 September 2007	14,558		14,558	582
2004 Company Share Plan	21 September 2007	205,532		205,532	582
2004 Performance Share Plan	21 September 2007		306,270	306,270	N/A
Total current Options & Awards		1,230,563	893,326	2,123,889	

5.2 ***Summary of the principal terms of the 2000 Company Share Plan ("the Plan")***

5.2.1 *Introduction*

The Plan was established by the Company on 28 June 2000 and is administered by the remuneration committee of the Board. The Plan is divided into three parts. Part A, which is summarised in paragraphs 5.2.2 to 5.2.11 below, is designed to be capable of approval by HM

Revenue & Customs under Schedule 4 to ITEPA. Part B, which is referred to in paragraph 5.2.12 below has not been and will not be approved by HM Revenue & Customs. Part C which is referred to in paragraph 5.2.13 below is for overseas employees. In this section 5.2, "Group" refers to the Company and those companies which were subsidiaries of the Company prior to the acquisition of Sygen.

5.2.2 *Eligibility*

All employees of the group are eligible to be nominated for participation in Part A of the Plan. Directors who are employees are also eligible for participation in Part A provided that they have a normal working week of at least 25 hours (excluding meal breaks).

5.2.3 *Grant of options*

The remuneration committee has absolute discretion in selecting the persons to whom options under Part A are to be granted and in determining the number and terms of options to be granted.

Options may normally be granted within the period of 42 days following the date of the announcement by the Company of its results for any period. Options may also be granted at any other time when in the opinion of the remuneration committee circumstances are considered to be exceptional so as to justify the grant of options.

Options will be personal to the option holder and may not be transferred or assigned. Options will be non-pensionable. No payment will be required for an option.

No option may be granted under Part A more than ten years after the date of adoption of the Plan.

5.2.4 *Option price*

The holder of an option under Part A will be entitled to acquire Ordinary Shares at a price per share to be determined by the Board at the time when the option is granted. The option price may not be less than the lower of the market value of an Ordinary Share on the date on which the option is granted and if the option is to subscribe for Ordinary Shares the nominal value of a share.

5.2.5 *Individual limits*

No option may be granted to an individual to the extent that, at that date, the aggregate market value of Ordinary Shares comprised in subsisting options held by the participant under Part A when aggregated with the market value of Ordinary Shares comprised in subsisting options held by that individual under any other MM Revenue & Customs approved discretionary share option plan operated by the group exceeds £30,000 (of such other limit as may from time to time be permitted by the relevant statutory provisions).

The aggregate market value of Ordinary Shares comprised in all options to subscribe granted to an individual under the Plan and any other discretionary share option plan operated by a member of the group in any ten year period may not exceed four times his annual remuneration. At the discretion of the remuneration committee exercised options can be disregarded from this limit.

5.2.6 *Performance condition*

The exercise of all options will in normal circumstances be subject to the attainment of challenging performance criteria. The performance targets will be determined by the remuneration committee and will be designed to ensure that no options are exercised unless there has been a sustained and significant improvement in the underlying performance of the group. Any performance condition will not normally apply when an option holder is allowed to exercise his option in the special circumstances described in paragraph 5.2.7 below.

5.2.7 *Exercise and lapse of options*

Options may normally only be exercised during the relevant option period. The option period will be the period of seven years commencing on the third anniversary of the date of grant of the option or such lesser period as may be specified by the remuneration committee at the date of grant. As a general rule, options may only be exercised by a person who remains an employee of the group. Options may, however, be exercised for a limited period after the option holder ceases to be employed within the group as a result of death, retirement, redundancy, ill health, injury or disability of the option holder or where the option holder's employing company or business is disposed of outside the group or at the discretion of the remuneration committee in any other circumstances. Exercise is also possible in the event of an amalgamation, reconstruction or takeover of the Company. In such circumstances an option holder maybe allowed to release his rights under options in consideration of the grant to him of equivalent rights over shares in the acquiring company. Options may also be exercised in the event of a voluntary winding up of the Company and in certain circumstances options may be exercised in the event of a demerger. Options will normally lapse on the expiry of any of the periods allowed for exercise.

5.2.8 *Issue or transfer of Ordinary Shares*

Application will be made for admission to trading of new Ordinary Shares issued under the Plan. Ordinary Shares will be allotted and issued or transferred within 30 days of the exercise of an option. Ordinary Shares will be issued or transferred subject to the Memorandum and Articles of Association of the Company as from time to time amended without the benefit of any rights attaching to Ordinary Shares by reference to a record date preceding the date of exercise.

5.2.9 *Variation of capital*

In the event of any variation of share capital the board may make such adjustments as it considers appropriate to the number of Ordinary Shares subject to options and the option price payable on exercise of such options. Any such adjustment must receive the prior approval of HM Revenue & Customs and confirmation by the auditors that the variation is fair and reasonable.

5.2.10 *Plan limits*

No option to subscribe may be granted under the Plan if, immediately thereafter, the aggregate nominal value of Ordinary Shares issued or capable of being issued pursuant to options granted within the immediately preceding period of ten years under Part A and any other discretionary share option plan operated by a member of the group would exceed 5 per cent. of the ordinary share capital of the Company at that time in issue.

No option to subscribe may be granted under the Plan if, immediately thereafter, the aggregate nominal value of Ordinary Shares issued or capable of being issued pursuant to options granted or rights obtained within the immediately preceding period of ten years under Part A and any other employees' share scheme operated by a member of the group would exceed 10 per cent. of the ordinary share capital of the Company at that time in issue.

5.2.11 *Amendments to Part A*

Although the board has the power to amend the provisions of Part A, the provisions relating to:

the definition of exercise price;

the limits on individual participation;

the rule relating to amendments; and

the Plan limits

cannot be amended to the advantage of option holders without the prior approval of shareholders in general meeting (except for amendments which are necessary or desirable to obtain or retain the approval of HM Revenue & Customs or minor amendments to benefit the administration of Part A, to take account of a change in legislation or to obtain favourable tax, exchange control or regulatory treatment for option holders under Part A or for the Company or any other member of the group). No amendment should have effect without the prior approval of HM Revenue & Customs.

5.2.12 *Non-approved options*

Part B of the Plan provides for the grant of options outside the terms of HM Revenue & Customs' approval but on broadly similar terms to those outlined for Part A.

The £30.000 individual limit on the grant of options does not apply to options granted under Part B.

The exercise of any options granted under Part B will be conditional on the option holder complying with such arrangements as may be specified by the Company for the payment of any liability of the option holder on exercise to income tax or National Insurance contributions.

5.2.13 *Overseas employees*

Part C provides for the grant of options to overseas employees outside the terms of HM Revenue & Customs approval on terms broadly similar to Part B as modified to take account of local tax, exchange control and securities issues.

5.3 ***Summary of the principal terms of the 2004 Company Share Plan (the "2004 Plan")***

5.3.1 *Introduction*

The 2004 Plan was adopted by the Company on 12 August 2004 and is administered by the remuneration committee of the board (the "Committee"). The 2004 Plan is discretionary and only operates in those years that the Committee determine. The Plan constitutes two parts, an unapproved discretionary share option plan (the "Unapproved Part") and an addendum containing an HM Revenue & Customs approved discretionary share option plan (the "Approved Part").

5.3.2 *Eligibility*

Any employee of the group, as well as any executive director who is required to devote substantially all of his time to the business of the group will be eligible to participate in the 2004 Plan at the discretion of the Committee.

5.3.3 *Grant of options*

Options may normally only be granted in the 42 day period following the announcement by the Company of its results for any period, or following a change in the legislation relating to share plans or where there are circumstances considered by the board to be exceptional. No options may be granted later than ten years after the approval of the 2004 Plan by shareholders.

Options may be granted over newly issued shares or shares acquired in conjunction with the 2004 Employee Benefit Trust.

The Committee may also satisfy options with an award of shares or cash, provided the participant receives the same economic value as would have been provided by an option over shares.

No payment will be required for the grant of an option. Options are not pensionable benefits and are not transferable (other than on death) without the consent of the directors.

5.3.4 *Individual limits*

No employee may be granted options under the 2004 Plan and any other market value option plan adopted by the Company in any financial year over shares worth more than 100 per cent. of his annual remuneration, unless the Committee determines that exceptional circumstances exist which justify exceeding this limit. In practice the level of grant will be lower than this limit in most cases. In applying this limit no account shall be taken of any shares which may have been put under option to ensure that a participant is not financially disadvantaged if he agrees to satisfy his employer's National Insurance liability in relation to an option.

5.3.5 *Option exercise price*

The price per share payable on the exercise of an option will not be less than the closing middle market quotation (as derived from the Daily Official List) for the immediately preceding dealing day, or if the Committee determines, the average of the closing middle market quotations over the three preceding dealing days.

5.3.6 *Plan limits*

Shares for use in the 2004 Plan may be acquired on market or issued to an employee benefit trust for delivery to participants.

The 2004 Plan is subject to the following overall limits on the number of new Ordinary Shares, which may be subscribed:

5.3.6.1 in any ten year period not more than 15 per cent. of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the 2004 Plan and any other employees' share scheme adopted by the Company; and

5.3.6.2 in any ten year period not more than 10 per cent. of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the 2004 Plan and under any discretionary share plan adopted by the Company.

For the purposes of these limits, options or other rights to acquire shares which lapse or have been released do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees' share schemes adopted by the Company, as well as treasury shares (if relevant), do count towards these limits.

5.3.7 *Performance conditions*

The exercise of options will generally be subject to performance conditions. The Committee will set the level and type of performance condition depending on the role and seniority of the participants concerned. The Committee regularly reviews the performance conditions for option grants to ensure they are appropriate for the Company. The conditions may be varied in certain circumstances following the grant of an option so as to achieve their original purpose but not to make their achievement any more or less difficult to satisfy.

5.3.8 *Exercise and lapse of options*

Subject to the participant discharging any relevant tax liability, an option will normally be exerciseable between three and ten years following its grant provided that any specified performance condition has been satisfied.

If a participant leaves employment with the Company the treatment of any outstanding options will be at the discretion of the Committee, having regard, as appropriate, to the time which has elapsed between the grant of that option and the cessation of employment and the extent to which any applicable performance conditions have been satisfied.

In the event of a takeover, reconstruction or winding up of the Company a proportion of an option will be capable of exercise having regard to the time which has elapsed between the grant of that option and the relevant event. The extent to which any further proportion of the option may be exercised will be at the discretion of the Committee, having regard to the extent to which any applicable performance condition has been satisfied up to the date of the relevant event. Alternatively, options may be exchanged for new equivalent options where appropriate. In this case any performance conditions are disregarded unless the Committee determines otherwise. The Committee may also if it thinks it appropriate, allow all or part of the options to be exercised, if there is some other exceptional corporate event which affects the value of options.

5.3.9 *Issue or transfer of Ordinary Shares*

Shares allotted or transferred under the 2004 Plan will rank equally with all other ordinary shares of the Company for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the option). The Company must ensure any new shares allotted under the 2004 Plan are listed.

5.3.10 *Variation of capital*

In the event of any variation of share capital, demerger or other corporate event the directors may make such adjustments as they consider appropriate to any exercise conditions, the number of shares subject to options and the price payable on the exercise of options.

5.3.11 *Amendments to the 2004 Plan*

The 2004 Plan may at any time be altered by the directors in any respect. However, any alterations to the advantage of participants to the rules governing eligibility, limits on participation, rights attaching to awards and shares, the number of new shares available under the 2004 Plan and adjustment of awards must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the 2004 Plan, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or group companies.

5.3.12 *Overseas employees*

The Committee may grant options to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the options are not overall more favourable than the terms of options granted to other employees.

5.3.13 *The Approved Part*

The Approved Part of the 2004 Plan will operate on a similar basis to the Unapproved Part except where required otherwise by HM Revenue & Customs. In summary, the key differences between the Approved Part and the Unapproved Part are as follows:

5.3.13.1 Options cannot be granted to or exercised by an employee who also has a material interest in the Company, i.e. he, either by himself or with associates, controls more than 25 per cent. of the ordinary share capital of the Company.

5.3.13.2 Options are personal to a participant and cannot be transferred except to personal representatives on a participant's death.

5.3.13.3 Participants may hold options granted under the Approved Part over shares up to a maximum market value (calculated at the relevant date of grant of the option of £30,000, at any one time.

5.3.13.4 Where a participant leaves employment as a result of his death, his options may be exercised within a year of death notwithstanding that any performance

conditions have not been satisfied. Where a participant leaves as a result of injury or disability. redundancy or retirement, he may exercise a proportion of his option calculated by reference to the proportion of the option period that has elapsed to the date of cessation notwithstanding that any performance conditions have not been satisfied. He has six months from the date of cessation to exercise this proportion of his option unless the Committee determines that the option may be exercised within a period of not exceeding 42 months from the date of grant. Where a participant leaves as a result of his employing company ceasing to be a member of the group, the transfer or sale of the undertaking in which he is employed to a person who is not a member of the group or for any other reason determined at the discretion of the grantor, the treatment of any outstanding options shall be at the discretion of the Committee.

5.3.13.5 The prior approval of HM Revenue & Customs is required where any amendment is to be made to a key feature of the Approved Part, or where an adjustment of options is proposed following a variation of capital or where replacement options are offered on a change of control or other reorganisation.

5.4 ***Summary of the principal terms of the 2004 Performance Share Plan (the "PSP")***

5.4.1 *Operation*

The PSP was adopted by the Company on 12 August 2004 and is administered by the remuneration committee of the Company ("the Committee"). The PSP is discretionary and will only operate in those years that the Committee determine.

5.4.2 *Eligibility*

Any employee of the group, as well as any executive director who is required to devote substantially all of his time to the business of the group will be eligible to participate in the PSP at the discretion of the Committee.

5.4.3 *Awards*

Under the terms of the PSP, awards of Ordinary Shares or options with a nil exercise price over Ordinary Shares may be made to selected eligible employees at the discretion of the Committee.

Awards may normally only be granted in the 42 day period following the announcement by the Company of its results for any period, or following a change in the legislation relating to share plans or where there are circumstances considered by the directors to be exceptional. No awards may be made later than ten years after the approval of the PSP by shareholders.

No payment will be required for the grant of an award. Awards are not pensionable benefits and are not transferable (other than on death) without the consent of the directors.

5.4.4 *Individual limits*

No employee may be awarded shares under the PSP and any other performance share plan adopted by the Company in any financial year over shares worth more than 125 per cent. of his annual remuneration unless the Committee determines that exceptional circumstances exist which justify exceeding this limit. In applying this limit no account shall be taken of any shares awarded to ensure that a participant is not financially disadvantaged if he agrees to satisfy his employer's National Insurance liability in relation to an award.

5.4.5 *Plan limits*

The PSP is subject to the following overall limits on the number of new Ordinary Shares, which may be subscribed:

5.4.5.1 in any ten year period not more than 15 per cent. of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the PSP and any other employees' share scheme adopted by the Company; and

5.4.5.2 in any ten year period not more than 10 per cent, of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the PSP and under any discretionary share plan adopted by the Company.

For the purposes of these limits, options or other rights to acquire shares which lapse or have been released do not count. However, share subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees' share schemes adopted by the Company, as well as treasury shares (if relevant), do count towards these limits.

5.4.6 *Performance conditions*

The retention of shares comprised in an award and the ability to exercise nil cost options will generally be subject to performance conditions. The Committee regularly reviews the performance criteria for awards to ensure they remain challenging and appropriate for the Company. The conditions may be varied in certain circumstances following the making of an award so as to achieve their original purpose but not so as to make their achievement any more or less difficult to satisfy.

5.4.7 *Exercise of nil cost options/vesting of awards*

Subject to the participant discharging any relevant tax liability, an award will normally vest unconditionally after three years following its grant provided that any specified performance condition has been satisfied. Where the awards take the form of nil cost options the participants will be able to exercise their options at any time after vesting until the tenth anniversary of the grant of the award.

If a participant leaves employment with the Company the treatment of any outstanding options/unvested awards will be at the discretion of the Committee, having regard. as appropriate, to the extent that the performance period has elapsed and the extent to which any applicable performance conditions have been satisfied.

In the event of a takeover, reconstruction or winding up of the Company a proportion of an award will vest or be capable of exercise having regard to the time which has elapsed between the grant of the options or award of shares and the date of the relevant event. The extent to which any further proportion of the award will vest or become capable of exercise will be at the discretion of the Committee having regard to the extent to which any applicable performance condition has been satisfied. Alternatively, awards may be exchanged for new equivalent awards where appropriate. In this case any performance conditions are disregarded unless the Committee determines otherwise. The Committee may also if it thinks it appropriate, allow all or part of the award to vest, if there is some other exceptional corporate event which affects the value of awards.

5.4.8 *Issue or transfer of Ordinary Shares*

Where the awards comprise of conditional shares, shares are held by the 2004 Employee Benefit Trust until such time as the awards vest. Participants will agree to waive any dividend or voting rights until such time as the shares vest unconditionally. Where awards comprise of nil cost options, no dividend or voting rights will arise until such time as the options are exercised.

Subject to the above, shares allotted or transferred under the PSP will rank equally with all other ordinary shares of the Company for the time being in issue (except for rights attaching to

such shares by reference to a record date prior to the exercise of the option). The Company must ensure any new shares allotted under the PSP are listed.

5.4.9 *Variation of capital*

In the event of any variation of share capital, demerger or other corporate event the Directors may make such adjustments as they consider appropriate to any exercise conditions, the number of shares subject to options and the price payable on the exercise of options.

5.4.10 *Alterations to the PSP*

The PSP may at any time be altered by the Directors in any respect. However, any alterations to the advantage of participants to the rules governing eligibility, limits on participation, rights attaching to awards and shares, the number of new shares available under the PSP and adjustment of awards must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the PSP, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or group companies.

5.4.11 *Overseas employees*

The Committee may grant options to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the options are not overall more favourable than the terms of options granted to other employees.

5.5 ***Summary of the principal terms of the 2004 Share Incentive Plan (the "SIP")***

5.5.1 *Introduction*

The SIP is approved by HM Revenue & Customs under Schedule 2 to Income Tax (Earnings and Pensions) Act 2003 ("ITEPA"). The SIP is constituted by a trust deed and rules. The trustee is a professional trustee independent of the Company. Save to the extent required by the terms of the trust deed, the SIP will be administered by the board of directors of the Company or a duly authorised committee of it.

5.5.2 *Operation of the SIP*

On any occasion on which the directors decide to operate the SIP, it may be operated on one or more of the bases allowed by the legislation. These are as follows:

5.5.2.1 as a Free Plan;

5.5.2.2 as a Partnership Plan; and

5.5.2.3 as a Matching Plan.

At the current time, the SIP is operated as a Partnership Plan only.

5.5.3 *Free Plan*

If the SIP is operated as a Free Plan, group companies will provide the trustees with funds to enable them to subscribe for or purchase Ordinary Shares. These Ordinary Shares will then be allocated to the eligible employees. The maximum individual allocation of Ordinary Shares under the Free Plan ("Free Shares") in any tax year is £3,000 (calculated by reference to the market value of the Ordinary Shares at the date of allocation).

Any allocation of Free Shares must be made on similar terms. However, the allocation can be linked to such individual, team, divisional or corporate performance as the directors may decide and communicate to the eligible employees before the start of the performance period. The performance targets set for each unit must be broadly comparable and must not contain any features which have the effect of concentrating the awards on directors or higher-paid employees.

Free Shares must be held by the trustees for a period determined by the directors, being between three and five years. If a participant ceases to be employed within the group before the end of this period, his Free Shares will, in the absence of forfeiture, be transferred to him from the trust. Where the shares are withdrawn from the trust within five years of the award (except in certain specified circumstances such as redundancy or disability), the participant will incur an income tax liability.

If the participant ceases to be employed within three years of the award (or within such shorter period as the directors may decide) otherwise than in certain specified circumstances such as redundancy or disability, the Free Plan may provide that his Free Shares will be forfeited.

5.5.4 *Partnership Plan*

Under the Partnership Plan, an eligible employee may enter into an agreement with the Company to allocate up to the lower of 10 per cent, of his gross salary and £1,500 per annum to purchase Ordinary Shares ("Partnership Shares"). The directors have the flexibility to offer to provide for Partnership Shares to be bought within 30 days of the day on which the deduction from gross salary is made or provide for the deductions to be accumulated for a period (not exceeding 12 months) and for the Partnership Shares to be bought within 30 days of the end of that period.

A participant may withdraw his Partnership Shares at any time but, if he does so before the Partnership Shares have been held in the trust for five years (except in certain specified circumstances such as redundancy or disability) he will incur an income tax liability.

5.5.5 *Matching Plan*

If the directors decide to operate the Partnership Plan in any period, they may also decide to operate the Matching Plan in the same period. Under the Matching Plan, the Company would provide the trustees with funds to enable them to purchase Ordinary Shares ("Matching Shares") which will then be allocated to participants up to a maximum ratio of two Matching Shares for every Partnership Share. Participation in the Matching Plan must be open to all eligible employees on the same basis.

Matching Shares must be held by the trustees for a period determined by the directors being between three and five years. If a participant ceases to be employed within the group before the end of this period, his Matching Shares will, in the absence of forfeiture, be transferred to him from the trust. Where the shares are withdrawn from the trust within five years of the award (except in certain specified circumstances such as redundancy or disability), the participant will incur an income tax liability.

If the participant ceases to be employee within three years of the award (or within such shorter period as the directors may decide and except in specified circumstances such as redundancy or disability) or withdraws his Partnership Shares from the trust before the end of the minimum three year period, the Matching Plan may provide that his Matching Shares will be forfeited.

5.5.6 *Eligibility*

All UK resident employees of the Company and its participating subsidiaries who have not less than eighteen months' continuous service (or such shorter period as the directors may decide) must be eligible to participate in the SIP at the directors' discretion.

5.5.7 *Dividends*

The SIP provides that any dividends paid on the Free, Partnership or Matching Shares may either be paid to the participants or reinvested in the purchase of additional Ordinary Shares to be held in the SIP for a period of three years.

5.5.8 *Voting rights*

The SIP provides that the voting rights attributable to the Ordinary Shares of a participant may not be exercised whilst the Ordinary Shares are held in the trust.

5.5.9 *Change of control, reorganisations etc*

If a general offer is made to the shareholders or a rights, capitalisation or scrip issue, participants will be able to direct the trustees how to act on their behalf.

5.5.10 *Amendments*

The directors may make such amendments to the SIP as are either necessary or desirable to obtain or retain the approval of HM Revenue & Customs or take account of changes to applicable legislation. The directors may also make such amendments to the SIP as may be necessary or desirable to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the group.

Except as described above or for amendments designed to each the administration of the SIP, no amendment which is materially to the advantage of employees or participants may be made within the prior approval of the Company in general meeting.

No amendments may be made which adversely affect the subsisting rights of participants without the consent of those affected.

Amendments to key features of the SIP must be approved by HM Revenue & Customs for the SIP to remain approved.

5.5.11 *Plan limits*

In any ten year period not more than 15 per cent. of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the SIP and any other employees' share schemes adopted by the Company.

5.6 ***The 2004 Employee Benefit Trust***

The 2004 Employee Benefit Trust ("the Trust") is a discretionary employee benefit trust for the benefit of the employees and former employees of the Company and its subsidiaries and the spouses and dependants of such employees and former employees. The trustee of the Trust is an independent trustee. The Trust is administered outside the United Kingdom. The Company and its subsidiaries may give financial assistance to the Trust whether by way of loan, gift or otherwise to enable the Trust to acquire shares in the Company. Shares can be acquired by market purchase or by subscribing for shares at a price per share which is not less than the nominal value of a share. Shares acquired by the Trust may be used to satisfy options granted under any share option scheme operated by the Company.

5.7 ***Miscellaneous***

The Company also currently operates various other historical share plans (though there are no outstanding options under such plans). No further options will be granted, or awards made, under these plans.

6. Directors' and Senior Executives' interests

6.1 As at the date of this document and on Admission, the interests of the Directors and Senior Executives and their immediate families (all of which are beneficial) in the share capital of the Company which:

6.1.1 are or will be required to be notified to the Company in accordance with DTR 3 by each Director and by each Senior Executive to the extent that they are also directors of a Subsidiary;

6.1.2 are interests of a connected person (within the meaning in DTR 3) of a Director which would, if the connected person were a director, be required to be disclosed under paragraph 6.1.1 above and the existence of which is known to or could with reasonable diligence be ascertained by that Director; or

6.1.3 would have been required to be disclosed in paragraph 6.1.1 above if the relevant Senior Executive had been a Director of the Company,

are, as at the date of this document and will be, immediately following Admission, as follows:

Director	*Number of Ordinary Shares*	*Percentage of issued share capital*	*Number of Ordinary Shares under option/award*
John Hawkins[1]	Nil	Nil	Nil
Richard Wood[1]	Nil	Nil	410,285
Martin Boden	Nil	Nil	34,364
Edwin White	Nil	Nil	Nil
John Worby[1]	Nil	Nil	Nil
Barry Furr[1]	Nil	Nil	Nil
Senior Executive			
Ian Biggs	3,375	0.006	180,254
Philip Acton	41,104	0.069	131,085
Steve Amies	Nil	Nil	127,297

(1) divested of their share holdings during October and November in order to secure taper relief.

6.2 At the date of this document the Company is aware of the following persons who are or will on Admission be interested, directly or indirectly, in voting rights representing three per cent. or more of the issued share capital of the Company to which voting rights are attached:

Name	*Number of Ordinary Shares*	*Percentage of issued share capital*
Landsdowne Partners	6,545,015	11.05%
NFU Mutual	6,068,428	10.25%
M&G Investment Management	3,431,674	5.80%
Goldman Sachs Asset Management	1,820,577	3.08%
Montonaro Investment Managers	1,785,000	3.01%

6.3 Save as disclosed in paragraph 6.2 above, the Company is not aware of any person who will, immediately following Admission, hold (for the purposes of rule 5 of the DTRs ("DTR 5"), directly or indirectly voting rights representing three per cent. or more of the issued share capital of the Company to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over the Company.

6.4 The persons (including the Directors and Senior Executives) referred to in paragraphs 6.1 and 6.2 above do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other shareholder of the Company.

6.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

6.6 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed. There are no potential conflicts of interest between any duties owed to the Company by the Directors or Senior Executives and their private and/or other duties.

6.7 The Directors and Senior Executives currently hold and have during the five years preceding the date of this document held, the following directorships, partnerships or been a Senior Executive in the relevant organisation:

Name	*Current directorships/partnerships*	*Previous directorships/partnerships*
Richard Wood	Genus plc Farmstat International Limited Genus Quest Trustees Limited Genus Breeding Limited HTSPE Limited Promar International Limited Genus Animal Health Limited P-E International Consultants Limited Genus Management Services Limited Produce Studies Limited Promar Studies Limited Brazilian Properties Limited Genus Investments Limited Animalcare Limited GAH Realisation No 2 Limited Firmadenta Limited GD Realisation Number 1 Limited Genus Trustees Limited Booktile Limited Progen Limited Spedivet Limited Supersires Limited Sygen International Limited Pig Improvement Company UK Limited PIC Fyfield Limited PIC Fyfield Investments Limited Genusxpress Limited	Promar Assist Limited

Name	*Current directorships/partnerships*	*Previous directorships/partnerships*
Martin Boden	Sygen International Limited Pigtales Limited Genusxpress Limited Genus Trustees Limited HTSPE Limited Genus Animal Health Limited GD Realisation Number 1 Limited Firmadenta Limited Brazilian Properties Limited Genus Investments Limited Spedivet Limited P-E International Consultants Limited Genus Management Services Limited Booktile Limited Genus plc Promar International Limited Genus Breeding Limited Genus Quest Trustees Limited GAH Realisation No 2 Limited Animalcare Ltd Farmstat International Limited Promar Studies Limited Produce Studies Limited Progen Ltd Pig Improvement Company UK Limited PIC Fyfield Investments Limited Supersires Limited Pig Improvement Company Overseas Limited Pig Improvement Group Limited PIC Fyfield Limited Easicare Computers Limited Syaqua Limited	Argos Holdings Limited Stanhope Finance Limited Experian (UK) Holdings Limited Brigstock Finance Limited
Edwin White	Genus plc The Royal Bath & West of England Society Genus Trustees Limited	None
John Hawkins	Genus plc Psion plc Craven Corporation Limited Atex Media Command Limited Atex Group Limited	

Name	*Current directorships/partnerships*	*Previous directorships/partnerships*
John Worby	Genus plc UNIQ Pension Scheme Trustees Limited Stoke Park Avenue Limited Cranswick plc Smiths News plc Catalyst Housing Group Limited	Uniq plc McCormack (Littleborough) Limited Nashbond Finance Limited UNIQ Prepared Foods Limited Terranova Foods Limited Terranova Foods UK Limited Unigate (Director) Limited Unigate (Secretary) Limited UNIQ (Holdings) Limited Unigate Overseas Holdings Limited Unigate Properties Limited
Barry Furr	Genus plc The Biosciences Federation Cancer Research UK Breast Cancer Campaign The Manchester Technology Fund Limited Academy of Medical Science	BioScientifica Limited
Ian Biggs	None	None
Philip Acton	Spedivet Limited GAH Realisation No 2 Limited GD Realisation Number 1 Limited Animalcare Limited Booktile Limited Genus Animal Health Limited Firmadenta Limited Genusxpress Limited	Vetexpress Limited Genus U.S. Limited Scotvet Services Limited Promar Labs Limited Axient Ltd Farmstat Limited Genus plc Genus Breeding Limited Genus Management Services Limited Genus Quest Trustees Limited HTSPE Limited P-E International Consultants Limited Genus Investments Limited
Steve Amies	Genus Breeding Limited Progen Limited Supersires Limited	Milk Pension Fund Trustees Limited

The business address of all the Directors and Senior Executives is Belvedere House, Basing View, Basingstoke, Hampshire RH21 4HG.

6.8 None of the Directors or Senior Executives has at any time within the last five years:

6.8.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;

6.8.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

6.8.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors; or

6.8.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

6.9 There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director or Senior Executive was selected.

6.10 There are no restrictions agreed by any Director or Senior Executive on the disposal within a certain period of time of their holdings in the Company's securities.

6.11 There are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.

7. Directors' and Senior Executives' remuneration and service agreements

7.1 In the financial year ended 30 June 2007, the aggregate remuneration (including pension fund contributions and benefits in kind) of the Directors and Senior Executives was £2.028 million. The aggregate remuneration (including pension fund contributions and benefits in kind but excluding bonuses) of the Directors and Senior Executives in respect of the current financial year (under the arrangements in force at the date of this document) is expected to be £1.711 million. The amount of remuneration paid to each Director (and to David Timmins) in the financial year ended 30 June 2007 was as follows:

	Salary and fees £000	*Bonus £000*	*Benefits £000*	*Pension £000*	*Total 12 months 30.06.07 £000*
Executive Directors					
Richard Wood	350	77	58	–	485
Martin Boden	50	–	3	6	59
David Timmins[1]	200	32	21	35	288
Non-executive Directors					
John Hawkins	125	–	–	–	125
Edwin White	37	–	–	–	37
John Worby	37	–	–	–	37
Barry Furr	20	–	–	–	20
Total	819	109	82	41	1,051

(1) In addition, a payment of £249,000 was made by the Company to David Timmins on 2 July 2007 as compensation for loss of office.

7.2 The following agreements have been entered into between the Executive Directors and the Company:

7.2.1 a service agreement dated 8 November 1996 between (1) the Company and (2) Richard Wood (as amended by an agreement dated 3 April 2007) pursuant to which Richard Wood was employed as chief executive of the Company, such employment to continue for a fixed period until 31 March 2009, at a salary (subject to annual review) of £450,000 per annum and other benefits commensurate with his position including permanent health insurance, life assurance, pension allowance (of 15 per cent. of basic salary per year), private health insurance, personal accident cover, an annual bonus, a cash incentive (payable in the final year of the contract at an amount to be determined), a company car and eligibility for conditional share awards under the Company's Performance Share Plan; and

7.2.2 a service agreement dated 12 March 2007 between (1) the Company and (2) Martin Boden pursuant to which Martin Boden was employed as group finance director of the Company, such employment to continue unless and until terminated by the Company on 12 months' written notice or by Martin Boden on 6 months' written notice. Mr. Boden receives a salary (subject to annual review) of £200,000 per annum and other benefits commensurate with his position

including permanent health insurance, contributions to a pension plan (of 12 per cent. of basic salary), private health insurance, personal accident cover, an annual discretionary bonus, life assurance and a company car (or an allowance of £10,000 per annum instead of a company car, to be reviewed annually) and eligibility for conditional share awards under the Company's Performance Share Plan.

7.3 The following agreements have been entered into between the Non-Executive Directors and the Company:

7.3.1 a letter of appointment dated 25 October 2005 pursuant to which John Hawkins was appointed as a non-executive director of the Company. The appointment is subject to periodic re-election at the Company's Annual General Meeting by rotation. Mr. Hawkins is paid an annual fee (exclusive of VAT) of £125,000;

7.3.2 a letter of appointment dated 25 October 2005 pursuant to which Edwin White was appointed as a non-executive director of the Company. The appointment is subject to periodic re-election at the Company's Annual General Meeting by rotation at an annual fee (exclusive of VAT) of £33,000 together with an additional fee of £7,000 per annum as Chairman of the Remuneration Committee;

7.3.3 a letter of appointment to be dated 25 October 2005 pursuant to which John Worby was appointed as a non-executive director of the Company. The appointment is subject to periodic re-election at the Company's Annual General Meeting by rotation at an annual fee (exclusive of VAT) of £33,000 together with an additional fee of £7,000 per annum as Chairman of the Audit Committee; and

7.3.4 a letter of appointment dated 9 October 2006 pursuant to which Barry Furr was appointed as a non-executive director of the Company. The appointment is subject to periodic re-election at the Company's Annual General Meeting by rotation at an annual fee (exclusive of VAT) of £33,000 together with an additional fee of £7,000 per annum if appointed Chairman of the Board Standing Committee.

7.4 The following agreements have been entered into between the Senior Executives and the Company:

7.4.1 a service agreement dated 10 March 2000 between (1) the Company and (2) Ian Biggs (amended by an agreement dated 2 December 2005) pursuant to which Ian Biggs was employed as Chief Operating Officer for the Americas, such employment to continue unless and until terminated by the Company on 12 months' written notice or by Ian Biggs on 12 months' written notice. Mr. Biggs receives a salary (subject to annual review) of £200,000 per annum and other benefits commensurate with his position including a pension plan, private health insurance, permanent health insurance, an annual discretionary bonus and a company car;

7.4.2 a service agreement dated 2 December 2005 between (1) the Company and (2) Phillip Acton (as amended by an agreement dated 17 September 2007) pursuant to which Philip Acton was employed as Chief Operating Officer for Europe and the Rest of the World such employment to continue unless and until terminated by the Company on 12 months' written notice or by Philip Acton on 12 months' written notice. Mr. Acton receives a salary (subject to annual review) of £150,000 per annum and other benefits commensurate with his position including a pension plan, private health insurance, permanent health insurance, an annual discretionary bonus and a company car; and

7.4.3 a service agreement dated 22 December 1999 between (1) the Company and (2) Steve Amies (as amended by an agreements dated 2 December 2005 and 25 June 2007) pursuant to which Steve Amies was employed as Head of Product Strategy, such employment to continue unless and until terminated by the Company on 12 months' written notice or by Steve Amies on 6 months' written notice. Mr. Amies receives a salary (subject to annual review) of £150,000 per annum and other benefits commensurate with his position including a pension plan

(contributions of 15 per cent. of salary), private health insurance, permanent health insurance, annual discretionary bonus and a company car.

8. The Company and its Subsidiaries

8.1 The Company is the holding company of the Group and has the following principal Subsidiaries:

Subsidiary companies	*Holding*	*Nature of Business*
ABS Global Inc (incorporated in United States)	US$1 Capital stock[(1)]	Supply of dairy and beef semen
ABS Italia Srl (incorporated in Italy)	€1 quota capital[(1)]	Supply of dairy and beef semen
ABS Mexico SA de CV (incorporated in Mexico)	US$1 Common stock	Supply of dairy and beef semen
ABS Pecplan Ltda (incorporated in Brazil)	RS1 quota stock	Supply of dairy and beef semen
ABS Global (Canada) Inc (incorporated in Canada)	CN$1 common shares	Supply of dairy and beef semen
Animalcare Limited	£1 ordinary shares[(1)]	Supply and distribution of veterinary and other products
Genus Australia Pty Ltd (incorporated in Australia)	AU$1 ordinary shares	Supply of dairy and beef semen
Genus Breeding Limited	£1 ordinary shares	Supply of dairy and beef semen
HTSPE Limited	£1 ordinary shares	Consultancy and contract management
Promar International Limited	£1 ordinary shares[(1)]	Market research and consultancy
PIC Andina SA (incorporated in Chile)	Peso 1 ordinary shares[(1)]	Supply of pigs and semen
PIC-Canada Limited (incorporated in Canada)	CN$1 common shares[(1)]	Supply of pigs and semen
PIC Espana SA (Spain) (incorporated in Spain)	€ capital stock[(1)]	Supply of pigs and semen
PIC USA, Inc (incorporated in United States)	US$1 capital stock[(1)]	Supply of pigs and semen
Pig Improvement Company Deutschland GmbH (incorporated in Germany)	€ 1 capital stock[(1)]	Supply of pigs and semen
Pig Improvement Company Mexico S.A. de C.V. (incorporated in Mexico)	Peso 1 quota stock[(1)]	Supply of pigs and semen
Pig Improvement Company UK Limited	10p ordinary shares[(1)]	Supply of pigs and semen

(1) Held by subsidiary undertaking

The Company has a number of other subsidiaries which are not deemed by the Directors to be "principal subsidiaries" in terms of their contribution to the Group's activities.

8.2 Except for those subsidiaries in which the Company holds less than one hundred per cent. (as indicated above), the above companies are directly or indirectly wholly-owned by the Company.

9. Principal establishments, plant and equipment

The principal establishments of the Group are as follows:

Company	*Location*	*Tenure*	*Annual current rent*	*Insurance*
ABS Global, Inc	United States	Owned	N/A	Global policy
ABS International Inc	United States	Owned	N/A	N/A
ABS Global (Canada) Inc	Canada	10 year lease	CAN$141,900	Global policy
PIC Mexico SA de CV	Mexico	Owned	N/A	N/A
PIG Improvement Company UK Limited	United Kingdom	10 year lease	£103,467	Global policy
PIC Espana S.A.	Spain	3 year lease	€451,560	Global policy
PIC Andina S.A.	Chile	5 year lease	US$82,800	Global policy
Pig Improvement Company Deutschland GmbH	Germany	Lease to 31/10/2009	€59,845	Global policy
Ceska PIC Sro	Czech Republic	Rolling lease with 3 months notice	£6,000	N/A
PIC (Zhangjiagang) Ltd	China	7 year lease to year end 2009	2,640,000 CNY	Global policy
PIC Romania Srl (Office)	Romania	2 year lease	€21,300	N/A
Genus Breeding Limited	United Kingdom	15 year lease	£36,000	Global policy
Pecplan ABS Importacao e Exportacao Ltda	Brazil	Owned	N/A	Global policy
ABS Italia s.r.l.	Italy	Owned	N/A	Global policy
ABS Mexico SA de CV	Mexico	Rolling lease with one month notice	US$12,000	N/A
Bovec SAS	France	3 year lease	€28,236	N/A
ABS Chile Limitada	Chile	6 year lease	$24,000	Global policy

10. Mandatory takeover bids and squeeze-out/sellout provisions

10.1 ***Mandatory takeover bids***

The City Code on Takeovers and Mergers (the "City Code") applies to all takeover and merger transactions in relation to the Company and operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment. The City Code provides an orderly framework within which takeovers are conducted and the Panel has now been placed on a statutory footing. The Takeovers Directive was implemented in the UK in May 2006 and since 6 April 2007 has effect through the 2006 Act. The Takeovers Directive applies to takeovers of companies registered in an EU member state and admitted to trading on a regulated market in the EU or EEA.

The City Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and if a person acquires control of a company the other holders of securities must be protected. This is reinforced by Rule 9 of the City Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30 per cent. or more of the voting rights, to make a general offer. "Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other

than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent. of the voting rights.

There are not in existence any current mandatory takeover bids in relation to the Company.

10.2 ***Squeeze-out***

Section 979 of the 2006 Act provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent., of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders informing them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, pay the consideration for the shares to the Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration available under the takeover offer.

10.3 ***Sellout***

Section 983 of the 2006 Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in the Company which amount to not less than 90 per cent. in value of all the voting shares in the Company and carry not less than 90 per cent. of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

11. Notifications of shareholdings

The provisions of DTR 5 will apply to the Company and its Shareholders once its shares are admitted to the Official List. DTR 5 sets out the notification requirements for Shareholders and the Company where the voting rights of a Shareholder exceed, reach or fall below the threshold of 3 per cent. and each 1 per cent. thereafter, up to 100 per cent. DTR 5 provides that disclosure by a Shareholder to the Company must be made within two trading days of the event giving rise to the notification requirement and the Company must release details to a regulatory information service as soon as possible following receipt of a notification and by no later than the end of the trading day following such receipt.

12. United Kingdom taxation

This paragraph is intended as a general guide to UK current tax law and practice in the areas referred to below and in particular it contains no details of proposed changes to taxation contained in the UK Government's October 2007 Pre-Budget Report. This paragraph applies to persons who (unless the position of non-resident shareholders is expressly referred to) are resident or ordinarily resident in the UK for tax purposes and who beneficially own Ordinary Shares as investments. Any person who is in doubt as to his or her tax position or requires further information should consult an appropriate professional adviser.

12.1 ***UK taxation of dividends***

No tax will be withheld by the Company when it pays dividends under current United Kingdom tax legislation.

12.1.1 *Individual and trustee Shareholders*

12.1.1.1 An individual Shareholder, resident for tax purposes in the United Kingdom, who receives a dividend from the Company will be entitled to a tax credit equal to one ninth of the amount of the net dividend which is also equivalent to a tax credit of

10 per cent. of the sum of the net dividend and the tax credit (the "gross dividend").

12.1.1.2 Individual Shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will be treated as the top slice of an individual's income. The tax credit referred to in sub-paragraph 12.1.1.1 above will discharge the liability to income tax in respect of the dividend of an individual Shareholder who is subject to United Kingdom income tax at the lower or basic rate only. Higher rate taxpayers will be able to offset the tax credit against their liability to income tax on the gross dividend. A higher rate taxpayer will be liable to income tax on the gross dividend at a rate of 32.5 per cent. After setting off the tax credit, a higher rate tax payer will be liable to an additional income tax equal to 25 per cent. of the net dividend. However, if an individual United Kingdom resident Shareholder's total tax credit on such dividends exceeds his overall United Kingdom tax liability, he may no longer claim from HM Revenue and Customs repayment of the excess.

12.1.1.3 For dividends paid to trustees of United Kingdom resident discretionary or accumulation trusts the gross dividend will be subject to United Kingdom income tax at a rate of 32.5 per cent. with a tax credit equal to 10 per cent. of the gross dividend.

12.1.1.4 The amount of the tax credit in respect of a dividend paid which constitutes income of a pension fund, charity or venture capital trust, will not be repaid.

12.1.2 *Corporate Shareholders*

A corporate Shareholder (other than a share dealer) resident for tax purposes in the United Kingdom will not generally be liable to United Kingdom corporation tax on dividends received.

12.1.3 *Non-resident Shareholders*

Shareholders who are not United Kingdom resident will not generally be able to claim repayment from HM Revenue and Customs of any part of the tax credit attaching to dividends paid by the Company. Persons who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received from the Company.

12.2 ***Taxation on capital gains for Shareholders***

12.2.1 An individual Shareholder who is resident or ordinarily resident for tax purposes in the United Kingdom and who sells or otherwise disposes of his Ordinary Shares may, depending on his personal circumstances, incur a liability to United Kingdom tax on any capital gain, or deemed capital gain realised.

12.2.2 An individual Shareholder who is neither resident or ordinarily resident for tax purposes in the United Kingdom will not normally be liable to United Kingdom capital gains tax on gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such shareholder carries on a trade (which for this purpose includes a profession or vocation) in the United Kingdom through a branch or agency and such Ordinary Shares are or have been used, held or acquired for the purposes of such trade or branch or agency.

12.2.3 For a Shareholder not within the charge to corporation tax such as an individual, trustee or personal representative, taper relief which reduces a chargeable gain depending on the length of time for which an asset is held may at present be available to reduce the amount of chargeable gain realised on a subsequent disposal.

12.2.4 A Shareholder who is an individual and who has ceased to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than five years of assessment and who

disposes of Ordinary Shares during that period may be liable to United Kingdom taxation of chargeable gains (subject to any available exemption or relief).

12.2.5 United Kingdom resident corporate holders of Ordinary Shares will, depending on their individual circumstances, be liable to United Kingdom tax on any disposal or deemed disposal of such Ordinary Shares, subject to the availability of indexation allowance.

12.3 ***Stamp duty and stamp duty reserve tax ("SDRT")***

12.3.1 Except as mentioned in sub-paragraph 12.3.2 below, the transfer on sale of Ordinary Shares will generally be liable to *ad valorem* stamp duty at the rate (in broad terms) of 0.5 per cent. of the amount or value of the consideration paid or, if an unconditional agreement to transfer the Ordinary Shares is not immediately completed by a duly stamped transfer or where the transfer is effected under CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. Liability to pay the stamp duty or SDRT is that of the transferee or purchaser. In the case of transfers in CREST, SDRT will be collected in CREST in accordance with the rules of the CREST system.

12.3.2 Where a charge to stamp duty or SDRT arises under sections 67, 70, 93 or 96 of the Finance Act 1986 (which broadly apply where Ordinary Shares are transferred or, in certain circumstances, are issued to persons who issue depository receipts or provide clearance services, or their nominees or agents), stamp duty at the higher rate (in broad terms) of 1.5 per cent. or SDRT at the higher rate of 1.5 per cent. (as appropriate) will be payable on the amount or value of the consideration paid for the issue or subsequent transfer.

13. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

13.1 a facilities agreement dated 26 October 2005 (the "Facilities Agreement") made between Genus and certain other members of the Group (as borrowers and guarantors), Barclays Capital (the investment banking division of Barclays Bank) (as arranger) and Barclays Bank (as original lender, agent and security trustee), pursuant to which the Lenders (as defined therein) agreed to make available to the Original Borrowers (as defined in the Facility Agreement) (a) sterling term loan facilities of £110,000,000 (the "TLF") and (b) a multicurrency revolving credit facility of up to £70,000,000 (the "RCF"). The TLF and an amount of the RCF not exceeding £45,000,000 was applied in or towards (i) payment for acquisition of the Sygen Shares, (ii) payment of fees, costs and expenses incurred in connection with the Facilities Agreement, acquisition of Sygen and the associated placing, and (iii) the refinancing of the Group's existing financial indebtedness and, following that acquisition, the refinancing of the Sygen Group's existing financial indebtedness. The remainder of the RCF was applied towards the general corporate and working capital purposes of the Group.

The TLF and RCF (the "Facilities") were originally secured by cross-guarantees and debentures granted by certain members of the Genus group (the Original Guarantors (as defined in the Facilities Agreement)) in favour of Barclays Bank as security trustee. Following the acquisition of the Sygen Shares certain members of the Sygen group acceded to the Facilities Agreement as additional guarantors and granted security over their assets to support their guarantees under the Facilities Agreement.

The RCF could only be utilised after the initial utilisation of the TLF. £35,000,000 of the TLF is repayable on the third anniversary of the date of the Facilities Agreement. The remainder is repayable by instalments over five years from the date of initial utilisation. The RCF was available from the date the offer for Sygen was declared unconditional for five years from the date of the Facilities

Agreement. The Facilities bear interest at an annual rate equal to the aggregate of a margin, LIBOR (EURIBOR in the case of utilisations in euros) and mandatory costs, if any. The margin varies upon, among other things, certain financial covenants being achieved.

The Facilities Agreement contains certain customary representations, warranties, undertakings and events of default for an agreement of this nature. Certain fees are payable to Barclays Bank (in its various capacities under the Facilities Agreement) in connection with the Facilities Agreement.

13.2 a placing agreement between Bridgewell Securities Limited, Panmure Gordon (Broking) Limited and the Company dated 28 October 2005 under which Panmure Gordon (Broking) Limited agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for new shares in the Company;

13.3 a share sale and purchase agreement dated 28 October 2005 between W. & J. Dunlop Limited, Genus Animal Health Limited and Booktile Limited (formerly known as Genusxpress Limited) to sell the entire issued share capital of Booktile Limited to W. & J. Dunlop Limited for a total consideration of approximately £7.2 million. Genus is a guarantor of the performance by Genus Animal Health Limited of its obligations under this agreement. The agreement also provides that Genus Animal Health Limited enters into ancillary agreements placing it under an obligation to provide leases of varying lengths to the five properties occupied or used by Booktile Limited to W. & J. Dunlop Limited, and to provide other ancillary service to W. & J. Dunlop Limited for a period of three months;

13.4 a business sale agreement dated 28 October 2005 between W. & J. Dunlop Limited, Booktile Limited and Genus to transfer the veterinary wholesale business, associated goodwill and certain assets used in connection with the business to W. & J. Dunlop Limited. This agreement includes an indemnity from W. & J. Dunlop Limited to Booktile Limited for any liabilities incurred under the Transfer of Undertakings (Protection of Employment) Regulations 1981. Genus is guarantor of the performance by Booktile Limited of its obligations under the agreement;

13.5 a share sale and purchase agreement dated 28 October 2005 between W. & J. Dunlop Limited, Genus Animal Health Limited and Genus to sell the entire issued share capital of Booktile Limited to Genus Animal Health Limited. This agreement includes an indemnity from W. & J. Dunlop Limited to Genus Animal Health Limited in respect of any liabilities incurred by Booktile Limited during the period that W. & J. Dunlop Limited held shares in Booktile Limited (save in so far as such liabilities had been incurred due to an act or omission by Genus Animal Health Limited). Genus is guarantor of the performance by Genus Animal Health Limited of its obligations under the agreement;

13.6 an offer document issued by Bridgewell Securities Limited on behalf of the Company on 31 October 2005 in respect of a recommended offer to acquire the entire issued and to be issued share capital of Sygen;

13.7 a business transfer agreement dated 22 February 2006 made between Dental Linkline Limited, Genus Animal Healthcare and Trycare Limited pursuant to which Dental Linkline Limited agreed to sell and transfer its business of wholesale supply of dental instruments and products to Trycare Limited for £1,022,000. Dental Linkline Limited has given warranties under the agreement. As shareholder in Dental Linkline Limited, Genus agreed to guarantee Dental Linkline's obligations under the agreement;

13.8 a loan agreement dated 12 June 2006 (the "Loan") made between Aquatec - Industrial Pecuária Ltda (the "Lender") and Sygen Investimentos Ltda (the "Borrower") pursuant to which the Lender agreed to lend to the Borrower R$6,000,000.00 with an interest rate of 15.20 per cent. per annum, payable at maturity. The loan was available in one drawdown and the repayment date was 12 July 2006;

13.9 a quota purchase agreement dated 12 June 2006 between Ana Carolina de Barros Guerrelhas, Werner Jost and Maria Cláudia de Manazes e Souza Ferreira (the "Buyers") and Sygen Investimentos Ltda and Syaqya Limited (the "Sellers") and Aquatec - Industrial Pecuária Ltda (in this paragraph, the "Company"). Pursuant to the agreement, the Sellers have agreed to sell 16,248,000 quotas representing the total social capital of the Company, certain shrimp broodstock and to assign the Loan

(as summarised above) and the repayment obligations under the Loan to the Buyers. The consideration payable under the agreement is R$13,566,600.00 representing approximately US$6,000,000.00;

13.10 the contract between The Salamander Organisation Limited and the Company further details of which are set out in paragraph 14 below;

13.11 a share sale and purchase agreement dated 9 October 2006 between Sif Holdings Limited, Siam Investment Fund III L.P, Glen Illing and Donghuo Jiang (the "Buyer"), Sygen Siam Holdings Ltd (the "Seller"), and SyAqua Siam Ltd (in this paragraph, the "Company"). The Seller is a member of the Group. Pursuant to the agreement, the Seller agreed to procure and ensure the assignment of an inter company loan to the Buyer of £3,541,927.69, to sell 100,000 shares in the Company, representing the entire issued share capital of the Company, to transfer the SyAqua internet domain name and the "SyAqua" trademark to the Company (outside of the United States of America, the United Kingdom and Mexico) and to procure and transfer shrimp broodstock from the United States of America to the Company. This was in return for consideration of US$1,900,000;

13.12 a business transfer agreement dated 11 October 2006 between Genusxpress Limited, Eclipse Acquisitions Limited and Genus Animal Health Limited pursuant to which Genusxpress Limited agreed to sell and transfer the business of the analytical division of Promar Laboratories to Eclipse Acquisitions Limited for £91,000. Genus Animal Health Limited is a party to the agreement for the purpose of entering into various undertakings and warranties. The agreement includes warranties and an indemnity from Genusexpress Limited and Genus Animal Health Limited in relation to liabilities and obligations of Genusexpress Limited prior to completion of the business transfer;

13.13 a business sale agreement dated 27 February 2007 between Cazals Genetique and Elevage de Cazals to transfer all buildings, plant and machinery used for the raising of pigs, including associated goodwill and trademark rights for €260,000. This contract includes a warranty that Cazals Genetique empty the slurry lagoon and fix the leak by 1 May 2007, any delay is subject to a daily penalty of €500;

13.14 a business sale agreement dated 27 February 2007 between Cazals Genetique and Elevage des Tuyas to transfer all buildings, plant and machinery used for the raising of pigs, including associated goodwill and trademark rights for €1,540,000;

13.15 a series of related share and asset sale and purchase agreements dated 3 October 2007 between members of the Group and Laboratorios Marinos, S.A. de C.V. pursuant to which the Group disposed of the business, assets and company pertaining to the Group's shrimp operations in Mexico for a total consideration of £1.3 million; and

13.16 a business transfer agreement dated 5 November 2007 between Genus, HTSPE Limited ("HTSPE") and Broomco (4114) Limited ("Broomco") under which Broomco acquired the business and assets of a management consultancy business from HTSPE for a consideration of £3.2 million. Customary warranties and indemnities were given by HTPSE to Broomco.

14. Related party transactions

The following related party transactions are transactions which, as a single transaction are or may be material to the Company and have been entered into by the Company during the period commencing on 1 April 2004 up to the date of this document. Each of the transactions was concluded at arm's length.

14.1 The Group has an ongoing relationship with The Salamander Organization Limited ("Salamander") pursuant to a contract dated 1 July 2006 between the Company and Salamander (the "Salamander Contract"). During the financial year ended 30 June 2007, the Group paid £2.4 million to Salamander under the Salamander Contract in relation to the provision of professional IT consultancy services by that company. Amounts payable at 30 June 2007 were £0.4 million.

Salamander is a party related to Mr. J E Hawkins, the Chairman. Mr. Hawkins is the chairman of the board of directors of Salamander and he has a financial interest in that company. Mr. Hawkins had no involvement in the commercial negotiation of the agreement between the Company and Salamander.

14.2 Information relating to the Group's sale of goods and services to its joint venture counterparties and associates is set out on page 114 of this document.

15. Working capital

The Directors are of the opinion that, after taking into account the financing facilities available, the working capital of the Group is sufficient for its present requirements, that is, for at least the period of 12 months from the date of this document.

16. Property, plant and equipment

The Directors are not aware of any environmental issues or risks affecting the utilisation of the tangible fixed assets of the Group including its property, plant or machinery. However, your attention is drawn to the health and environmental risk factors set out on page 13 which are generally applicable to the Group's operations.

17. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

18. Intellectual property and collaborative research and development

Save as otherwise disclosed in this document, there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.

Genus does not engage in material collaboration research and development with third parties. The Directors do not consider that the absence of such a programme adversely affects the standing or quality of the Group's research efforts.

19. Employees

19.1 As at 31 August 2007, the latest practicable date prior to the publication of this document, the Group employed approximately 2,002 people. This calculation is based on the following figures:

Head office	– 15 employees
UK, Europe and the Rest of the World	– 1,187 employees
The Americas	– 800 employees

The activity areas for the number of employees are as follows:

Production and product development	– 441 employees
Distribution	– 1,210 employees
Research & Development	– 91 employees
Administration	– 260 employees

19.2 The arrangements for involving the employees in the share capital of the Company are set out in paragraph 5 of this Part X.

20. General

20.1 There has been no significant change in the financial or trading position of the Group since 30 June 2007, the date to which the last audited accounts of the Group were prepared.

20.2 The financial information set out in this document relating to the Group does not constitute statutory accounts within the meaning of section 240 of the Act. Deloitte & Touche LLP, chartered accountants of Hill House, 1 Little New Street, London, EC4A 3TR have been the auditors of the Company for the financial year ended 30 June 2007 and fifteen months ended 30 June 2006 and have given unqualified audit reports on the statutory accounts of the Company for those financial periods within the meaning of section 235 of the Act. None of those reports contained any statements under section 237(2) or (3) of the Act. Ernst & Young LLP, chartered accountants of Wessex House, 19 Threefields Lane, Southampton SO18 3QB were the auditors of the Company for the financial year ended 31 March 2005 and have given an unqualified audit report on the statutory accounts of the Company for that financial year within the meaning of section 235 of the Act. That report did not contain any statements under section 237(2) or (3) of the Act. Statutory accounts of the Company for each of the three financial periods ended 30 June 2007 have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act.

20.3 Deloitte & Touche LLP have given and not withdrawn their written consent to the issue of this document with the inclusion in it of their reports in Parts VI and IX and the references to their reports and to their name in the form and in the context in which it is included and have authorised the contents of Parts VI and IX of this document. Deloitte & Touche LLP have no material interest in the Company.

20.4 Landsbanki Securities (UK) Limited is registered in England and Wales under number 3019293 and its registered office is at Beaufort House, 15 St. Botolph Street, London EC3A 7QR. Landsbanki Securities (UK) Limited is regulated by the Financial Services Authority and is acting in the capacity as sponsor to the Company.

20.5 Landsbanki Securities (UK) Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

20.6 The Ordinary Shares are currently listed on AIM.

21. Documents available for inspection

21.1 Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA up to and including 5 November 2008:

21.1.1 the memorandum of association of the Company and the Articles;

21.1.2 the reports and letters prepared by Deloitte & Touche LLP set out in Parts VI and IX of this document; and

21.1.3 historical financial information for the Company and the Subsidiaries for each of the two financial periods preceding the publication of this document.

Dated 6 November 2007

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"1985" Act"	the Companies Act 1985 (as amended);
"1999 Executive Plan"	the executive share option plan adopted by the Company on 27 May 1999;
"2000 Company Share Plan"	the Genus 2000 share option plan adopted by the Company on 28 June 2000;
"2004 Company Share Plan"	the Genus 2004 share option plan adopted by the Company on 9 September 2004;
"2004 Employee Benefit Trust"	the Genus 2004 employee benefit trust adopted by the Company on 12 August 2004;
"2004 Performance Share Plan"	the Genus 2004 performance share plan adopted by the Company on 12 August 2004;
"2004 Share Incentive Plan"	the Genus share incentive plan adopted by the Company on 9 September 2004;
"2006 Act"	the Companies Act 2006 (as amended);
"Admission"	the admission of the Ordinary Shares to the Official List becoming effective in accordance with the Listing Rules and admission to trading having been granted and becoming effective on the London Stock Exchange's market for listed securities;
"AIM"	the AIM Market of the London Stock Exchange;
"AIM Rules"	the rules published by the London Stock Exchange relating to AIM;
"Articles"	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part X;
"Barclays Bank"	Barclays Bank plc;
"business day"	a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks generally are open for the transaction of normal banking business in the City of London;
"certificated" or " in certificated form"	not in uncertificated form (that is, not in CREST);
"Chairman"	the chairman of the Company unless the meaning requires otherwise;
"Chief Executive"	the chief executive of the Company unless the meaning requires otherwise;
"Chief Operating Officers"	the chief operating officers of the Company;
"City Code"	the City Code on Takeovers and Mergers;
"Combined Code"	The City Code of best practice published in June 2006 by the Financial Reporting Council and including the principles of good governance appended to, but not forming part of, the Listing Rules;
"Companies Acts"	has the meaning in section 2(i)(c) of the 2006 Act;
"Company" or "Genus"	Genus plc;

"CREST"	the computerised settlement system operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (as amended) (SI 2001/3755);
"CRESTCo"	CRESTCo Limited, the operator of CREST;
"Directors" or "Board"	the directors of the Company, whose names are set out on page 4 of this document;
"DTR"	The Disclosure Rules and Transparency Rules published by the FSA;
"Executive Directors"	the executive members of the Board;
"Executive Plan"	the executive share option plan adopted by the Company on 29 August 1996;
"EU"	the European Union;
"FSA"	Financial Services Authority of the United Kingdom;
"FSMA"	Financial Services and Markets Act 2000 (as amended);
"Group"	the Company and its Subsidiaries;
"IFRS"	International Financial Reporting Standards;
"Initial AIM Admission"	6 July 2000;
"Listing Rules"	the Listing Rules of the UKLA;
"London Stock Exchange"	London Stock Exchange plc;
"Non-Executive Directors"	the non-executive members of the Board;
"Official List"	the official list of the UKLA;
"Ordinary Shares"	ordinary shares with a nominal value of 10 pence each in the share capital of the Company;
"Panel"	the Panel on Takeovers and Mergers;
"Prospectus Rules"	the Prospectus Rules of the UKLA made under section 73A(4) of the FSMA;
"Registrars"	Equiniti Limited;
"Senior Executives"	the senior managers of the Group, other than the Directors, whose names appear in paragraph 2 of Part IV;
"Share Option Schemes"	The Executive Plan, the 1999 Executive Plan, the 2000 Company Share Plan, the 2004 Company Share Plan, the 2004 Employee Benefit Trust, the 2004 Performance Share Plan and the 2004 Share Incentive Plan;
"Shareholders"	holders of Ordinary Shares in the Company;
"£" or "Sterling"	UK pounds sterling, the legal currency of the United Kingdom;
"Subsidiary"	as defined in section 1159 of the Companies Acts and "Subsidiaries" shall be construed accordingly;
"Sygen"	Sygen International plc
"Sygen Shares"	the ordinary shares of 10 pence each in the capital of Sygen;

"Takeovers Directive"	the Takeovers Directive (2004/25/EC);
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"UK GAAP"	generally accepted accounting principles in the UK;
"UKLA"	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA; and
"uncertificated" or "in uncertificated form"	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST.