



Meeting the Demands of World Agriculture

Annual Report and Financial Statements
Year Ended 30 June 2010

Contents

01 Overview

- 01 Highlights
- 02 Chairman's Statement
- 04 At a Glance

06 Business Review

- 06 Chief Executive's Review
- 08 Strategic Progress
- 10 Key Performance Indicators
- 12 Divisional Review
 - 12 The Americas
 - 14 Europe & Far East
 - 16 Research and Product Development
- 18 Financial Review
- 21 Principal Risks and Uncertainties
- 22 Corporate Social Responsibility
- 24 Board of Directors

25 Corporate Governance

- 26 Directors' Report
- 29 Corporate Governance Statement
- 33 Audit Committee Report
- 35 Directors' Remuneration Report
- 40 Directors' Responsibilities Statement

41 Financial Statements

- 41 Independent Auditors' Report – Group Financial Statements
- 42 Group Income Statement
- 43 Group Statement of Comprehensive Income
- 44 Group Statement of Changes in Equity
- 45 Group Balance Sheet
- 46 Group Statement of Cash Flows
- 47 Notes to the Group Financial Statements
- 85 Independent Auditors' Report – Parent Company Financial Statements
- 86 Parent Company Financial Statements
- 87 Notes to the Parent Company Financial Statements
- 96 Five Year Record – Consolidated Results
- 97 Notice of Annual General Meeting

About Genus

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

The increasing global population...

Our population is rising fast. Between 1950 and 2007, the world population grew from 2.6 billion to 6.6 billion: the UN population forecast for 2050 is 9.2 billion. 81% of people live in the developing world. Here, average growth rates are even faster, outstripping growth in the developed world by a factor of 9 times.

This huge increase in world population will drive a rapid expansion in urbanisation. In 1950, only 29% of the population lived in an urban environment; today it's about 50% and that's 3.3 billion people. By 2050, forecasts suggest that this will reach 6.4 billion, around 70% of the population, with growth concentrated in the less-developed regions.





...is putting greater demand on food producers...

An increase in world population and urbanisation will drive up consumption of beef, pork and milk across the world as incomes rise and diets change.

As economies grow and industrialisation continues, per-capita incomes rise giving people more disposable income. Households spend more on higher-

value food (meat and dairy) and this trend is likely to continue, reinforcing both near and long-term global demand.

Clearly there will be many more consumers in the world to feed, many of these will be considerably wealthier and as a result, will demand higher quality, added value food.





*...to change,
improve efficiencies
and increase
yields...*

This accelerating consumption of meat and dairy products acts as a catalyst for the industrialisation of food production. Greater demand is being placed on finite land, water and energy resources by increased food consumption and the competing demands on these finite resources of alternative energy sources. By necessity farming practices must evolve.

This is driving the move towards greater industrialisation of farming. To maintain a profitable and sustainable operation now and in the future, farmers have been compelled to seek new ways to improve both the productivity of their operations and the overall quality of their product offering.





...which is where we come in.

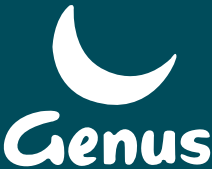
Genus plays a key role in the world's agricultural economy. We create advances in animal breeding through naturally applied biotechnology, helping farmers and food producers across the world to improve quality and increase output.

We provide superior natural animal genetics, enabling our global customers in the bovine and porcine supply chain to produce offspring in their herds with greater production efficiency, milk and meat output and quality. The challenge of meeting growing global demand for milk, pork and beef from the decreasing

resources available for food production requires innovative solutions.

Genus plays an increasingly important social and economic role, enabling our customers to produce quality foods efficiently and to meet the increasing demands of sustainable agriculture.

Genus has a strong competitive edge. Our ownership and control of proprietary lines of breeding animals, the biotechnology used to improve them and the Group's global production and distribution network underpins our unique position in the world's fast growing agricultural markets.



Overview

Highlights

Financial Highlights

			Movement	
			Actual Currency %	Constant Currency** %
Adjusted Results: Year ended 30 June		2010 £m	2009 £m	
Revenue	285.3	280.4	2	(1)
Regional operating profit**	70.0	65.5	7	3
Operating profit*	39.9	38.1	5	3
Profit before tax*	32.9	32.0	3	—
Earnings per share (p)*	36.7	36.1	2	—
Statutory Results: Year ended 30 June		2010 £m	2009 £m	%
Revenue	285.3	280.4	2	
Operating profit	47.0	33.0	42	
Profit before tax	40.8	26.2	56	
Earnings per share (p)	46.3	30.4	52	

* Adjusted operating profit, adjusted profit before tax and adjusted basic earnings per share are before net IAS41 valuation movements on biological assets, amortisation of acquired intangible assets, share-based payments and exceptional items, and exclude other gains and losses.

** Regional operating profit represents adjusted operating profit before research and development costs and central costs.

*** Constant currency percentage movements are calculated by restating 2010 results at the exchange rates applied in 2009.

Business Highlights

- Another year of earnings growth achieved despite agricultural recession, with double digit profit growth in the second half as markets started to recover
- Regional operating profit up 7% to £70.0m (2009: £65.5m)
 - Profit from developing markets up from 28% to 30% with strong growth in Latin America and Eastern Europe
 - Bovine volumes up 7% and porcine volumes up 3%
 - Costs reduced especially in business areas most affected by agricultural recession
- Adjusted profit before tax up 3% despite £2.8m increase in research and development expenditure and £1.1m higher interest cost
- Strong cash generation; £12.9m cash inflow reduced net debt to £80.0m
- Continued strategic progress:
 - In bovine, commercial agreement with partner in China extended to five years. Offices opened and sales begun in India and Russia
 - Dairy sector competitive position improved with 33 bulls now in top 100 in US ranking, up from 22 last year
 - US beef genetics operations expanded through £1.4m acquisition of Powerline Beef Genetics
 - In Porcine, new nucleus herd facility in South Dakota completed to provide increased capacity and enhanced product development capability
 - Production of porcine genetics in China expanded to meet anticipated market demand
- Recommended increase in dividend of 10% to 12.1 pence per share to reflect the Board's confidence in the long-term prospects of the business

Overview

Chairman's Statement



John Hawkins
Chairman

The Group delivered improved profits again this year, underpinned by its research and development success, multi-species strategy, international distribution network and financial strength. The Group has also continued to invest in the research, production capacity and market development needed to realise the ambitious growth targets in its forward strategy.

I am pleased to report that Genus has weathered the global agricultural recession well and is positively positioned to take advantage of the market recovery that is now evident.

The world economic recession, and general market volatility that followed, led to a deep agricultural recession that has lasted for two years. This has been a difficult period for Genus' customers and, inevitably, has held back the rate of growth Genus would otherwise have been able to achieve. Despite this, the Group delivered improved profits again this year, underpinned by its research and development success, multi-species strategy, international distribution network and financial strength. The Group has also continued to invest in the research, production capacity and market development needed to realise the ambitious growth targets in its forward strategy. This is a testimony to the robustness of Genus' business model.

Most agricultural markets have now recovered and attention is turning once again to the long-term fundamental dynamics of the world's food markets. Global population growth and increased urbanisation will lead to higher demand for protein and increased pressure on scarce resources such as land, water and energy. Genus is uniquely positioned to benefit from these trends with its continued focus on research and development, productivity enhancing products and strong international presence.

As a result, the Board remains confident of the Group's growth prospects.

Results

On revenues up 2% to £285.3m, adjusted operating profit increased by 5% to £39.9m (2009: £38.1m). Exchange rates have had a modest benefit; at constant exchange rates, adjusted operating profit was up 3%, with the growth in regional operating profits held back by higher research and development costs as a result of bringing on stream the new porcine nucleus herd facility in South Dakota.

Despite higher interest costs, adjusted profit before tax was 3% higher at £32.9m (2009: £32.0m). Adjusted earnings per share was 2% higher at 36.7 pence per share (2009: 36.1 pence per share).

Genus has continued to invest in its long-term future despite the recession. Capital expenditure in the year of £9.1m remained relatively high as a result of the further expenditure necessary to complete the expansion of the Group's global product development and production facilities. As this phase of high investment has drawn to a close, Genus has returned to being strongly cash generative. Last year's net debt was reduced by £8.0m to £80.0m, despite the higher than normal capital investment. This has further strengthened the Group's financial position and provides Genus with considerable headroom within its banking facilities of approximately £150m.

Dividend

The Board is recommending an increase in the final dividend of 10% to 12.1 pence per share. This reflects the Board's continued confidence in the Group's long-term strategy for growth. The dividend is covered three times by adjusted earnings. Subject to shareholder approval at the Company's Annual General Meeting to be held on 11 November 2010, this dividend will be paid on 7 January 2011 to shareholders on the register at the close of business on 10 December 2010.

£32.9m

Adjusted profit before tax was 3% higher at £32.9m (2009: £32.0m)

Employees

Genus' continued success is a reflection of the expertise and commitment of our global team. On behalf of the Board, I would like to thank all our employees worldwide for their hard work and enthusiasm during the year.

The Group has a strong management team led by Chief Executive, Richard Wood. During the year, Steve Amies, Chief Operating Officer for Global Research & Product Development, retired after 35 years of loyal service. He has been succeeded by Ian Biggs, previously Chief Operating Officer for the Americas, who will be undertaking an expanded role. Bill Christianson, previously General Manager of porcine operations in North America, has been promoted to replace Ian as Chief Operating Officer of the Americas region.

In recognition of the importance of developing markets to our growth, we have also recently strengthened the management of our Asia region with the appointment of a regional head of operations.

Succession Planning

I joined the Genus Board ten years ago. In that time, Genus has achieved tremendous growth with profits up tenfold. As I approach the end of my second three year term as Chairman, I have decided that the time is right for me to hand over leadership of the Board as Genus enters its next exciting phase of growth. Following an external search, I am pleased to say that Bob Lawson, currently Chairman of Barratt Developments plc and shortly to retire as Chairman of Hays plc, has accepted the Board's invitation to succeed me as Chairman from the conclusion of this year's Annual General Meeting. Bob has excellent experience in international markets and in chairing major companies and I wish him and Genus every success in the future.

I look back with pride on what Genus has achieved over the last ten years and I am certain the business will go from strength to strength in the years ahead.

World Population

It is now widely accepted that the world's population is heading for 9 billion as a minimum. Most of this growth will take place in the emerging regions of the world such as Asia and Latin America. Within countries such as Brazil, India and China, there is huge change taking place, with 100s of millions of consumers moving from low to middle income status and in some cases, upper income status. The implications for food producers (and the companies who in turn supply them such as Genus) are clear. There will be many more consumers in the world to feed, many of these will be considerably wealthier and as a result will be able to afford and demand higher quality and added value food.



Overview

At a Glance

Our Business Drivers

Genus is a growth business well positioned to benefit from the global demand for improved agricultural efficiency.

Global Population Growth

Genus is uniquely positioned to take advantage of the growing demand for food, particularly milk and meat, as world population grows from today's 6.8 billion to a predicted 9.2 billion by 2050. This is forcing farming to become more efficient to be able to meet projected demand.

Increasingly Affluent Developing Markets

The industrialisation of the developing countries is creating a middle class with increasingly 'Western' dietary preferences favouring dairy, beef and pork consumption. These trends are particularly evident in the BRIC economies (Brazil, Russia, India and China), areas where Genus is investing heavily to take advantage of the growth opportunities.

Strong International Presence

Genus' sales and distribution network provides unrivalled international coverage spanning 70 countries with its products sold under the trademarks Genus and ABS for dairy and beef cattle and PIC for pigs. It has strong leadership in both bovine and porcine with no.1 or 2 positions in all of its major markets.

Focused Research & Development

Genus invests over 7% of sales in research and development. Genus' product development activities are focused on using natural selection techniques together with its leading technologies, such as genomic evaluations, to continuously improve its proprietary lines of breeding animals. Research activities are aimed at technological breakthrough such as Genus' sexed semen project.

Robust Business Model

The geographic spread of Genus' operations and its multi-species strategy diversifies and significantly reduces industry risks. In addition, in porcine, a significant proportion of sales are made under royalty arrangements where profits are closely linked to fees payable on the production of progeny; this produces a more stable operating performance.

Organisation Structure

Genus operates sales and distribution on a regional basis across its four major regions with research and development managed centrally on a global basis to ensure maximum effectiveness.

Research & Product Development

In the year to June 2010, Genus spent £23.2m on research and product development. Approximately 15% or £3.4m was spent on research (see light shading below) with the remainder spent broadly equally on bovine and porcine product development.

Expenditure (£m)



Bovine Product Development

Genus has animals in bovine studs in seven countries, the USA, Canada, Brazil, the UK, Italy, Australia and China. Approximately 400 animals enter the 5 year development programmes each year yielding some 200 bulls from which approximately 13m doses of semen are collected each year.

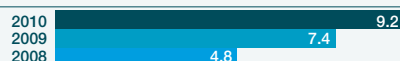
Expenditure (£m)



Porcine Product Development

Genus' nine pure line breeds are continuously developed in its two nucleus herd facilities in the USA and Canada. These pure lines are used to create elite boars and gilts for multiplication to meet global demand.

Expenditure (£m)

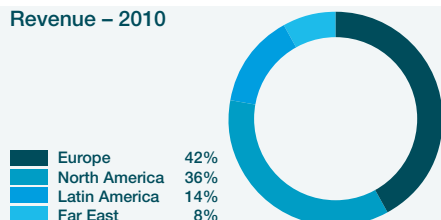


£23.2m

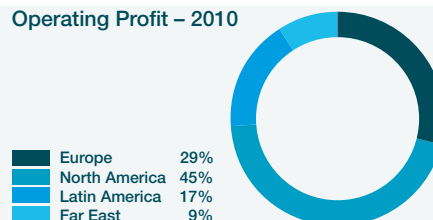
2010 R&D spend

Operations by Geography

Revenue – 2010



Operating Profit – 2010



North America

% of revenues

36%

Our businesses in the USA and Canada are focused on larger customers and Genus' strong product offering ensures the Company is well placed to improve market share and benefit from industry consolidation.

North America

Latin America

% of revenues

14%

Through our porcine joint venture in Brazil and wholly owned operations elsewhere, we are able to benefit from the growth of the extensive agricultural industries in Latin America and their expanding exports into world markets.

Latin America

Europe

% of revenues

42%

Genus' operations in Europe span the developed markets of Western Europe and the fast growing agricultural markets in Eastern Europe. We also have a world renowned agricultural consultancy.

Europe

Far East

% of revenues

8%

Genus has operations in China, the Philippines, India and Australia and operates elsewhere in the region through distributors. Population growth and increased urbanisation is creating significant opportunities in the region.

Far East

70 countries

Genus is represented in 70 countries

Business Review

Chief Executive's Review



Richard Wood
Chief Executive

We have made encouraging strategic progress in all important markets during the year. Our decision to complete the investment in expanding product development and production facilities leaves Genus well placed to take advantage of increasing worldwide demand as the already evident market recovery progresses.

Results for the Year

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Revenue	285.3	280.4	2	(1)
Adjusted operating profit	39.9	38.1	5	3
Adjusted profit before tax	32.9	32.0	3	–
Adjusted earnings per share (p)	36.7	36.1	2	–

Genus has overcome the impact of the global agricultural recession to report further good progress and improved profits.

To achieve continued profit growth we decided to cut costs only in those markets where recovery would be delayed and to complete our investment in expanding research and development ('R&D') facilities. We also closed our principal final salary pension scheme to future service accrual and focused on cash generation to reduce debt.

On revenue up 2% to £285.3m adjusted operating profit rose by 5% to £39.9m and adjusted profit before tax increased by 3% to £32.9m, despite £2.8m in additional R&D costs following the decision to complete the strategic product development capacity investment begun last year. This will ensure that Genus is strongly placed as global markets recover.

The results for the year reflect a tough first half, followed by a gradually improving second half. Genus suffered in the first half year from the continuing agricultural recession, with higher comparative costs in research and development and increased interest costs. Some markets began to recover in the second half of the year and this improved adjusted profit before tax. In the second half, this rose by 15% when compared with the same period last year and 12% at constant exchange rates.

Group Performance

Reported revenue grew by 2% to £285.3m. Growth in developing markets, particularly in Latin America, offset a fall in North American sales. Here, demand for porcine breeding animals was weak in the first half of the year and a very depressed dairy market led to lower sales of dairy semen throughout the year.

Against this background, operating profit was encouragingly robust and adjusted operating profit rose by 5% to £39.9m (2009: £38.1m). Regional operating profits increased by 7% to £70.0m, with the Latin American and European businesses both performing particularly well.

Growth in developing markets, one of the Group's key objectives, continued with profits earned from these markets rising from 28% to 30% of regional operating profit this year.

Research and development operating costs rose by 5% to £23.2m excluding exchange rate movements (expenditure is largely in the USA), this increase reflecting our investment in product development as the new porcine nucleus facility was brought on stream.

Finance costs rose by £1.1m to £9.3m due to higher pension interest costs and increased bank margins following the refinancing last year.

£70.0m

Regional Operating Profit increased by 7% to £70.0m

Genus helps feed the World

Genus is uniquely placed to help feed the world. We have the technology, the people, the research facilities, and the commitment. We need to make agriculture more efficient. We need to help farmers produce more meat and milk, and to help them do it by utilising ever more scarce resources. Genus is ideally placed to help farmers do that through our technology, our method of working with our customers, and our desire to create solutions that our customers need for their marketplace.



The net effect was a 3% rise in adjusted profit before tax to £32.9m (2009: £32.0m). At constant exchange rates, adjusted operating profit rose 3% and adjusted profit before tax was unchanged.

Adjusted operating profit and adjusted profit before tax referred to above are the measures that the Board uses to monitor underlying business performance. They exclude non-cash items relating to the net IAS 41 valuation movement in biological assets, amortisation of acquired intangibles and share-based payments and are stated before exceptional items and other gains or losses. Including these items, the statutory results show an even stronger performance with operating profit up 42% to £47.0m and profit before tax up 56% to £40.8m. This result includes an exceptional credit in the year of £2.8m, relating principally to the curtailment gain arising from the closure of a defined benefit pension scheme. The Divisional and Financial Reviews on pages 12 to 23 explain these items and the Group's overall performance in more detail.

Markets

The year began with the global agricultural markets still in deep recession as a result of the general economic downturn, exacerbated by high feed costs. Producers cut back purchases and price erosion occurred as a result of competitive activity and customers trading down.

The market bottomed early in the spring of 2010 and then showed improvement in a number of countries.

Pig prices rose sufficiently to restore customer profitability in all but the Chinese market. The futures markets have generally been robust so that customer confidence in investing to upgrade porcine genetics has returned. This has been especially evident in the USA.

Milk and beef prices have started to rise in most countries but farming profitability has not yet been restored in the US dairy sector.

Strategy

Genus has continued to progress its growth strategy despite the agricultural recession. Details of Genus' progress are contained on pages 8 and 9 overleaf.

Summary and Outlook

We have made encouraging strategic progress in all important markets during the year. Our decision to complete the investment in expanding product development and production facilities leaves Genus well placed to take advantage of increasing worldwide demand as the already evident market recovery progresses.

Now that the market recovery is taking hold, focus is beginning to return to the long-term positive fundamentals for agricultural markets. Increasing global demand for food driven by global population growth and increased urbanisation is creating more demand for protein, especially in developing markets. This in turn creates the need for improved farmer productivity. The high demand this places on finite land, water and energy resources is driving the move towards greater industrialisation of farming. The resulting consolidation in the farming sector is creating large commercial enterprises that are Genus' target customers. The pace of change is most dramatic in developing markets and is being further stimulated by support initiatives from the Governments concerned.

Trading during the current financial year has remained in line with our expectations and ahead of the same period last year. With markets in the majority of countries having at least started a recovery from the agricultural recession, we are confident that the Group will continue to achieve the long-term growth expected in our business strategy.

Business Review

Strategic Progress

Strategy	Progress in 2009/10
<p>The principal elements of the Group's strategy are:</p>	<p>We have made good progress against all these objectives</p>
<p>Capture Growth in Developing Markets Local investment in developing markets to capture up to 50% of the new growth in these markets</p>	<ul style="list-style-type: none"> • In China, commercial arrangement for sale of bovine semen extended to 5 years and farm expansion programme underway to provide local porcine genetics • Negotiations for local stud in Russia at advanced stage • Strong growth in volumes in Latin America • Semen sales commenced in India
<p>Continue Growth in Developed Markets Achieve growth in line with historical growth rates in the developed markets through improved product offering and customer services</p>	<ul style="list-style-type: none"> • Strength of Genus products has enabled volume growth despite difficult market conditions • Powerline Beef Genetics acquired to accelerate growth in the integrated beef supply chain
<p>Enhance Global Product Development Facilities Invest in enhancing global production facilities to be able to meet the projected increases in demand</p>	<ul style="list-style-type: none"> • Investment in global facilities completed including \$24m on new nucleus herd facility in South Dakota • Expanded bovine stud facilities to provide capacity of 18m doses per annum
<p>Target Research & Product Development Targeted research and product development to ensure Genus' products remain ahead of competitors and to provide for commercial breakthrough</p>	<ul style="list-style-type: none"> • Strength of products further enhanced including 33 bulls in top 100 bulls in US rankings • Project to improve sorting of sexed semen progressing in line with plan



Genus has continued to progress its growth strategy despite the agricultural recession

In China, the relationship with Mengniu, the country's largest dairy producer, has been strengthened by extending commercial arrangements to a rolling five year agreement. A further 21 bulls were shipped from the Genus stud in Australia, bringing the total in China to 32 progeny tested bulls ready to supply the local market. A new stud to house these bulls and provide scope for further expansion has been built to a Genus design, under our supervision. The stud is expected to become operational before the end of 2010, once the appropriate licences have been obtained from the Chinese Government, and the sale of locally produced semen will then begin. In the interim, sales of semen shipped from the USA have exceeded our expectations.

Also in China, the production of porcine genetics has been expanded, although at a slower pace than originally planned. Demand has been reduced by the currently depressed local market as customers defer their growth plans. One new nucleus farm has

In developed markets, the strength of the Genus product range has helped support continued sales volume growth, notwithstanding difficult market conditions. In December 2009 we acquired for £1.4m, Powerline Beef Genetics, a business focused on supplying speciality beef genetics to large US producers. This acquisition will

During the year we completed the US\$24m project to construct an enhanced nucleus herd facility in South Dakota, replacing the ageing facility in Kentucky. This provides additional capacity, enhancing the rate of genetic improvement and improving business potential.

Importantly, we have made ongoing progress in our quest to enhance product renewal. The Genus product range continues to be ahead of its competitors. For example, we now have 33 of the top 100 bulls in the important US bull rankings, up from 22 bulls last year. We have also exploited our leading technology in the use of genomics to drive further competitive advantage in both the bovine and porcine sectors. This year, we also progressed our project to

been completed. Its capacity replaces a smaller temporary facility, improving productivity, as well as providing additional capacity for projected growth. Two further farms are currently under construction. Together with an additional farm planned for construction in the year ahead, these investments will ensure we have sufficient capacity to meet anticipated demand for the next three years.

In Russia, we are at an advanced stage in the negotiations for opening a local stud. In the meantime, sales have commenced using semen imported from our other studs.

In India, we have opened an office and commenced sales of imported semen. Discussions with a partner to establish a local stud are well advanced, with the aim of producing both dairy and water buffalo genetics.

enable Genus to use its production and product development capabilities to accelerate growth in the integrated beef chain. Although currently small, the Powerline business has had an encouraging first six months.

In the bovine sector, the expansion of the US stud facilities by one-third to a capacity of 18m doses of semen per annum is largely complete.

improve the sorting of sexed semen and secured important patent usage rights to enable its commercialisation.

To support the organic growth strategy, the Group has remained alert to acquisition opportunities either to enhance its position in existing product species or to take the Group into a third species.



Business Review

Key Performance Indicators

We have clear objectives to deliver organic growth in both species, drive operating profitability and generate cash. The following indicators are used to monitor Genus' progress in achieving its objectives.

Bovine Sales Volume

	2010	2009
Volume increase	7%	1%


Definition

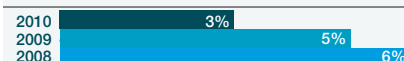
The total volume of dairy, beef and sorted units of semen delivered in the year.

Performance

Bovine volume grew very strongly in the year ended 30 June 2010, up 7% on the prior year. This has been driven by strong demand in Latin America and through our distributor markets in Europe and by sales into new markets such as China, particularly in the second half of the year.

Porcine Sales Volume

	2010	2009
Volume increase	3%	5%


Definition

The change in the volume of both direct and royalty animals on which we receive revenues.

Performance

Growth in the year slowed to 3% as royalty customers deferred taking their genetic update animals while markets remained depressed. As the markets started to recover and pig prices improved in the second half of the year, growth accelerated such that in the second half, volumes increased by 5½ %.

Cash Conversion


Definition

Cash generated from operations before interest and taxes, expressed as a percentage of adjusted operating profit.

Performance

Cash conversion in the year was 101%, benefiting from strong management of working capital. In 2008 and 2009, cash conversion was held back by increased working capital as the product development activities were expanded.

Porcine Revenue: % Royalty


Definition

The proportion of revenue stemming from royalty arrangements expressed as a percentage of total porcine revenues. This is a key indicator of Genus' success in converting porcine customers from direct sales to the more robust royalty model.

Performance

The proportion of porcine revenue contributed by the royalty model grew to 38% in the year ended 30 June 2010 benefiting from further progress in Europe and Latin America.

Revenue

	Actual Currency		Movement %	Constant Currency Movement %
	2010 £m	2009 £m		
Americas				
North America	103.0	109.0	(6)	(8)
Latin America	38.6	34.1	13	6
Total	141.6	143.1	(1)	(4)
Europe and Far East				
Europe	121.5	118.8	2	1
Far East	23.5	21.8	8	–
Total	145.0	140.6	3	1
Regional Total	286.6	283.7	1	–
Intersegment and other	(1.3)	(3.3)		
Group Total	285.3	280.4	2	(1)

2010	£285.3m
2009	£280.4m
2008	£247.1m

Definition

Sales of products and services analysed by region. The change in revenue is also shown on a constant currency basis to indicate underlying sales trends.

Performance

Revenues grew by 2% in actual currency but were 1% down in constant currency reflecting the impact of the agricultural recession on demand for Genus products. Good growth was achieved in Latin America. Sales in North America (USA) fell due to lower sales of breeding animals as porcine customers deferred genetic updates. Bovine sales in the USA were also slightly down.

Regional Operating Profit

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Americas				
North America	32.2	32.3	–	(3)
Latin America	10.1	8.3	22	12
Total	42.3	40.6	4	1
Europe and Far East				
Europe	21.1	18.6	13	10
Far East	6.6	6.3	5	–
Total	27.7	24.9	11	8
Regional Total	70.0	65.5	7	3

2010	70.0m
2009	65.5m
2008	55.0m

Definition

Regional operating profit stated before research and development and central costs, JV income, and before the impacts of IAS41 (biological assets), share based payment expense, amortisation of acquired intangibles and exceptional items.

Performance

Regional operating profit grew by 7% (3% in constant currency). Lower sales in US bovine resulted in a small fall in their profits. Elsewhere, profits were up with an improving performance showing through in the second half of the year as markets recovered.

Regional Operating Margin

	Actual Currency	
	2010 £m	2009 £m
Americas		
North America	31.3%	29.6%
Latin America	26.2%	24.3%
Total	29.9%	28.4%
Europe and Far East		
Europe	17.4%	15.7%
Far East	28.1%	28.9%
Total	19.1%	17.7%
Regional Total	24.4%	23.1%

2010	24%
2009	23%
2008	22%

Definition

Regional operating profit expressed as a percentage of regional revenue.

Performance

The regional operating margin improved to 24%. The major reason for this improvement was lower sales of live breeding animals sold under royalty contracts at cost (with Genus' profit earned on the related royalty income). Tight management of costs also benefited margins.

Business Review

Divisional Review

The Americas



Bill Christianson
Chief Operating Officer – The Americas

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Revenue	141.6	143.1	(1)	(4)
Adjusted operating profit	42.3	40.6	4	1
Adjusted operating margin	30%	28%		

Revenue (£m):

2010	141.6
2009	143.1
2008	123.3

Adjusted Operating Profit (£m):

2010	42.3
2009	40.6
2008	35.9

Adjusted Operating Margin %:

2010	30%
2009	28%
2008	29%

Results in the region were robust despite generally poor market conditions. These prevailed throughout the year in the US dairy sector but gradually improved in all our other sectors during the second half of year. Although revenue was 1% lower, adjusted operating profit rose 4% to £42.3m. At constant exchange rates, operating profit rose by 1% on revenue down 4%.

Lower sales of porcine breeding animals and of dairy semen in North America were the principal reasons for the reduction in revenue. However, strong growth in Latin America, despite the poor market, and the resilience of the porcine business model in North America, contributed to the improvement in profit achieved.

North America

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Revenue	103.0	109.0	(6)	(8)
Adjusted operating profit	32.2	32.3	–	(3)
Adjusted operating margin	31%	30%		

It was an extremely difficult year for agricultural production in North America. Genus customers continued to suffer from weak demand and oversupply in their markets. This resulted in reduced demand for Genus' products and services and revenues were 6% lower at £103.0m. The robustness of the porcine business model and cost reductions implemented in the bovine business enabled profits to be held at £32.2m.

The US dairy market suffered the most. Although the national herd size had been reduced in response to the poor market conditions, this was offset by an increase in output per cow. Consequently, milk prices remained at or below the cost of production for most producers throughout the year. Semen volume was 4% lower and strong competitive activity eroded the average selling price, with some customers trading down. The impact was mitigated by Genus' natural focus on the larger, more profitable producers. In addition, costs were reduced, management was strengthened and the sales force refocused on the quality and strength of the Genus stud. As a result, average prices stabilised in the second half year. In Canada, performance benefited from increased sales of premium bull semen.

The beef sector was less affected by the market downturn, with volumes maintained at the same level as last year. The Powerline Beef Genetics business, acquired in December 2009, performed in line with expectations.

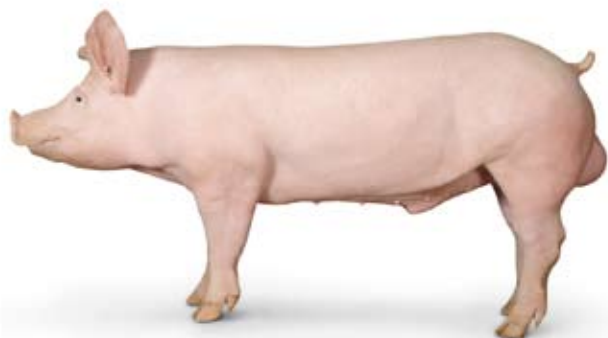
In the porcine sector, low pig prices and high feed costs resulted in producers continuing to incur significant losses, as they did throughout last year. However, as the year progressed, producer cutbacks reduced supply by 4% and this, together with increased export demand, resulted in a level of market recovery. Pig prices firmed, producers returned to profitability and, in the last quarter of the year, Genus customers began to renew their genetics again. Inevitably, demand for breeding animals was low for most of the year and this resulted in a fall in porcine revenues. However, the strong demand in the final quarter limited the reduction to just 6%.

Over 95% of porcine business in North America is now conducted under royalty related contracts. Under these contracts, sales of breeding animals to update customers' genetics are generally made at cost so that the fall in revenues had a negligible impact on adjusted profit. However, new stockings were few so royalty income remained at the same level as last year. Combined with tight control of costs, this contributed once again to an improvement in profit from the porcine activities, demonstrating the strength of the porcine business model.

Strong growth in Latin America, despite the poor market, and the resilience of the porcine business model in North America, contributed to the improvement in profit achieved.

Triumph Foods

As a top exporter of premium pork products worldwide, Triumph Foods is one of the leading pork processors in the United States. Its new and state of the art facilities in Missouri process 5.5 million pigs annually. Triumph's proprietary production processes include unique genetics that are provided by Genus' subsidiary PIC. A fully customized sire line, the TR4, has been developed by PIC for Triumph, based on unique Triumph specifications and PIC's genetic technology. This product provides superior value and yields while at the same time meeting the stringent export requirements of the Triumph customer. The partnership between PIC and Triumph Foods demonstrates PIC's ability to develop customer specific solutions for an integrated meat industry.



Latin America

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Revenue	38.6	34.1	13	6
Adjusted operating profit exc porcine j.v.	10.1	8.3	22	12
Adjusted operating profit inc porcine j.v.	12.2	10.2	20	9
Adjusted operating margin exc porcine j.v.	26%	24%		

We made good progress in this strategically important region despite the recession in its agricultural markets for much of the year. Market share increased as market conditions improved in the second half of the year, enhancing opportunities for growth. Revenue rose by 13% to £38.6m and resulted in a 22% rise in adjusted operating profit. In constant currency, revenue was 6% higher and profits grew by 12%.

Bovine sales volume rose 13%. Market share gains were achieved in each of the three main markets; Argentina, Brazil and Mexico. Sorted semen sales volume rose strongly but prices eroded through competitor activity.

In line with product development elsewhere in the world, the Brazilian stud has been very successful in developing a strong product range. It boasts the top bull in each of the four main segments of the market. In addition, further progress was made in promoting the added value services; Genetic Mating and Reproductive Management. These services create greater customer loyalty and increase the average selling prices of semen supplied. The combination of the strong product range, increased added value services and higher volumes delivered significantly higher profits.

In the porcine sector, sales volume grew 3%, despite challenging market conditions particularly in the first half of the year. We improved market share in Chile and Mexico and renewed key customer contracts. The Venezuela market re-opened in the final quarter following an extended period of closure ostensibly to protect against the spread of disease. This allowed previously delayed shipments to be made in the second half of the year.

There was a marginal increase in contribution from our porcine joint venture in Brazil. Low pig prices in the first half of the year held back profit as royalty income in Brazil is more closely linked to pig prices than volume and these prices remained depressed. Performance improved in the second half of the year as prices firmed. For the future, we are now taking steps to link the local royalty model with volumes as opposed to values.

Business Review

Divisional Review

Europe & Far East



Philip Acton
Chief Operating Officer – Europe & Far East

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Revenue	145.0	140.6	3	1
Adjusted operating profit	27.7	24.9	11	8
Adjusted operating margin	19%	18%		

Revenue (£m):

2010	145.0
2009	140.6
2008	128.3

Adjusted Operating Profit (£m):

2010	27.7
2009	24.9
2008	21.8

Adjusted Operating Margin %:

2010	19%
2009	18%
2008	17%

The region had a successful year despite the continuation of poor market conditions. Regional sales grew by 3% to £145.0m (2009: £140.6m) and adjusted operating profit rose 11% to £27.7m (2009: £24.9m). At constant exchange rates profits rose 8% on revenues 1% higher. The improvement was achieved by driving growth in the strategically important East European markets and exerting general tight cost control throughout the region. Good progress was made in expanding the bovine business in the Far East. However, the benefits were offset by the impact of depressed pig prices on porcine trading in China.

Europe

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Revenue	121.5	118.8	2	1
Adjusted operating profit	21.1	18.6	13	10
Adjusted operating margin	17%	16%		

The European region performed strongly and exceeded expectations. Adjusted operating profit rose 13% to £21.1m on revenues that were just 2% higher.

Market conditions in the bovine sector remained difficult throughout the year. Milk prices improved gradually from the low levels prevailing in the spring of 2009, but remained below the more normal levels seen in 2008. The strength of Genus' product range supported by the Reproductive Management service, helped semen sales volumes to rise 11%. Sales of sexed semen grew particularly strongly.

In the porcine sector, market conditions for pig producers remained depressed throughout the year. Pig prices in the UK benefited from the weakness of Sterling but elsewhere were lower than the previous year. Against this background, the business performed well. Porcine volumes were similar to last year but with stronger demand in Eastern Europe where volumes grew by 17%. A number of large stockings were won in Russia as credit restrictions eased. Our businesses in Western Europe also performed reasonably well helped by the more favourable market conditions in the UK where relatively high pig prices encouraged UK producers to expand. Good growth was also achieved in Spain and Portugal. In Germany, the restructuring last year reduced costs and stabilised performance.

Far East

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Revenue	23.5	21.8	8	–
Adjusted operating profit	6.6	6.3	5	–
Adjusted operating margin	28%	29%		

Growth in this strategically important region was held back by a further drought in Australia and extremely low pig prices in China. However, strong progress was made in the bovine sector that delivered double digit volume growth.

Regional revenue growth was constrained by the porcine business to 8% and adjusted operating profit rose by just 5% to £6.6m. On a constant currency basis, revenues and profits were flat. In China, semen sales began in earnest and reached 380k doses.

The region had a successful year despite the continuation of poor market conditions. Regional sales grew by 3% to £145.0m (2009: £140.6m) and adjusted operating profit rose 11% to £27.7m (2009: £24.9m).

Tesco

Promar, the UK consultancy division of Genus, is retained by Tesco plc to independently assess the cost of production incurred by the many farmers that provide Tesco with liquid milk. This advice allows Tesco to accurately establish a stable price it pays these farmers for their milk that is not unduly affected by fluctuations in global milk product commodity markets. In providing this advice Promar provides a regular on-farm visit to the supplying farmers by a business secretary, resulting in an accurate, financially and technically reconciled set of farm business accounts. These accounts benefit the farmers' own efficiencies and provide Tesco with an aggregate "tracker" that covers the current cost of production, vital in these times of fluctuating global grain, protein and fertiliser input costs.



We shipped a further 21 bulls from the Australian stud to provide increased local capacity to meet anticipated future demand. The new Chinese bull stud being built to a Genus design under our supervision has been completed and is expected to be operational later this year. Our commercial relationship with Mengniu, the largest Chinese milk producer, has been extended in a new five year agreement.

We have opened an office in India, the world's largest dairy market, and commenced semen sales in this important new market for Genus. We are also well advanced in our discussions with a partner to open a stud in India, as a source of local production.

In Australia, low milk prices and severe drought conditions in the southern hemisphere dramatically reduced demand for semen in the first half of the year. Market conditions improved towards the end of the year, but semen volume remained 5% lower than last year. Cost reductions mitigated the impact on profits.

Market conditions for pig producers throughout the region were depressed, with the pig market in China particularly badly hit and remaining depressed throughout the year.

Demand for breeding animals was low and customer's expansion plans were delayed. With no protection from royalty contracts, the reduced demand together with losses on by-product pigs caused by depressed prices resulted in a reduction in porcine profits.

In response to the weaker demand, we have rescheduled the nucleus farm expansion programme to align it with the current expectations for market recovery. Construction has recently commenced on the two delayed farms. These will be stocked and become operational in the current year. A further new nucleus farm has been approved for construction in the current year.

Business Review

Divisional Review

Research & Product Development



Ian Biggs
Head of Global Product & Business Strategy

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Research	3.4	3.5	(3)	(3)
Bovine product development	10.6	9.5	12	5
Porcine product development	9.2	7.4	24	9
Total	23.2	20.4	14	5

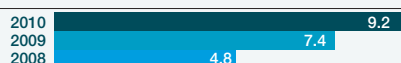
Research (£m):



Bovine Product Development (£m):



Porcine Product Development (£m):



Expenditure rose by £2.8m to £23.2m (2009: £20.4m). On a constant currency basis, costs rose by £1.1m, primarily due to the higher operating costs associated with the new porcine nucleus herd facilities in South Dakota and continued expansion of the bovine stud facilities.

Product Development

The product development programme continued to achieve a strong improvement in the genetic merit of the breeding animals it produces. The bovine stud now has an exceptional range of top animals and the commissioning of the new and enlarged porcine nucleus herd facility will accelerate the already high genetic progress being made in the porcine sector.

The development process in the porcine nucleus farms uses proprietary genomics extensively to assist in the selection process and we have a leading position in this technology. This knowledge and experience is being transferred into the bovine sector to enhance our lead over competitors. Additional investment has been made in high performance computing to support the extensive analysis of the large volumes of data necessary for the successful application of these genomic evaluations.

Also, we made progress with the fundamental science programme, meeting all the milestones set for leading projects.

Bovine Product Development

The Genus bovine stud is the most genetically elite and diverse in the world. It comprises around 200 beef and dairy bulls carefully selected for their ability to confer, in their progeny, a combination of 24 desirable traits providing benefits for customer herds in terms of quality, output and robustness.

In the reporting period, a small number of elderly bulls were retired from the stud and replaced with elite entrants so that genetic quality of the stud has been enhanced.

The stud continues to offer an unrivalled product range with an impressive list of elite bulls. This is well illustrated by having 33 bulls in the top 100 of the internationally important US ranking list, up from 22 bulls last year. In addition, we have seven of the top 20 Jersey bulls in the US ranking list.

In the dairy sector, five Shottle sons have graduated with impressive traits. In the beef sector, the recently acquired Powerline Beef Genetics, will enable us to develop proprietary genetics to meet customer specifications in an integrated supply chain.

This year we expanded the five year selection and testing programme for bulls to meet expected sales levels in five years time. In creating and selecting new animals for this programme, because of the long lead time, the Group continually looks forward to the likely needs of agriculture at the time the bulls will graduate. Over the last five years, the programme has concentrated on all round performance with an emphasis on robustness. From publicly available data, we can confirm that the competitiveness of the Genus stud will be enhanced by graduations in the coming year.

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

Porcine Product Development

The porcine development programme aims to achieve a continuous improvement in the genetics of the Group's proprietary range of nine pure pig lines. These pure lines are crossed to create elite hybrid boars and gilts for the Group's operating businesses to multiply locally and supply breeding animals to regional customers.

The product development programme continued to achieve a strong improvement in the genetic merit of the breeding animals it produces. The bovine stud now has an exceptional range of top animals and the commissioning of the new and enlarged porcine nucleus herd facility will accelerate the already high genetic progress being made in the porcine sector.

The new genetic nucleus farm in South Dakota was completed during the year. Constructed to replace the ageing Kentucky facility and expand Group capacity, the farm will be fully operational by the end of September 2010. However, we have already seen improvements in the rate of genetic progress from the greater selection pressure afforded by the larger population now under development.

During the year we also expanded our use of cross bred trials to measure the performance of Genus products in the production farming environment. The results from these trials are being used to refine the selection process for robustness traits.

Fundamental Science

The Group manages much of its fundamental research in educational establishments and with specialist research companies. However, as Genus is a market leader in this sector, all work on semen physiology and freezing is carried out in-house. In addition, Genus monitors work undertaken in more than 500 research establishments around the world so that it can quickly identify the progress made in other biotech industries and decide whether such progress could be adapted for use in the animal genetics sector.

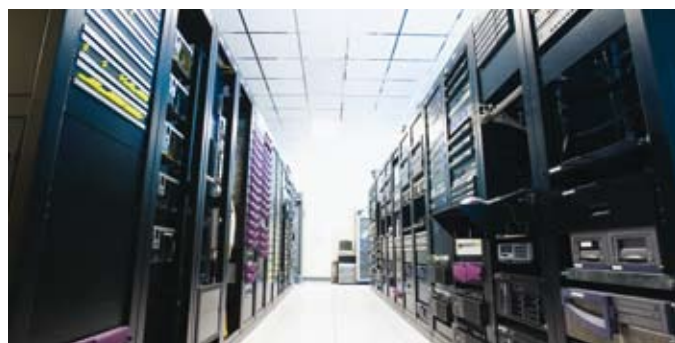
Using these methods, the Group is able to achieve more progress than would normally be expected from the level of expenditure currently directed towards fundamental science.

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

This year Genus has achieved continued progress against all the milestones set for an improved process for sorting semen.

High Performance Computing

Genus has made a major investment this year in High Performance Computing to process data for genetic evaluation. Normally used by top universities to carry out research, the High Performance Computing System has been introduced into the Genus Science Group to manage the rapid growth of genetic analysis in both the porcine and bovine businesses. The computers allow fast access and retrieval of data and provide a storage capacity of over 20 Terabytes.



Business Review

Financial Review



John Worby
Group Finance Director

Adjusted Profit Before Tax

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Adjusted operating profit	39.9	38.1	5	3
Share of j.v. profits*	2.3	2.1		
Adjusted operating profit inc j.v.	42.2	40.2	5	3
Net finance costs before exceptionals	(9.3)	(8.2)		
Adjusted profit before tax	32.9	32.0	3	–

* Excludes net IAS41 valuation movement in biological assets and taxation.

Revenue:

2010	£285.3m
2009	£280.4m
2008	£247.1m

Adjusted Operating Profit:

2010	£39.9m
2009	£38.1m
2008	£32.3m

Adjusted Profit Before Tax:

2010	£32.9m
2009	£32.0m
2008	£27.9m

Group Performance

During the year, both our key measures of financial performance – underlying profitability and cash generation – improved at a rate ahead of the Board's initial expectations.

Adjusted operating profit and adjusted profit before tax are the measures used by the Board to monitor underlying profitability. The items excluded from adjusted operating profits are:

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

Adjusted operating profit improved in the year by 5%, and adjusted profit before tax was 3% higher.

Cash generation was encouragingly strong even after continued investment in product development facilities. The £12.9m cash inflow led to a reduction in net debt to £80.0m.

Exchange Rates

Movements in exchange rates affect profits earned outside the UK when they are translated into Sterling for reporting purposes. During the year, exchange rate movements had a small beneficial impact on reported results due to a slight weakening of sterling.

The average and year end exchange rates used to translate the results for the year were as follows:

	Average		Closing	
	2010	2009	2010	2009
US Dollar/£	1.58	1.60	1.50	1.65
Euro/£	1.14	1.17	1.22	1.17

Revenue

Revenue grew by 2% from £280.4m to £285.3m. At constant exchange rates, revenue was 1% lower than last year. Weak demand in North America resulted in reduced sales, particularly in the first half of the year but this was largely offset by growth elsewhere.

Adjusted Profit Before Tax

Adjusted operating profit increased by 5% to £39.9m (2009: £38.1m) and adjusted profit before tax increased by 3% to £32.9m (2009: £32.0m). At constant exchange rates, adjusted operating profit was up 3% compared with 2009, and adjusted profit before tax was flat.

Genus manages its global operations on a regional basis and monitors product performance globally. A detailed review of operating profit performance by region is set out in the Divisional Review on pages 12 to 17. A review of product performance is set out overleaf:

Analysis of Performance by Species

	Actual Currency			Constant Currency Movement %
	2010 £m	2009 £m	Movement %	
Revenue				
Bovine	145.9	140.3	4	1
Porcine	133.8	135.8	(2)	(4)
Research and Development	5.6	4.3		
Total	285.3	280.4	2	(1)
Adjusted Operating Profit				
Bovine	18.9	17.8	6	2
Porcine	31.3	30.8	2	2
Unallocated	(10.3)	(10.5)		
Total	39.9	38.1	5	3

Bovine revenues increased to £145.9m. Volumes grew 7% but average selling prices were slightly lower as a result of competitor pressure and customers trading down in response to the difficult market, especially in the US. Profitability improved benefiting from growth in volumes and tight control of costs.

In Porcine, the fall in revenues occurred mainly in the US as customers deferred updating their genetics. This was particularly noticeable in the first half but sales in the last quarter were higher as customers responded to the market recovery. The impact on profits was mitigated by the robustness of the royalty model and by cost reductions resulting in porcine profitability improving in the year.

Statutory Profit Before Tax

Statutory profit before tax was £40.8m, up from £26.2m last year. Within this, operating profit before exceptional items increased by £10.6m to £44.2m (2009: £33.6m). The increase is substantially higher than the increase in underlying profits as measured by adjusted operating profit because of a larger credit in respect of the net IAS 41 valuation movement for biological assets. This rose from £2.7m last year to £11.0m as the strength of the bull product range together with higher volumes led to significant additions to the carrying value of bovine biological assets.

Finance Costs

Net finance costs, before exceptional items, increased by £1.1m to £9.3m (2009: £8.2m). The increased bank margins and fees payable following the refinancing undertaken in February 2009 caused interest costs to be higher in the first half of the year. In addition, the net interest cost on pension liabilities rose as a result of the increased pension deficit at June 2009 caused by low asset values at that time.

Exceptional Items

Exceptional items totalled a net credit of £2.8m compared with a £1.4m charge last year. The majority of the credit relates to a £2.5m curtailment gain arising from the closure of the main defined benefit pension arrangements in the UK to all future accruals. In addition there was a small release of provisions relating to integration and restructuring items that were no longer required.

Taxation

The effective rate of tax for the year, based on adjusted profit before tax, was 33.8% (2009: 33.4%). The effective tax rate depends upon the mix of profits by country, particularly the proportion of profit generated in North America where the tax rate is approximately 40%, and the ability of the Group to recognise deferred tax assets in respect of losses in some of the Group's smaller territories.

Goodwill has been restated to recognise separately the deferred tax asset in relation to the historic acquisition of intangible assets by Sygen prior to its acquisition by Genus, further details of which can be found in note 2. This restatement has had no effect on earnings, profits, cash flows or shareholders' equity.

Earnings per Share

Basic earnings per share from continuing operations were up 52% to 46.3 pence in the year ended 30 June 2010 (2009: 30.4 pence), reflecting the higher credit in respect of biological assets under IAS 41 and the exceptional pension curtailment gain. Adjusted basic earnings per share from continuing operations rose by 2% to 36.7 pence (2009: 36.1 pence).

KPI Performance

Performance measured against the Group's key performance indicators is set out on pages 10 to 11.

Dividend

The Board is recommending to shareholders a 10% increase in the dividend to 12.1 pence per ordinary share. Subject to shareholder approval at Genus' forthcoming Annual General Meeting, this dividend will be paid on 7 January 2011 to shareholders on the register at the close of business on 10 December 2010.

Dividend cover remains strong with the dividend covered 3.0 times by adjusted earnings (2009: 3.3 times).

Biological Assets

The Group has a substantial investment in biological assets, held at fair values as required by IAS 41. At 30 June 2010, the carrying value of biological assets was £235.7m (2009: £202.8m) as set out in the table below:

	2010 £m	2009 £m
Non-current assets	175.5	153.9
Current assets	37.0	28.0
Inventory	23.2	20.9
Total	235.7	202.8
Represented by:		
Porcine	82.3	76.0
Bovine	153.4	126.8
Total	235.7	202.8

Exchange rate movements accounted for £19.3m of the increase in carrying value during the year including a £1.8m increase in respect of inventory. The remaining increase relates principally to growth in the carrying value of bovine biological assets and results from an increase in the expected output together with higher individual bull values due to the improved quality of the stud. This improvement is demonstrated by the Group's strong position in external bull rankings. These increases in value are required by IAS 41 to be reflected in the income statement. This can result in volatility in reported profits that is not reflected in cash generated by the business. For this reason, the net IAS 41 valuation movement in biological assets is excluded in the calculation of the adjusted profits referred to above. Adjusted operating profits are reported after charging all research and product development expenditure.

Business Review

Financial Review
continued

Cash Flow

	2010 £m	2009 £m
Cash generated by operations	40.5	28.2
Interest, tax and dividends	(20.5)	(20.0)
Capital investments	(9.1)	(15.5)
Other	2.0	3.5
Net cash inflow/(outflow)	12.9	(3.8)

Cash generated from operations increased in the year to £40.5m (2009: £28.2m) benefiting from improved profits and tight management of working capital.

Capital investment in the year of £9.1m was lower than last year's £15.5m but remained above the level of depreciation as the Group completed its investment in extending capacity to meet projected future growth. In particular, the final £2.2m was spent on completing the new porcine genetic nucleus herd facility in South Dakota and £1.1m on the acquisition of the Powerline Genetics beef business.

As a result of the strong cash generated by operations and lower capital investment, there was a net cash inflow for the year of £12.9m (2009: outflow of £3.8m).

Capital Structure

Shareholders' funds rose during the year to £251.5m at 30 June 2010, an increase of £46.9m. Exchange rate movements accounted for £19.9m of the increase. The remaining increase relates almost entirely to retained profits.

Net borrowings, excluding certain financial derivatives, reduced by £8.0m to £80.0m from £88.0m last year. This was due to the cash inflow for the year offset, in part, by the impact of exchange rate movements on the element of borrowings denominated in US Dollars. The Group's financial derivatives include a currency swap entered into in 2006 that had the effect of exchanging £35m of debt for US\$66.2m of debt. This instrument matures in January 2011 and at 30 June 2010 was a liability of £9.6m (2009: £5.7m). Taking this into account, net debt at 30 June 2010 was £89.6m down from £93.7m last year.

The Group's financial ratios remained strong. Gearing reduced from 43% to 32% and interest cover improved. Interest cover, based on net interest payable excluding the net interest cost on pension liabilities improved to 6.3 times (2009: 6.1 times).

Retirement Benefit Obligations

The Group's retirement benefit obligations at 30 June 2010, calculated in accordance with IAS 19, was £28.8m (2009: £35.4m) before tax and £20.3m (2009: £25.3m) net of related deferred tax. The reduction in the obligations in the year arose mainly from a lower deficit in the Group's defined benefit pension scheme operated as part of the Milk Pension Fund, a multi-employer scheme. This deficit fell from £27.7m to £20.3m primarily due to a higher than expected return on the scheme assets, offset in part by strengthened mortality assumptions. As part of the management of the pension risk, steps were taken during the year to close the scheme to all future service accrual. The consequential change in assumptions following closure resulted in a £2.5m reduction in pension obligations, reported as an exceptional credit in the income statement.

The Milk Pension Scheme, a multi-employer scheme, is undertaking its triennial actuarial valuation as at 31 March 2009 and is in the process of agreeing revised deficit funding contributions with its participating employers. As a result, Genus expects its annual deficit contributions to increase by approximately £1.5m to £2.0m under this and its other defined benefit pension schemes.

Treasury

The Group has a centralised treasury function to manage foreign exchange and interest rate risk following guidelines laid down by the Board. Derivative instruments are used solely to mitigate risks.

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

• Interest Rate Risk

Interest rate swaps are used to generate the desired interest profile and to manage exposure to interest rate fluctuations. The Group's policy is that a minimum of 60% of the Group's borrowings should be fixed for periods in excess of 1 year up to a maximum of 5 years. At 30 June 2010, 85% (2009: 88%) of the Group borrowings were at fixed rates.

The fair value of the interest rate swaps used to provide the required level of hedging at 30 June 2010 was a net liability of £2.1m (2009: £2.4m).

• Foreign Currency Risk

The Group is exposed to two principal types of foreign currency risk: transaction risk and translation risk. Transactional exposures arise from operating units selling and/or purchasing goods and services in currencies other than their reporting currency. Where these exposures are large or other than short-term, they are hedged by the use of forward contracts. The Group has a policy to settle inter-company trading balances on a monthly basis to minimise foreign currency exposure.

Translation exposure arises on the retranslation of overseas subsidiary companies' profits and net assets into Sterling for financial reporting purposes. Overseas trading is mainly US Dollar linked and to a lesser extent Euro. Exposures arising from the translation of overseas profits are not hedged. Translation exposures in respect of the net assets in overseas countries are managed by maintaining a percentage of net debt in overseas currencies to mitigate the effect of currency fluctuations. This is achieved by either borrowing in the relevant currency or entering into long-term currency swaps.

At 30 June 2010, gross debt was held in the following currencies: US Dollars 78% (2009: 73%), Euros 10% (2009: 10%), Sterling 12% (2009: 17%), after taking into account long-term currency swaps.

• Liquidity Risk

The Group's objective is to ensure the Group has committed facilities with sufficient headroom to finance its funding requirements for the foreseeable future. At the year end, the Group had undrawn committed facilities of £53.1m and held cash and cash equivalents of £18.1m (2009: £20.6m).

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

Business Review

Principal Risks and Uncertainties

Genus operates a structured risk management system which identifies, evaluates and prioritises risks and uncertainties and actively reviews control and mitigation activities. Details of the risk management system can be found in the Corporate Governance Statement. Genus has continued to enhance the Group's risk management during the year by each of the regional businesses conducting externally facilitated risk management workshops, the results of which were reviewed by the Company's Board of Directors. The principal risks and uncertainties facing Genus that could impact its performance together with actions that are taken by Genus to mitigate their impact on the Company are as follows:

Key Risks	Mitigating Actions
Aggregating the risks that are contained in the Genus Group risk register, the following key risks apply to the Company:	The following actions are taken by the Company to mitigate the likelihood and impact of the key individual risks identified in the Genus Group risk register:
Markets Key Individual Risks	
Achieving growth in developing countries	<ul style="list-style-type: none"> • Development of local genetic facilities with regional partners • Availability of superior product both locally produced and imported • Extensive supply and distributor network
Sustaining growth in developed countries	<ul style="list-style-type: none"> • Effective research programme maintaining product lead • Appropriate Company business structures in mature markets • Ensuring the availability of market leading product and world leading technical services
IPR protection	<ul style="list-style-type: none"> • Ensuring all available legal and contractual protections apply to the Company's intellectual property
Disease & Environment Key Individual Risks	
Ensuring continuity of supply worldwide in the event of a disease outbreak, environment incident or a border closure outside our control	<ul style="list-style-type: none"> • Business continuity programmes • World class animal care practices and strict bio-security systems • Dispersed and remote herd locations • Comprehensive staff training • Pro-active environmental management • Use of extensive environmental protocols • Use of in-country local production • Application of porcine multiplier model
HR Key Individual Risks	
Ensuring continuity of key staff	<ul style="list-style-type: none"> • Effective succession planning, development and training programmes • Competitive retention and incentive packages
Management of emerging markets	<ul style="list-style-type: none"> • Dedicated in-country regional management
Health & safety	<ul style="list-style-type: none"> • Comprehensive staff training • Monitored compliance with legislation • Risk assessment and safety audits
Research & Product Development Effectiveness Key Individual Risks	
Maintaining commercial focus	<ul style="list-style-type: none"> • Ensuring optimum liaison between regional management teams as to market needs
Product development and competitive edge	<ul style="list-style-type: none"> • Alignment of research investment with commercial needs • Diversified product portfolio
Focusing research projects to deliver benefits, e.g. sexed semen project	<ul style="list-style-type: none"> • Dedicated research project teams • Strong relationships with technology partners
Finance Key Individual Risks	
Pensions	<ul style="list-style-type: none"> • Agreement of appropriate recovery and other plans with pension fund trustees • Review of investment strategy • Review of pension benefits provisions • Monitoring of joint and several liability in the Milk Pension Fund
Currency Fluctuations	<ul style="list-style-type: none"> • Forecasting currency requirements • Hedging and foreign exchange policies • Central treasury reviews

Business Review

Corporate Social Responsibility



In the context of an ever increasing world population and decreasing resources available for food production, Genus plays an increasingly important social and economic role in the efficient production of quality foods.

Sustainability in World Agriculture

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

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

All companies in the Genus Group follow procedures that are compliant with local laws and regulations and in many cases the Group's procedures exceed local requirements. The Genus Board has overall responsibility for corporate responsibility, assessing the needs of Genus' stakeholders regularly, and delegates day to day management of corporate responsibility issues to the Company's Operating Board in conjunction with regional management.

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

The Environment

Genus recognises that concern for the environment is an essential part of its business operations and seeks to minimise risk to the environment by effective management of the Group's activities. Genus is committed to conducting its business in a manner that is sensitive to the environmental needs of the communities in which we operate. Our locations integrate environmental management into their operational systems and procedures: the monitoring and reporting on environmental performance is an integral part of the Group's operations and a key part of the Group's risk management programme.

Genus operates an active policy of environmental compliance requiring as a minimum compliance with the laws and regulations applicable to its business in each of the countries in which it operates. In many cases the Group's compliance exceeds local requirements. We assess environmental risks associated with existing and new facilities and establish controls to ensure that any risks remain at an acceptable level. Employees at our facilities receive a high level of training in environmental compliance matters and comprehensive environmental protocols are in operation at our facilities.

Our Employees

Genus places considerable value on the involvement of its employees. Our staff play a vital role in building a sustainable business and their skills, qualities and wellbeing underpin the Company's success.

Genus' employment policies respect the individual regardless of sex, age, race or religion. Full and fair consideration is given to applications for employment from disabled people and the services of employees who become disabled are retained wherever possible.

Training, career development and promotion opportunities are provided throughout the Group, for example via the internet based Genus Global University. Our training and development programmes are designed to equip employees with the necessary skills to enhance their careers and employees are actively encouraged to attain a broad understanding of the Group's businesses to give a strong base in the Company's culture and ethics.

Genus is committed to the highest standards of corporate and individual behaviour and actively considers the economic, social and environmental impacts of the Group's activities, wherever it operates in the world.

Global University

People are what have allowed Genus to achieve its success. Allowing people to grow with Genus around the globe means that we are always looking for new ways to help people develop. The Global University online training centre is an interactive, learning-based system that offers a wide variety of technical, human relation, sales and process training courses. This provides Genus with the ability to provide leading industry knowledge in a timely manner to all of its people globally.



The Group has a well established structure to communicate with employees at every level to encourage their involvement and interest in the Group's performance and future activities. This is achieved through formal and informal meetings, internal communications, the Group's Genus World magazine and the Group's intranet.

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

Health and Safety

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

Maintaining a consistently safe and healthy workplace for our people requires effective management. We operate a pro-active network of health and safety personnel in our regional facilities that share knowledge and experience between facilities with the aim of cross-fertilising best practice and ensuring consistently high standards of safety across the Group.

Our Stakeholder Relationships

Customers

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

Suppliers

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

Our Community

As a responsible member of the communities in which it operates, Genus actively encourages its operating companies to positively engage with the local community in their areas of operation and in all aspects of community relations. At a Group level, the Company sponsors the Farm Business Awards and the John Beckett Foundation, an organisation that provides business scholarships to young farmers.

Board of Directors



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1. John Hawkins (57)

Chairman

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

2. Richard Wood (65)

Chief Executive

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

3. Mike Buzzacott (62)

Non-Executive Director

Mike Buzzacott joined the Board in May 2009 and is Chairman of the Audit Committee. He spent 34 years at BP prior to his retirement in 2004, holding a number of international roles including Finance & Control Director Asia Pacific, CFO BP Nutrition and Group Vice President Petrochemicals. He is currently a Non-Executive Director and Audit Committee Chairman of Croda Plc and a Non-Executive Director of Scapa Plc. He was formerly a Non-Executive Director of Rexam Plc and Chairman of Biofuels Plc.

4. Nigel Turner (61)

Senior Non-Executive Director

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

5. John Worby (59)

Group Finance Director

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

6. Professor Barry Furr (66)

Non-Executive Director

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

7. Ian Farrelly (42)

Group Company Secretary & General Counsel

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

Corporate Governance & Financial Statements

25 Corporate Governance

- 26 Directors' Report
- 29 Corporate Governance Statement
- 33 Audit Committee Report
- 35 Directors' Remuneration Report
- 40 Directors' Responsibilities Statement

41 Financial Statements

- 41 Independent Auditors' Report – Group Financial Statements
- 42 Group Income Statement
- 43 Group Statement of Comprehensive Income
- 44 Group Statement of Changes in Equity
- 45 Group Balance Sheet
- 46 Group Statement of Cash Flows
- 47 Notes to the Group Financial Statements
- 85 Independent Auditors' Report – Parent Company Financial Statements
- 86 Parent Company Financial Statements
- 87 Notes to the Parent Company Financial Statements
- 96 Five Year Record – Consolidated Results
- 97 Notice of Annual General Meeting

Corporate Governance

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 30 June 2010.

Principal Activities

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

The principal subsidiary and associated undertakings are listed in note 38 to the financial statements.

Business Review

A review of the business of the Group during the financial year ended 30 June 2010, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group can be found within the Business Review on page 21.

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

Dividends

The Directors are pleased to recommend the payment of a dividend of 12.1 pence per ordinary share payable on 7 January 2011 to shareholders on the register at the close of business on 10 December 2010.

Directors

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

John Hawkins	–	Non-Executive Chairman
Richard Wood	–	Chief Executive
John Worby	–	Group Finance Director
Nigel Turner	–	Senior Non-Executive Director
Mike Buzzacott	–	Non-Executive Director
Barry Furr	–	Non-Executive Director

In compliance with the UK Corporate Governance Code all Directors of the Company will offer themselves for annual re-election at the next Annual General Meeting. The Board considers that all Directors make an effective and valuable contribution to the Board and demonstrate commitment to their respective roles.

Biographical details on the Directors of the Company can be found on page 24.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Matters Reserved for the Board, copies of which are available on request, and the Corporate Governance Statement on pages 29 to 32.

Directors' Interests

The Directors who held office at 30 June 2010 had the following interests in the shares of the Company:

	At 30 June 2010 No	At 30 June 2009 No
John Hawkins	5,100	5,100
Richard Wood	60,856	60,566
John Worby	10,000	10,000
Nigel Turner	15,000	15,000
Mike Buzzacott	2,000	1,000
Barry Furr	8,000	8,000
Total	100,956	99,666

No changes took place in the interests of Directors between 30 June 2010 and the date of this report.

Directors' Share Options and Share Awards

Details of Directors' share options and share awards are provided in the Directors' Remuneration Report on page 39.

Supplier Payment Policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 30 June 2010 were equivalent to 29 days' purchases (2009: 26 days), based on the average daily amount invoiced by suppliers during the year.

Charitable and Political Contributions

During the year the Group made no charitable donations (2009: £nil).

Capital Structure

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

Substantial Shareholdings

As at 3 September 2010, the following material interests in the Company's issued ordinary share capital were held: Lansdowne Partners 13.95%, NFU Mutual 10.17%, Baillie Gifford 9.46%, Franklin Templeton 7.97%, Legal & General Investment Management 4.49% and Scottish Widows 3.13%. No other person has notified an interest in the ordinary shares of the Company which is required to be disclosed to the Company.

Acquisition of the Company's Own Shares

At the end of the year, the Directors had authority, under the shareholders' resolutions of 12 November 2009, until the earlier of 18 months after the passing of such resolutions or the conclusion of the Company's next Annual General Meeting, to buy back shares on the open market to a limit of £595,252 in nominal value, representing 10% of the Company's issued share capital as at the date of the resolution at a price between 10 pence (exclusive of expenses) and 105% of the average of the middle market quotation for ordinary shares in the Company for the five business days prior to the date of purchase (exclusive of expenses). No shares were bought back by the Company in the period since 12 November 2009 and the date of this report.

Corporate Governance

The Company's Corporate Governance Statement is set out on pages 29 to 32 and forms part of this Directors' Report.

Corporate Social Responsibility

Details of the Company's approach to corporate social responsibility are contained in the Corporate Social Responsibility section of the Business Review on pages 22 and 23.

Ordinary and Special Business at the Annual General Meeting

At the Annual General Meeting to be held on 11 November 2010 resolutions 1 to 10 are termed ordinary business, while resolutions 11 to 13 will be special business. The ordinary business includes:

- approval of the Company's audited financial statements and directors' and auditors' reports for the year ended 30 June 2010 (resolution 1)
- approval of the Directors' Remuneration Report for the year ended 30 June 2010 (resolution 2)
- declaration of a final dividend of 12.1 pence per ordinary share (resolution 3)
- re-election of Directors in compliance with the UK Corporate Governance Code (resolutions 4 to 8)
- re-appointment of the Company's auditors and the agreement of their remuneration (resolution 9)
- grant of authority to the Directors to allot authorised and unissued ordinary shares up to an aggregate nominal amount of £1,631,086 without having to obtain prior approval from shareholders on each occasion (resolution 10)

The special business covers the following matters:

- partial dis-application of pre-emption rights attaching to the Company's shares (resolution 11)
- renewal of the Company's authority to buy back the Company's shares (resolution 12)
- the ability to convene general meetings (other than annual general meetings) on 14 days' notice (resolution 13)

The resolutions are set out in the Notice of Annual General Meeting on pages 97 to 100.

The passing of resolution 10, as an ordinary resolution, will permit the Directors for a period expiring at the conclusion of the Company's next Annual General Meeting to allot relevant securities up to a maximum aggregate nominal amount of £1,631,086 being 16,310,865 ordinary shares of 10 pence each representing 27% of the issued ordinary share capital of the Company as at 30 June 2010. The Directors do not have an intention to exercise this authority at the present time. The Company currently holds no shares in treasury.

The passing of resolution 11, a special resolution, will permit the Directors for a period expiring at the conclusion of the Company's next Annual General Meeting to make issues of equity securities for cash by way of rights issue or similar pre-emptive offer. In addition, they may issue equity securities for cash on a non pre-emptive basis, provided the shares so issued are limited to shares with a nominal value of £298,392 being 5% of the equity share capital in issue as at the date of the notice.

Corporate Governance

Directors' Report continued

The passing of resolution 12, a special resolution, will permit the Directors, until the earlier of 18 months after its passing or the conclusion of the Company's next Annual General Meeting to buy back shares on the open market to a limit of £596,785 in nominal value, representing 10% of the Company's issued share capital as at the date of the notice. The minimum price payable per share will be 10 pence (exclusive of expenses) and the maximum will be the higher of (a) 105% of the average of the middle market quotation for ordinary shares in the Company for the five business days prior to the date of purchase; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003 (exclusive of expenses).

The passing of resolution 13, a special resolution, will allow the Company to call a general meeting, other than an annual general meeting, on not less than 14 clear days' notice subject to certain conditions being satisfied as required by section 307A Companies Act 2006. The annual passing of this resolution will allow the Company to continue to call general meetings on 14 clear days' notice following the implementation of the Companies (Shareholders' Rights) Regulations 2009 that requires all general meetings of the Company to be held on 21 days' notice unless such a resolution is passed.

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

Going Concern

As described more fully in the Directors' Responsibilities Statement on page 40, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Provision of Information to the Company's Auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 Companies Act 2006.

Appointment of Auditors

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

Belvedere House
Basing View
Basingstoke
RG21 4HG

By order of the Board



Ian Farrelly

Group Company Secretary & General Counsel
6 September 2010

Corporate Governance

Corporate Governance Statement

Statement of Compliance with the Combined Code

Genus is committed to high standards of corporate governance and is accountable to the Company's shareholders for good corporate governance. Throughout the year ended 30 June 2010, the Company has been in compliance with the provisions set out in section 1 of the June 2008 Combined Code on Corporate Governance ('the Code'). This Statement together with the Audit Committee Report and the Directors' Remuneration Report on pages 33 to 39 describe how the Company has applied the principles of corporate governance as set out in the Code.

The Workings of the Board and its Committees**The Board**

The Board is responsible to shareholders for the proper management of the Group and currently comprises two Executive Directors, the Non-Executive Chairman and three other Non-Executive Directors. Biographies of the Directors appear on page 24. The Board considers that the Directors have a range of experience and sufficient calibre to bring effective judgement to bear on issues of strategy, performance, resourcing and standards of conduct which are vital to the success of the Group. The Chairman and the Non-Executive Directors are considered independent.

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

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

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

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

The attendance of Directors at Board and Committee meetings during the year ended 30 June 2010 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chairman (Non-Executive)				
John Hawkins	5 (6)	3*	4 (4)	1 (1)
Executive Directors				
Richard Wood	6 (6)	3*	4*	1 (1)
John Worby	6 (6)	3*	2*	n/a
Non-Executive Directors				
Nigel Turner	6 (6)	3 (3)	4 (4)	1 (1)
Mike Buzzacott	6 (6)	3 (3)	4 (4)	1*
Barry Furr	6 (6)	3 (3)	4*	1*

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

* Attendance by invitation.

Corporate Governance

Corporate Governance Statement

continued

The Audit Committee

The Audit Committee, comprising Mike Buzzacott (Chairman), Nigel Turner and Barry Furr, meets at least three times a year and has formal terms of reference that are set out in writing and agreed by the Board.

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

The Audit Committee report set out on pages 33 and 34 provides details of the role and activities of the Committee and its relationship with the internal and external auditors.

The Remuneration Committee

The Remuneration Committee, comprising Nigel Turner (Chairman), John Hawkins and Mike Buzzacott, meets at least twice a year to review the performance of the Executive Directors and the Chief Operating Officers, and to recommend their remuneration and other benefit packages, including performance related bonus schemes, pension rights and share incentives. In accordance with the Company's Articles of Association, the Board as a whole sets the remuneration of the Non-Executives. The Remuneration Committee has terms of reference which are set out in writing and agreed by the Board. The Report of the Remuneration Committee which includes details of Directors' remuneration and Directors' interests in share incentives is shown on pages 35 to 39.

The Nomination Committee

The Nomination Committee, comprising John Hawkins (Chairman), Nigel Turner and Richard Wood, is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. The Committee has written terms of reference covering the authority delegated to it by the Board. Its duties include reviewing regularly the structure, size and composition (including the skills, knowledge and experience required) of the Board and making recommendations to the Board with regard to any changes, giving full consideration to succession planning for Directors and other senior executives taking into account the challenges and opportunities facing the Company and identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise. In the period the Committee considered the appointment of a new Chairman. Suitable candidates were identified by the Committee using the services of external consultants to facilitate a search and a recommendation was made to the Board. As a result, Bob Lawson has been appointed Chairman effective 11 November 2010 after the conclusion of the Company's Annual General Meeting.

The Science Committee

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

Terms of Reference

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

Board Performance Evaluation

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

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

During the period the Chairman and the Non-Executive Directors met as a group without the Executive Directors present. Under the leadership of the Senior Independent Director, the Non-Executive Directors have also met without the Chairman present to discuss any appropriate issues and appraise the Chairman's performance, taking account of the views expressed by the Executive Directors.

Shareholder Relations

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

The Board takes the opportunity at the Annual General Meeting to meet and communicate with private and institutional investors and welcomes their involvement. The Business Review on pages 6 to 23 provides a detailed review of the Group's performance and future developments. John Hawkins, Mike Buzzacott, Nigel Turner and Barry Furr will be available to answer questions as Chairmen of the Board and its Committees at the Annual General Meeting to be held on 11 November 2010.

Internal Control and Risk Management

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

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

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

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

Management of Business Risk

The Board is ultimately responsible for identifying the major business risks faced by the Group. The key risks identified as part of this process and the mitigating actions to control such risks are summarised on page 21. The Board, Chief Operating Officers and their regional management teams are tasked with the responsibility for the ongoing identification, assessment, management, monitoring and reporting of risks to ensure the significant risks affecting the Company are properly identified and managed. Improvements were made in the Company's management of business risk in the year by the constructive use of Group wide externally facilitated risk management workshops.

Management Structure

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

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

Corporate Governance

Corporate Governance Statement continued

Information and Financial Reporting Systems

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

Quality and Integrity of Personnel

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

Investment Appraisal

Capital expenditure is regulated by a budgetary process and pre-determined authorisation levels. For expenditure above specific levels, detailed written proposals have to be submitted to the Board. Due diligence work is carried out if a business is to be acquired. Major projects and all acquisitions are subject to post implementation reviews on a timely basis. Areas of underperformance against expectations and any significant overspends are investigated and corrective action is taken where required.

Approval

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



John Hawkins

Chairman

6 September 2010

Corporate Governance

Audit Committee Report

Summary of the Role of the Audit Committee

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

The principal responsibilities of the Audit Committee are:

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

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

Meetings

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

The Audit Committee invites the Chief Executive, Group Finance Director, Group Financial Controller, internal auditor and senior representatives of the external auditors to attend its meetings. The Chairman is not a member of the Committee but does at the invitation of the Committee attend its meetings. Other members of management are invited to present such reports as are required for the Committee to discharge its duties.

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

In the year ended 30 June 2010 and up to the date of this report the Audit Committee has:

- reviewed the financial statements in the 2010 annual report and the financial statements in the 2010 interim report. As part of this review the Committee received reports from management on significant issues affecting the financial statements, and reports from the external auditors on their audit of the annual report and financial statements and review of the interim report;
- considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter;
- reviewed and agreed the scope of the audit work to be undertaken by the external auditors;
- met with the external auditors, without management being present;
- agreed the fees to be paid to the external auditors for their audit of the 2010 financial statements and review of the interim report;
- reviewed the independence and performance of the external auditors;
- agreed a work programme for the Company's internal audit function outsourced to Ernst & Young LLP;
- received reports from the internal audit function on the work undertaken by internal audit and management responses to proposals made in the audit reports issued by the function during the year;
- reviewed the performance of the internal audit function;
- met with the internal auditors, without management being present;
- reviewed its own effectiveness and terms of reference; and
- reviewed the Group's tax strategy and whistle-blowing policy.

External Auditors

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

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

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

Corporate Governance

Audit Committee Report continued

To assess the effectiveness of the external auditors, the Audit Committee has reviewed a report from management on the effectiveness of the external audit work based on questionnaires completed by key financial staff and members of the Audit Committee covering matters such as:

- the external auditors' fulfilment of the agreed audit plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements;
- the content of the external auditor's reports; and
- cost effectiveness.

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

The current Senior Statutory Auditor has completed five years of service to the Company. The Audit Committee undertook a review of potential candidates to fulfil the role and has selected the new Senior Statutory Auditor.

Internal Audit function

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

- the scope, terms of reference, resource and activities of the internal audit function within the Group;
- internal audit's plans and its achievement of the planned activity;
- the internal auditor's reports on the results of individual audits and other significant findings, the adequacy of management's response and the timeliness of resolution of the matters raised in such reports;
- the level and nature of non-audit activity performed by internal audit; and
- the performance of the internal auditors.

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

Overview

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

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

Approval

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



Mike Buzzacott

Chairman of the Audit Committee
6 September 2010

Corporate Governance

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the Schedule 8 to the Accounting Regulations under the Companies Act 2006 and also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration in the Combined Code. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company to be held on 11 November 2010 at which the financial statements will be put to shareholders for approval.

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

Unaudited Information

Remuneration Committee

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The Remuneration Committee makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for the Executive Directors and the Chief Operating Officers of the Company. The Committee comprises three independent Non-Executive Directors – Nigel Turner (Chairman), John Hawkins and Mike Buzzacott.

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

During the year the Committee met four times and the following matters were covered:

- review of the market competitiveness of the remuneration policy and the remuneration arrangements for the Executive Directors and Chief Operating Officers of the Company;
- review of the salary levels for the Executive Directors and the Chief Operating Officers of the Company;
- agreement of the terms of the Executive Annual Bonus Plan and of the individual bonuses payable in the light of the Group's and individual's performance;
- agreement of the individual long-term share incentive awards under the Company's 2004 Performance Share Plan and 2004 Executive Share Option Plan;
- review of the performance measures and targets to apply these awards;
- approval of the vesting levels of long-term awards;
- approval of this Directors' Remuneration Report; and
- review of the current investor guidelines on executive remuneration.

In determining the Directors' remuneration for the year, the Committee consulted the Chief Executive about its proposals. The Committee also appointed Hewitt New Bridge Street to provide advice on structuring Directors' remuneration packages. Hewitt New Bridge Street did not provide any other services to the Company or the Group.

Remuneration Policy

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

- ensure that salaries are set at a market competitive level by benchmarking against appropriate external comparators;
- support a high performance culture;
- maintain an appropriate balance of fixed and performance related pay which delivers over the short, medium and longer term;
- align long-term rewards with shareholders; and
- ensure that the overall package reflects market practice and takes into account levels of remuneration elsewhere in the Group.

Corporate Governance

Directors' Remuneration Report continued

The following table provides a summary of the key elements of the Company's remuneration package:

Element	Purpose	Operation
Salary	To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Company.	Reviewed every twelve months. Benchmarked against appropriate market comparators.
Annual bonus	Incentivises achievement of annual objectives which support the short to medium-term strategy of the Company.	Maximum bonus potential is normally set at a maximum of 100% of basic salary dependent on stretching targets relating to profit, net debt reduction and challenging personal objectives. For the 2010/11 financial year the maximum bonus has been set at an exceptional maximum of 150% of basic salary. The additional entitlement of up to 50% of basic salary is dependent on the achievement of additional challenging personal objectives and any payment under this exceptional criteria will be deferred for a period of one year. At the discretion of the Remuneration Committee an early payment of all or part of the additional entitlement may be made in circumstances of retirement, redundancy or ill-health. Payments under the annual bonus plan are subject to clawback in the event of a material misstatement of the Company's financial results.
Long-term share incentives	Performance share plan incentivises executives to achieve superior returns to shareholders over a three year period and to retain key individuals and align interests with shareholders.	Share incentive grants are made annually at a normal level equal to 100% of basic salary to senior executives and other senior management and are based on the achievement of EPS targets over a performance period that is normally three years.

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors and senior management should be based on corporate and individual performance related targets that support the Company's strategy and objectives. The policy is intended to create a strong link between business performance and reward and to generate value to shareholders, employees and the Company. In setting the Executive Directors' remuneration the Committee took into account the pay and employment conditions applicable across the Group in the reported period and no increases were made in the period to Directors' remuneration terms compared against the prior year.

Base Salary

The Executive Directors' basic salary is reviewed by the Committee prior to the beginning of each financial year, taking into account individual and corporate performance, an assessment of comparator companies and levels of increases applicable to other employees in the Company. Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting to be held on 11 November 2010.

Annual Bonus

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. The maximum bonus and the proportion paid for on-target performance are considered in the light of market practice for companies of a similar size and industry sector. For the year ending June 2010 the maximum bonus was 100% of salary with 40% of salary payable for on-target performance. Targets were based on both corporate and individual objectives. A maximum of 60% of the bonus opportunity is based on corporate performance as measured by profit before tax, 20% of the bonus opportunity is based on the achievement of net debt targets and the remaining 20% of the bonus opportunity is based on the achievement of personal objectives.

Share Awards & Share Options

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

The long-term share awards are granted under the Genus plc 2004 Performance Share Plan ('the Plan'). Under the Plan, incentives can take the form of conditional share awards or nil cost options and are driven by the achievement of growth in the Company's underlying earnings per share normally over a three year period, with the proportion of the grant that vests being shown in table A opposite. For grants of share awards made prior to October 2008, the performance conditions shown in table B apply.

Table A (Grants from October 2008)

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

Table B (Grants prior to October 2008)

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

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

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

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

Under the 2004 Executive Share Option Plan grants are made to incentivise middle management (Executive Directors and senior management do not participate in this plan) and the vesting of options is also conditional on achievement of growth in underlying earnings per share exceeding RPI + 5% over a three year period. It is the Company's policy to phase the granting of share options rather than to award them in a single large block to any individual.

Details of grants made to Directors are shown in the table of Directors' interests on page 39 and details of the performance criteria for the Company's share award and share option schemes are also included in note 31 to the financial statements.

Benefits-in-Kind

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

Directors' Contracts

Details of the Executive Directors' service contracts and the terms of appointment of the Non-Executive Directors are set out below.

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

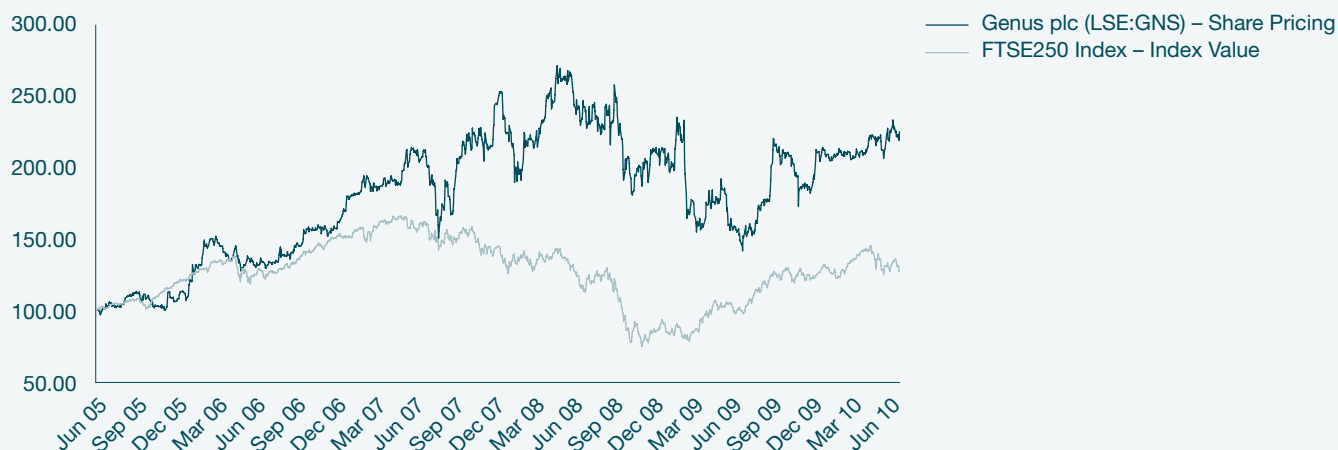
All Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board as a whole having regard to the time devoted to the Company's affairs. The Non-Executive Directors do not participate in any of the Company's incentive schemes or pension schemes. Their appointment is for a fixed term of three years and is subject to one month's notice of termination being given by either the Company or the Non-Executive Director and to annual re-election at the Company's Annual General Meeting by rotation in accordance with the UK Corporate Governance Code.

Corporate Governance

Directors' Remuneration Report continued

Performance Graph

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



Audited Information

Aggregate Directors' Remuneration

The total amounts for Directors' remuneration were as follows:

	2010 £000	2009 £000
Emoluments	970	1,052
Bonus schemes	472	390
Money purchase pension contributions	0	22
	1,442	1,464
Compensation for loss of office	–	50
Gains on exercise of share options and awards	742	180
	2,184	1,694

Directors' Emoluments

	Salary and fees £000	Bonus £000	Benefits £000	Pension £000	Total 2010 £000
Executive Directors					
Richard Wood	450	288	74	0	812
John Worby	275	184	46	0	505
Non-Executive Directors					
John Hawkins	125	–	–	–	125
Nigel Turner	40	–	–	–	40
Mike Buzzacott	40	–	–	–	40
Barry Furr	40	–	–	–	40
	970	472	120	0	1,562

Outside Appointments

The Company recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that this can help broaden the skills and experience of a Director. Upon appointment as Group Finance Director of the Company John Worby was permitted to retain his existing non-executive directorships of Cranswick plc and Smiths News plc and John Worby has been permitted to retain the associated remuneration of £82,667 in the period.

Directors' Share Awards and Share Options

The Directors at 30 June 2010 had the following beneficial interests in share awards and share options:

Richard Wood

Grant	Vesting Period	Share Price at Grant Date	At 30 June 2010 No.	At 30 June 2009 No.
(1)	21 June 2006 to 22 June 2009	439.75p	–	119,386
(2)	21 September 2007 to 22 September 2010	582p	154,639	154,639
(3)	15 October 2008 to 16 October 2010	651.5p	69,071	69,071
(4)	15 September 2009 to 16 September 2012	654.5p	68,755	–
			411,192	343,096

Directors' Remuneration Report

Under (1) above the Remuneration Committee declared a vesting percentage of 100% in relation to the Company's earnings per share performance leading to the vesting of 119,386 ordinary shares in the Company. All of these shares were exercised at a price of 621.39 pence per share in September 2009 with 49,096 of these shares being sold at a price of 621.39 pence per share in September 2009 to satisfy income tax and national insurance contributions payable by Richard Wood as a result of the vesting and a further 10,000 shares were also sold at a price of 621.39 pence. The remaining 60,290 vested shares were retained by Richard Wood as part of his shareholding in the Company. The Remuneration Committee has determined that the share incentives under (2) and (3) above will vest with a percentage vesting of 100% and 50% respectively.

John Worby

Grant	Vesting Period	Share Price at Grant Date	At 30 June 2010 No.	At 30 June 2009 No.
(1)	3 March 2009 to 2 March 2012	635.67p	86,523	86,523
(2)	15 September 2009 to 16 September 2012	654.5p	42,017	–
			128,540	86,523

The Company has established an Employee Benefit Trust to be the custodian of any shares purchased in respect of the 2004 Performance Share Plan on behalf of the Executive Directors and certain senior management. As at 30 June 2010, 161,824 ordinary shares in the Company were held by the trust.

Company Share Price

The market price of the Company's shares on 30 June 2010 was 742 pence and the low and high share prices during the financial year were 467 pence and 769 pence respectively.

Approval

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



Nigel Turner

Chairman of the Remuneration Committee
6 September 2010

Corporate Governance

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the European Union in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Going Concern

The Business Review on pages 6 to 23 sets out the Group's position and prospects, in particular:

- The Group's business activities, their performance and position are set out on pages 12 to 17.
- The financial position of the Group including cash flows, liquidity position, borrowing facilities and treasury risk management policies are set out on pages 18 to 20.
- The risk factors facing the Group and mitigating actions in place are described on page 21.

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

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

Directors' Responsibility Statement

The Directors confirm to the best of their knowledge:

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

By Order of the Board:

Signed:



Richard Wood
Chief Executive
6 September 2010



John Worby
Group Finance Director

Independent Auditors' Report – Group Financial Statements

Independent Auditors' Report to the members of Genus plc

We have audited the Group Financial Statements of Genus plc for the year ended 30 June 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Balance Sheet, the Group Cash Flow Statement and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

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

Other matter

We have reported separately on the Parent Company Financial Statements of Genus plc for the year ended 30 June 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.



William Touche (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

6 September 2010

Group Income Statement

For the year ended 30 June 2010

	Note	2010 £m	2009 £m
Revenue from continuing operations	5,7	285.3	280.4
Adjusted operating profit from continuing operations		39.9	38.1
Net IAS 41 valuation movement in biological assets	17	11.0	2.7
Amortisation of acquired intangible assets	16	(5.1)	(5.2)
Share-based payment expense	31	(1.6)	(2.0)
Exceptional items	8	44.2 2.8	33.6 (0.6)
Operating profit from continuing operations	9	47.0	33.0
Share of post tax profit of joint ventures and associates	19	3.1	1.8
Other gains and losses	10	–	0.4
Net finance costs before exceptional item		(9.3)	(8.2)
Write off of unamortised arrangement fees	8	–	(0.8)
Net finance costs	12	(9.3)	(9.0)
Profit before tax from continuing operations		40.8	26.2
Taxation	13	(13.3)	(8.3)
Profit for the year from continuing operations		27.5	17.9
Earnings per share from continuing operations	15		
Basic earnings per share		46.3p	30.4p
Diluted earnings per share		45.7p	29.9p
Non statutory measure of profit			
Adjusted operating profit from continuing operations		39.9	38.1
Pre tax share of profits from joint ventures and associates excluding IAS 41 valuation movements		2.3	2.1
Net finance costs before exceptional items		(9.3)	(8.2)
Adjusted profit before taxation from continuing operations		32.9	32.0
Adjusted earnings per share from continuing operations			
Basic adjusted earnings per share		36.7p	36.1p
Diluted adjusted earnings per share		36.2p	35.6p

Group Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	2010 £m	2010 £m	2009 £m	2009 £m
Profit for the year			27.5		17.9
Foreign exchange translation differences		34.8		43.5	
Fair value movement on net investment hedge		(7.1)		(11.7)	
Fair value movement on cash flow hedges		0.3		(3.0)	
Actuarial gains and losses on defined employee benefit schemes		5.2		(13.6)	
Tax relating to components of other comprehensive income	13	(9.6)		(8.9)	
Other comprehensive income for the year			23.6		6.3
Total comprehensive income for the year			51.1		24.2
Attributable to:					
Owners of the company			51.1		24.2
Minority interests			–		–
			51.1		24.2

Group Statement of Changes in Equity

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
Balance at 1 July 2008		6.0	111.7	(0.1)	(7.9)	0.7	74.8	185.1	–	185.1
Foreign exchange translation differences, net of tax		–	–	–	26.9	–	–	26.9	–	26.9
Fair value movement on net investment hedges, net of tax		–	–	–	(8.6)	–	–	(8.6)	–	(8.6)
Fair value movement on cash flow hedges, net of tax		–	–	–	–	(2.1)	–	(2.1)	–	(2.1)
Actuarial loss on retirement benefit obligations, net of tax		–	–	–	–	–	(9.9)	(9.9)	–	(9.9)
Other comprehensive income for the year		–	–	–	18.3	(2.1)	(9.9)	6.3	–	6.3
Profit for the year		–	–	–	–	–	17.9	17.9	–	17.9
Total comprehensive income for the year		–	–	–	18.3	(2.1)	8.0	24.2	–	24.2
Recognition of share-based payments, net of tax		–	–	–	–	–	1.1	1.1	–	1.1
Issue of ordinary shares		0.1	–	–	–	–	–	0.1	–	0.1
Dividends	14	–	–	–	–	–	(5.9)	(5.9)	–	(5.9)
Balance at 30 June 2009		6.0	111.7	(0.1)	10.4	(1.4)	78.0	204.6	–	204.6
Foreign exchange translation differences, net of tax		–	–	–	27.0	–	–	27.0	–	27.0
Fair value movement on net investment hedges, net of tax		–	–	–	(7.1)	–	–	(7.1)	–	(7.1)
Fair value movement on cash flow hedges, net of tax		–	–	–	–	0.2	–	0.2	–	0.2
Actuarial gain on retirement benefit obligations, net of tax		–	–	–	–	–	3.5	3.5	–	3.5
Other comprehensive income for the year		–	–	–	19.9	0.2	3.5	23.6	–	23.6
Profit for the year		–	–	–	–	–	27.5	27.5	–	27.5
Total comprehensive income for the year		–	–	–	19.9	0.2	31.0	51.1	–	51.1
Recognition of share-based payments, net of tax		–	–	–	–	–	2.0	2.0	–	2.0
Issue of ordinary shares		–	0.3	–	–	–	–	0.3	–	0.3
Minority interest on acquisition		–	–	–	–	–	–	–	0.3	0.3
Dividends	14	–	–	–	–	–	(6.5)	(6.5)	–	(6.5)
Balance at 30 June 2010		6.0	112.0	(0.1)	30.3	(1.2)	104.5	251.5	0.3	251.8

Group Balance Sheet

As at 30 June 2010

	Note	2010 £m	2009* £m	2008* £m
Assets				
Goodwill	16	68.4	62.5	56.4
Other intangible assets	16	81.5	81.1	79.5
Biological assets	17	175.5	153.9	127.0
Property, plant and equipment	18	43.4	39.3	27.6
Interests in joint ventures and associates	19	7.4	5.3	4.7
Available for sale investments	20	0.3	0.3	0.3
Derivative financial assets	27	0.9	1.7	2.5
Deferred tax assets	21	17.5	22.1	18.4
Total non-current assets		394.9	366.2	316.4
Inventories	22	31.1	28.0	21.8
Biological assets	17	37.0	28.0	24.3
Trade and other receivables	23	60.2	53.7	51.7
Cash and cash equivalents	24	18.1	20.6	19.3
Income tax receivable		0.8	1.4	1.5
Asset held for sale	18	0.3	–	–
Total current assets		147.5	131.7	118.6
Total assets		542.4	497.9	435.0
Liabilities				
Trade and other payables	25	(42.3)	(39.0)	(42.1)
Interest-bearing loans and borrowings	28	(1.6)	(2.5)	(17.6)
Provisions	26	(0.4)	(0.2)	(1.2)
Obligations under finance leases	29	(0.9)	(0.9)	(1.0)
Current tax liabilities		(3.5)	(4.8)	(5.0)
Derivative financial liabilities	27	(12.2)	–	(0.2)
Total current liabilities		(60.9)	(47.4)	(67.1)
Interest-bearing loans and borrowings	28	(94.6)	(104.2)	(77.0)
Retirement benefit obligations	30	(28.8)	(35.4)	(21.1)
Provisions	26	(1.4)	(1.8)	(3.0)
Deferred tax liabilities	21	(103.6)	(93.7)	(79.4)
Derivative financial liabilities	27	(0.3)	(9.8)	(1.1)
Obligations under finance leases	29	(1.0)	(1.0)	(1.2)
Total non-current liabilities		(229.7)	(245.9)	(182.8)
Total liabilities		(290.6)	(293.3)	(249.9)
Net assets		251.8	204.6	185.1
Equity				
Called up share capital	32	6.0	6.0	5.9
Share premium account		112.0	111.7	111.7
Own shares	32	(0.1)	(0.1)	(0.1)
Translation reserve	32	30.3	10.4	(7.9)
Hedging reserve	32	(1.2)	(1.4)	0.7
Retained earnings		104.5	78.0	74.8
Equity attributable to owners of the Company		251.5	204.6	185.1
Minority interest		0.3	–	–
Total equity		251.8	204.6	185.1

* See note 2 for details of restatement applied to the 2009 and 2008 balance sheets.

The financial statements of Genus plc (registration number 02972325) was approved by the Board of Directors on 6 September 2010.

Signed on behalf of the Board of Directors



Richard Wood
Chief Executive



John Worby
Group Finance Director

Group Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 £m	2009 £m
Net cash flow from operating activities	33	26.5	14.1
Cash flows from investing activities			
Dividends received from joint ventures and associates		1.1	2.1
Proceeds from disposal of businesses		–	0.3
Purchase of trade and assets	6	(1.1)	–
Purchase of property, plant and equipment		(6.3)	(15.2)
Purchase of intangible assets		(1.7)	(0.3)
Proceeds from sale of property, plant and equipment		0.6	1.0
Net cash outflow from investing activities		(7.4)	(12.1)
Cash flows from financing activities			
Drawdown of borrowings		9.5	14.7
Repayment of borrowings		(24.7)	(11.3)
Payment of finance lease liabilities		(1.0)	(0.8)
Equity dividends paid		(6.5)	(5.9)
Issue of ordinary shares		0.3	0.1
(Decrease)/increase in bank overdrafts		(0.5)	1.2
Net cash outflow from financing activities		(22.9)	(2.0)
Net decrease in cash and cash equivalents – continuing operations		(3.8)	(0.3)
Net increase in cash and cash equivalents – discontinued operations		–	0.3
Net decrease in cash and cash equivalents		(3.8)	–
Cash and cash equivalents at start of the year		20.6	19.3
Net decrease in cash and cash equivalents		(3.8)	–
Effect of exchange rate fluctuations on cash and cash equivalents		1.3	1.3
Total cash and cash equivalents at 30 June	24	18.1	20.6

Notes to the Group Financial Statements

For the year ended 30 June 2010

1. Reporting entity

Genus plc (the 'Company') is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Belvedere House, Basing View, Basingstoke, Hampshire RG21 4HG. The nature of the Group's operations and its principal activities are set out in the Business Review. The Group financial statements for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the 'Group') and the equity method is used to account for the Group's interests in joint ventures and associates.

2. Basis of preparation

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

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

Restatement in the 2009 and 2008 balance sheet

The balance sheet comparatives for the years ended 30 June 2009 and 30 June 2008 have been restated to recognise a deferred tax asset in respect of future tax deductions available on the purchase of intangible assets in 1998 by a subsidiary of Sygen plc, prior to its acquisition by Genus. A deferred tax asset should have been recorded separately in the consolidated accounts of Genus plc upon the acquisition of Sygen plc in December 2005, rather than being included within the goodwill recorded on acquisition. Since acquisition, the group has taken the benefit of this tax deduction in the current tax charge, with an appropriate deferred tax charge being recorded. However, instead of reducing the deferred tax asset that should have been recorded on acquisition, the Group recorded a deferred tax liability.

In order to rectify the position, the prior period balance sheet at 30 June 2009 has been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised), a balance sheet at 30 June 2008 is also presented together with related notes. The amounts involved are a reduction in goodwill at 30 June 2009 of £7.9m (2008: £6.6m), a reduction in deferred tax liabilities at 30 June 2009 of £2.6m (2008: £1.0m) and an increase in deferred tax assets at 30 June 2009 of £5.3m (2008: £5.6m).

There has been no effect on the income statement, cash flows or shareholders' equity recorded as a result of this restatement.

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

Functional and presentation currency

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

Basis of measurement

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

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

Use of estimates

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

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

Going concern

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

Basis of consolidation

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

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

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

2. Basis of preparation continued

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

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

Non GAAP measures – Adjusted operating profit and adjusted profit before tax

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

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 retranslated at the rate of exchange prevailing at the balance sheet date and the related foreign exchange differences arising on retranslation are recognised in the Group income statement.

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

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

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

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

The principal exchange rates were as follows:

	Average			Closing		
	2010	2009	2008	2010	2009	2008
US Dollar/£	1.58	1.60	2.01	1.50	1.65	1.99
Euro/£	1.14	1.17	1.36	1.22	1.17	1.26

3. Significant accounting policies

Business combinations

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. Acquisition related costs are recognised in the profit and loss as incurred.

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 on the acquisition of a subsidiary, associate or joint venture represents the excess of the cost of acquisition excluding transaction costs 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.

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

Research and development

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

The Group constantly monitors its research activities and when research projects satisfy the condition for achieving technical feasibility and are commercially viable, the Group's policy is to capitalise further development costs in accordance with IAS 38.

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

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

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

Exceptional items

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

Intangible assets

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

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

The estimated useful lives are as follows:

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

Intangible assets acquired separately

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

Impairment

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

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

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 11.4% (2009: 11.4%), the Group's weighted average cost of capital. As the Group comprises two large well diversified businesses the Directors believe that this approach reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

3. Significant accounting policies continued

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

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

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

Biological assets and inventories

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

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

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

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

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

Sales of porcine animals generally occur in one of two ways: 'direct' and 'indirect'. Under direct sales, the full fair value of the animal is receivable at point of transfer to the customer. Under indirect sales, the pig is regarded as comprising of two separately identifiable components, its carcass and its inherent genetic potential. The initial consideration, which approximates the carcass value of the animal, is receivable at the point that the pig is transferred to the customer. The Group retains its interest in the genetic potential of the pig and consideration for the use of this genetic potential is received in the form of royalties.

The breeding animal biological assets owned by Genus and the retained interest in the biological assets sold under royalty contracts 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.

Porcine biological assets which are in use as breeding animals are classified as non-current assets and are carried at fair value. Porcine biological assets held with an intention of resale, being the offspring of the breeding herd, are carried at fair value and classified as current assets. The retained interest in the genetics from indirect sales is split between current and non-current assets based on the remaining expected life of the related animals.

Determination of fair values – biological assets

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

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

Porcine – The fair values of porcine biological assets encompasses both the animals owned entirely by Genus and the retained interest in the genetics of those animals sold under royalty arrangements. The fair value of animals owned by the Group is calculated using average live weights of the animals plus a premium where 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 in 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. The fair value of the retained interest in the genetics of those animals sold under royalty contracts is initially based on the fair values achieved by the Group in recent transactions from direct sales of similar animals, less the values received up front for the sale of the carcass element. The fair value of the retained interest is remeasured at each reporting date. The significant assumption in determining the fair value of the retained interest is the expected life of the animal transferred under royalty contracts.

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

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

The right to purchase offspring is not recognised on the balance sheet as the contracts are entered into and continue to be held for the purpose of the receipt of non-financial items (the offspring) in accordance with the Group's expected purchase requirements. As such the option is outside the scope of IAS 39. The offspring are not recognised as biological assets under IAS 41 as they are neither owned nor controlled by the Group.

Property, plant and equipment

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

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Interest-bearing loans and borrowings

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

Provisions

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

Revenue

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

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

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

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

3. Significant accounting policies continued

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.

Revenue from consulting services represents amounts charged for professional services provided during the year including recoverable expenses but excluding value added tax. Services provided but not yet billed are recognised as revenue based on a fair value assessment of the work delivered and a contractual right to receive payment. Where unbilled revenue is contingent on a future event, nothing is recognised until the contingent event crystallises.

Leases

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

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

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

Finance costs

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

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

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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Share-based payments

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

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

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.

Actuarial gains and losses arising subsequent to 1 April 2005 are recognised in the period in which they occur directly into equity through the Group statement of changes in equity.

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

Derivative financial instruments and hedging activities

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

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

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

Cash flow hedges

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

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

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

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

3. Significant accounting policies continued

Net investment hedges

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

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

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

New standards and interpretations adopted

In the current financial year, the Group has adopted International Accounting Standard 1 'Presentation of Financial Statements' (revised 2007) and International Financial Reporting Standard 3 'Business Combinations' (revised 2008).

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

The adoption of IFRS 3 (revised) has not changed any previously reported figures.

Five interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') are effective for the current financial year. These are: IFRIC 14 IAS 19 – *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, IFRIC 15 *Agreements for the construction of real estate* and IFRIC 16 *Hedges of net investment in a foreign operation*, IFRIC 17 *Distributions of Non-cash Assets to Owners* and IFRIC 18 – *Transfers of Assets from Customers*. The adoption of these IFRICs has not led to any changes in the Group's accounting policies.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations which have been endorsed by the EU but are not yet effective for the year ended 30 June 2010, and have not been applied in preparing these Group financial statements:

- IFRIC 19 '*Extinguishing Financial Liabilities with Equity Instruments*' will become mandatory for the Group's 2011 financial statements. The adoption of this IFRIC is not expected to have any material impact on the Group financial statements.
- Amendments to IAS 7, IAS 17, IAS 24, IAS 32, IAS 36, IFRS 2, IFRS 5, and the omnibus of other minor improvements, effective for the year ended 30 June 2011. The Group is assessing the impact of these amendments.

4. Significant areas of judgement and determination of fair values

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

Determination of the fair value of biological assets

The determination of the fair values of bovine and porcine biological assets requires the use of significant judgement and assumptions including an estimation of future cash flows, use of appropriate discount rate in order to calculate present value, forecast sales volumes, proportion to slaughter and the length of lives of animals. See note 17.

Fair value of assets and liabilities on business combinations

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

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

Impairment of goodwill, intangible and tangible assets

Determining whether goodwill, intangible and tangible assets are impaired requires a consideration of any specific impairment indicators and an estimation of the value in use of the cash-generating units to which goodwill, intangible and tangible assets have been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and the appropriate discount rate in order to calculate present value. See note 16.

Recognition of deferred tax assets

In recognising income tax assets and liabilities, the Directors make estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. In recognising deferred tax assets and liabilities management also makes judgements about likely future taxable profits. When the final outcome of such matters, including the recognition of deferred tax assets on tax losses, is different, or expected to be different, from previous assessments by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such a determination is made. See note 21.

Defined benefit pension scheme

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

Share-based payments

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

5. Segmental information

The Group presents its segmental information on the basis reviewed regularly for assessing business performance and for the purposes of resource allocation, by the chief operating decision maker.

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

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

Revenue

	Gross revenue 2010 £m	Inter- segment revenue 2010 £m	Consolidated revenue 2010 £m
North America	103.0	(3.6)	99.4
Latin America	38.6	(0.6)	38.0
Europe	121.5	(2.7)	118.8
Far East	23.5	–	23.5
Research & Product Development			
Research	–	–	–
Bovine Product Development	6.5	(6.0)	0.5
Porcine Product Development	8.4	(3.3)	5.1
	14.9	(9.3)	5.6
	301.5	(16.2)	285.3

Revenue

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

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

5. Segmental information continued

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

	Result before recharges 2010 £m	Product Development recharges 2010 £m	Segment total 2010 £m
North America	36.6	(4.4)	32.2
Latin America	12.5	(2.4)	10.1
Europe	23.0	(1.9)	21.1
Far East	7.2	(0.6)	6.6
Regional operating profit	79.3	(9.3)	70.0
Research & Product Development			
Research	(3.4)	–	(3.4)
Bovine Product Development	(16.6)	6.0	(10.6)
Porcine Product Development	(12.5)	3.3	(9.2)
	(32.5)	9.3	(23.2)
Segment operating profit	46.8	–	46.8
Central costs	(6.9)	–	(6.9)
Adjusted operating profit	39.9	–	39.9

	Result before recharges 2009 £m	Product Development recharges 2009 £m	Segment total 2009 £m
North America	37.7	(5.4)	32.3
Latin America	10.4	(2.1)	8.3
Europe	20.2	(1.6)	18.6
Far East	6.9	(0.6)	6.3
Regional operating profit	75.2	(9.7)	65.5
Research & Product Development			
Research	(3.5)	–	(3.5)
Bovine Product Development	(15.8)	6.3	(9.5)
Porcine Product Development	(10.8)	3.4	(7.4)
	(30.1)	9.7	(20.4)
Segment operating profit	45.1	–	45.1
Central costs	(7.0)	–	(7.0)
Adjusted operating profit	38.1	–	38.1

	Depreciation		Amortisation		Additions to non current assets	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
North America	1.4	1.5	2.4	2.5	–	1.9
Latin America	0.4	0.3	0.4	0.4	0.3	0.3
Europe	1.2	0.8	2.7	2.7	0.7	0.4
Far East	0.2	0.1	0.3	0.2	0.4	0.5
Research & Product Development						
Research	0.1	0.1	–	–	0.1	–
Bovine Product Development	0.5	0.7	–	–	3.2	1.3
Porcine Product Development	1.6	0.7	–	–	2.4	11.0
	2.2	1.5	–	–	5.7	12.3
Segment total	5.4	4.2	5.8	5.8	7.1	15.4

	Segment assets			Segment liabilities		
	2010 £m	2009* £m	2008* £m	2010 £m	2009* £m	2008* £m
North America	132.0	135.0	121.7	(30.5)	(32.3)	(43.7)
Latin America	61.6	47.5	46.6	(10.5)	(9.1)	(13.5)
Europe	91.6	93.2	84.5	(52.5)	(50.9)	(36.0)
Far East	27.6	22.2	20.2	(5.2)	(4.0)	(4.9)
Research & Product Development						
Research	0.5	0.5	0.5	–	–	–
Bovine Product Development	166.1	136.6	108.5	(48.2)	(38.8)	(31.0)
Porcine Product Development	55.5	42.1	24.5	(10.3)	(11.7)	(7.8)
	222.1	179.2	133.5	(58.5)	(50.5)	(38.8)
Segment total	534.9	477.1	406.5	(157.2)	(146.8)	(136.9)
Central and unallocated	7.5	20.8	28.5	(133.4)	(146.5)	(113.0)
Total	542.4	497.9	435.0	(290.6)	(293.3)	(249.9)

* See note 2 for details of reclassifications applied to the 2009 and 2008 balance sheets.

Exceptional items of £2.8m gain (2009: £1.4m loss) include £2.5m specifically related to central costs (2009: £0.6m loss: North America region). The other exceptional items and share-based payments are considered on a group-wide basis and are therefore not allocated to reportable segments. For details of exceptional items see note 8.

6. Acquisition

On 30 December 2009, the Group acquired the trade and assets of the beef genetics business of Power Genetics Company for a consideration of £1.1m cash and a 20% equity stake in the acquiring company, Powerline Beef Genetics LLC.

	Book value £m	Fair value £m
Net assets acquired:		
Trade and other receivables	0.3	0.3
Intangible assets	–	0.2
	0.3	0.5
Goodwill		0.9
Total consideration		1.4
Satisfied by:		
Cash consideration		1.1
20% equity in Powerline Beef Genetics LLC		0.3
		1.4

The goodwill arising on the acquisition of the trade and assets of Power Genetics Company is attributable to the anticipated profitability of the distribution of the Group's products in the new markets.

Powerline Beef Genetics LLC contributed £1.1m to revenue and £0.2m to profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of the trade and assets of the beef genetics business of Power Genetics Company had been completed on the first day of the financial year, the impact on Group revenues for the period would have been £1.2m and the impact on the Group profit attributable to equity holders of the parent would have been £0.2m. The Power Genetics Company is a seasonal business and expects to make the majority of its profits in the period from 1 January to 30 June.

7. Revenue

	2010 £m	2009 £m
Sale of animals, semen and veterinary products	228.8	225.7
Royalties	49.5	48.5
Consulting services	7.0	6.2
	285.3	280.4
Interest income	0.3	0.4
Total	285.6	280.8

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

8. Exceptional items

	2010 £m	2009 £m
Operating income/(expenses):		
Pension curtailment gain	2.5	–
Integration and restructuring credit	0.3	–
Environmental liabilities settlement	–	(0.6)
	2.8	(0.6)
Finance costs:		
Write off of unamortised arrangement fee	–	(0.8)
	2.8	(1.4)

The pension curtailment gain in the year ended 30 June 2010 of £2.5m arose on the closure to future accrual of defined benefits pensions within the Milk Pension Fund (see note 30).

The integration and restructuring credit relates to the release of provisions made in previous years no longer required.

9. Operating profit

Operating costs comprise:

	2010 £m	2009 £m
Cost of sales excluding net IAS41 valuation movements in biological assets and amortisation of multiplier contract intangible assets	(116.1)	(123.8)
Net IAS41 valuation movements in biological assets	11.0	2.7
Exceptional items within cost of sales	–	(0.6)
Amortisation of multiplier contract intangible assets	(0.2)	(0.2)
Cost of sales	(105.3)	(121.9)
Distribution costs	(80.1)	(72.2)
Amortisation of customer relationship intangible assets	(2.9)	(3.0)
Distribution costs	(83.0)	(75.2)
Research and Product Development expenditure	(23.2)	(20.4)
Amortisation of technology intangible assets	(2.0)	(2.0)
Research and Product Development costs	(25.2)	(22.4)
Administrative expenses	(25.3)	(25.3)
Share-based payment expense	(1.6)	(2.0)
Amortisation of software	(0.7)	(0.6)
Exceptional items within administrative expenses	2.8	–
Total administrative expenses	(24.8)	(27.9)
Total operating costs	(238.3)	(247.4)

Profit for the year is stated after charging:

	2010 £m	2009 £m
Net foreign exchange losses	0.1	0.2
Depreciation of owned fixed assets	4.8	3.5
Depreciation of assets held under finance leases and hire purchase contracts	0.6	0.7
Operating lease rentals		
– plant and machinery	1.6	1.1
– other	4.2	4.9
Employee costs (see note 11)	81.9	82.3
Cost of inventories recognised as an expense	55.2	44.4

	2010 £m	2009 £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	0.2
Fees payable to the Company's auditors and associates for the audit of the Company's subsidiaries	0.3	0.3
Total audit fees	0.5	0.5
Tax services	0.4	0.5
Debt refinancing	–	0.4
Other services	0.1	–
Total non-audit fees	0.5	0.9
Total fees to the Group's auditors	1.0	1.4
Fees payable to other auditors of Group companies	0.1	0.1

Non-audit services principally comprise tax advisory and tax compliance support services, and in 2009 services also related to the debt refinancing. These services fall within the services policy approved by the Company's Audit Committee.

10. Other gains and losses

	2010 £m	2009 £m
Net gain on sale of properties	–	0.4

11. Employee costs

Employee costs, including Directors' remuneration but excluding exceptional items, during the year amounted to:

	2010 £m	2009 £m
Wages and salaries	73.7	72.5
Social security costs	5.2	5.5
Contributions to defined contribution pension plans	0.7	1.4
Expenses related to defined benefit pension plans	0.9	0.9
Share-based payment expense	1.4	2.0
	81.9	82.3

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

	2010 No	2009 No
North America	585	645
Latin America	126	119
Europe (excluding UK)	292	275
UK	671	660
Far East	319	318
Research & Product Development	101	101
	2,094	2,118

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

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

12. Net finance costs

	2010 £m	2009 £m
Interest payable on bank loans and overdrafts	(3.5)	(5.6)
Amortisation of debt issue costs	(1.6)	(1.8)
Net interest cost in respect of pension scheme liabilities	(1.7)	(0.9)
Other interest payable	(0.1)	(0.3)
Net interest cost on derivative financial instruments	(2.7)	(1.0)
Total interest expense	(9.6)	(9.6)
Less: amounts included in the cost of qualifying assets	–	0.2
	(9.6)	(9.4)
Interest income on bank deposits	0.3	0.4
Net finance costs	(9.3)	(9.0)
Represented by:		
Net finance costs before exceptional item	(9.3)	(8.2)
Exceptional item: write off of unamortised arrangement fee	–	(0.8)
	(9.3)	(9.0)

In the prior year, borrowing costs of £0.2m were included in the cost of qualifying assets during the year which arose on the specific borrowings and were calculated with reference to when the asset became available for use. In the prior year, £0.8m of unamortised arrangement fees relating to the old facility were expensed on completion of the refinancing as an exceptional charge.

13. Income tax expense

	2010 £m	2009 £m
Current tax expense		
Current period	7.7	5.7
Adjustment for prior periods	(0.7)	1.1
	7.0	6.8
Deferred tax expense		
Origination and reversal of temporary differences	6.2	3.3
Adjustment for prior period	0.1	(1.8)
Total deferred tax expense in the Group income statement	6.3	1.5
Total income tax expense excluding share of income tax of equity accounted investees	13.3	8.3
Share of income tax of equity accounted investees	1.0	0.3
Total income tax expense in the Group income statement	14.3	8.6

Reconciliation of effective tax rate

	2010 %	2010 £m	2009 %	2009 £m
Profit before tax	100	40.8	100	26.2
Income tax at UK corporation tax of 28% (2009: 28%)	80	11.4	85	7.3
Effect of tax rates in foreign jurisdictions	17	2.4	13	1.1
Non-deductible expenses	3	0.5	6	0.5
Tax exempt income	(3)	(0.4)	(1)	(0.1)
Tax incentives	(6)	(0.9)	(6)	(0.5)
Movements in recognition of tax losses	5	0.7	8	0.7
Change in unrecognised temporary differences	2	0.3	(5)	(0.4)
Tax included in share of joint ventures and associate profits	7	1.0	1	0.1
Tax over provided in prior periods	(5)	(0.7)	(8)	(0.7)
Tax on undistributed reserves	–	–	7	0.6
Total income tax expense within the Group income statement	100	14.3	100	8.6

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

	2010 £m	2009 £m
Foreign exchange differences on long-term intra Group currency loans	1.0	0.8
Loss on financial instruments	(1.0)	(2.3)
Actuarial movement on retirement benefit obligations	1.7	(3.7)
Translation of biological assets, intangible assets and finance leases	7.9	14.1
Income tax on income and expense recognised directly in equity	9.6	8.9
Share-based payment expense	(0.5)	0.6
Total income tax recognised directly in equity	9.1	9.5

14. Dividends

Amounts recognised as distributions to equity holders in the year:

	2010 £m	2009 £m
11.0p (2009: 10.0p) per share	6.5	5.9

A dividend of 12.1p per share has been proposed by the Directors for 2010. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and therefore has not been included as a liability in these financial statements.

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

The calculation of basic earnings per share from continuing operations at 30 June 2010 is based on the profit attributable to ordinary shareholders from continuing operations of £27.5m (2009: £17.9m) and a weighted average number of ordinary shares outstanding of 59,385,000 (2009: 58,941,000), calculated as follows:

Weighted average number of ordinary shares (basic)

	2010 000s	2009 000s
Issued ordinary shares at start of the year	59,525	59,456
Effect of own shares held	(254)	(568)
Shares issued on exercise of stock options	114	53
Weighted average number of ordinary shares in year	59,385	58,941

Diluted earnings per share from continuing operations

The calculation of diluted earnings per share at 30 June 2010 is based on profit attributable to ordinary shareholders from continuing operations of £27.5m (2009: £17.9m) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 60,163,000 (2009: 59,872,000) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2010 000s	2009 000s
Weighted average number of ordinary shares (basic)	59,385	58,941
Dilutive effect of share options	778	931
Weighted average number of ordinary shares for the purposes of diluted earnings per share	60,163	59,872

Adjusted earnings per share

Adjusted earnings per share is calculated on profit before net IAS 41 valuation movements in biological assets, amortisation of acquired intangible assets, share based payment expense, exceptional items and other gains and losses after charging taxation associated with those profits, of £21.8m (2009: £21.3m) as follows:

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

15. Earnings per share continued

	2010 £m	2009* £m
Profit before tax from continuing operations	40.8	26.2
Add/(deduct):		
Net IAS 41 valuation movements in biological assets	(11.0)	(2.7)
Amortisation of acquired intangible assets	5.1	5.2
Share-based payment expense	1.6	2.0
Integration and restructuring credit	(0.3)	–
Pension curtailment gain	(2.5)	–
Environmental settlement	–	0.6
Exceptional write off of unamortised arrangement fee	–	0.8
Other gains and losses	–	(0.4)
Net IAS 41 valuation movements in biological assets in joint ventures and associates	(1.8)	0.1
Tax on joint ventures and associates	1.0	0.2
Adjusted profit before tax	32.9	32.0
Adjusted tax charge	(11.1)	(10.7)
Adjusted profit after taxation	21.8	21.3

* The 2009 comparative has been amended to show the tax on joint venture and associates as part of the adjusted tax charge.

16. Intangible assets

	Porcine genetics technology £m	Multiplier contracts £m	Customer relationships £m	Separately identified acquired intangible assets £m	Software £m	Other £m	Total £m	Goodwill* £m
Cost								
Balance at 1 July 2008	40.4	3.1	43.3	86.8	5.9	–	92.7	56.4
Additions	–	–	–	–	0.3	–	0.3	–
Effect of movements in exchange rates	–	0.5	7.7	8.2	0.2	–	8.4	6.1
Balance at 30 June 2009	40.4	3.6	51.0	95.0	6.4	–	101.4	62.5
Additions	–	–	–	–	–	1.7	1.7	0.9
On acquisition	–	–	0.2	0.2	–	–	0.2	–
Effect of movements in exchange rates	–	0.1	5.2	5.3	0.2	–	5.5	5.0
Balance at 30 June 2010	40.4	3.7	56.4	100.5	6.6	1.7	108.8	68.4
Amortisation and impairment losses								
Balance at 1 July 2008	5.2	0.5	7.4	13.1	0.1	–	13.2	–
Amortisation for the year	2.0	0.2	3.0	5.2	0.6	–	5.8	–
Effect of movements in exchange rates	–	0.1	1.2	1.3	–	–	1.3	–
Balance at 30 June 2009	7.2	0.8	11.6	19.6	0.7	–	20.3	–
Amortisation for the year	2.0	0.2	2.9	5.1	0.7	–	5.8	–
Effect of movements in exchange rates	–	–	1.2	1.2	–	–	1.2	–
Balance at 30 June 2010	9.2	1.0	15.7	25.9	1.4	–	27.3	–
Carrying amounts								
At 30 June 2010	31.2	2.7	40.7	74.6	5.2	1.7	81.5	68.4
At 30 June 2009	33.2	2.8	39.4	75.4	5.7	–	81.1	62.5
At 30 June 2008	35.2	2.6	35.9	73.7	5.8	–	79.5	56.4

* Goodwill has been restated (see note 2).

Other additions in the year relate to patent licences acquired.

Impairment testing for cash-generating units containing goodwill

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

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

	2010 £m	2009* £m	2008* £m
North America	34.1	30.2	25.3
Latin America	15.9	14.2	13.6
Europe	11.1	11.2	11.0
Far East	7.3	6.9	6.5
	68.4	62.5	56.4

* Goodwill has been restated (see note 2).

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

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

The Group prepares cash flows derived from the most recent financial and strategic budgets approved by management for the next three years, and extrapolates cash flows using estimated growth rates beyond this period.

The key assumptions for the value in use calculations are:

A growth rate of 4.0% (2009: 4.0%, 2008: 3.0%) has been used to extrapolate cash flows beyond the budget and strategic plan period.

A post tax discount rate of 8.0% (2009: 8.0%, 2008: 9.2%) has been applied to cash flow projections, which equates to a pre tax rate of approximately 11.4% (2009: 11.4%, 2008: 13.1%).

17. Biological assets

	Bovine £m	Porcine £m	Total £m
Fair value of biological assets			
Non current biological assets	84.4	42.6	127.0
Current biological assets	–	24.3	24.3
Balance at 30 June 2008	84.4	66.9	151.3
Increases due to purchases	3.6	76.6	80.2
Decreases attributable to sales	–	(128.1)	(128.1)
Decrease due to harvest	(23.4)	(6.5)	(29.9)
Changes in fair value less estimated sale costs	26.0	56.3	82.3
Effect of movements in exchange rates	15.3	10.8	26.1
Balance at 30 June 2009	105.9	76.0	181.9
Non current biological assets	105.9	48.0	153.9
Current biological assets	–	28.0	28.0
Balance at 30 June 2009	105.9	76.0	181.9
Increases due to purchases	3.9	56.0	59.9
Decreases attributable to sales	–	(117.6)	(117.6)
Decrease due to harvest	(29.2)	(6.7)	(35.9)
Changes in fair value less estimated sale costs	39.9	66.8	106.7
Effect of movements in exchange rates	9.7	7.8	17.5
Balance at 30 June 2010	130.2	82.3	212.5
Non current biological assets	130.2	45.3	175.5
Current biological assets	–	37.0	37.0
Balance at 30 June 2010	130.2	82.3	212.5

Notes to the Group Financial Statements continued

17. Biological assets continued

Bovine biological assets include £1.9m (2009: £3.0m, 2008: £2.8m) representing the fair value of bulls owned by third parties but managed by the Group, net of expected future payments to such third parties and are therefore treated as assets held under finance leases.

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

The current market determined pre-tax rate used to discount expected future net cash flows from the sale of bull semen is the Group's weighted average cost of capital. This has been assessed as 8.0% (2009: 8.0%, 2008: 9.2%).

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

Porcine biological assets include £32.4m (2009: £36.7m, 2008: £36.3m) relating to the fair value of the retained interest in the genetics in respect of animals transferred to customers under royalty contracts. Total revenue in the period includes £49.4m (2009: £48.5m) in respect of these contracts comprising £9.8m (2009: £12.3m) on initial transfer of animals to customers and £39.6m (2009: £36.2m) in respect of royalties received. Decreases attributable to sales during the period of £117.6m (2009: £128.1m) include £36.2m (2009: £36.7m) in respect of the reduction in fair value of the retained interest in the genetics of animals sold under royalty contracts.

Included in changes in fair value, the aggregate gain arising during the period on initial recognition of biological assets in respect of multiplier purchases was £16.5m (2009: £26.1m).

	Bovine £m	Porcine £m	Total £m
Year ended 30 June 2010			
Net IAS 41 valuation movement in biological assets*			
Changes in fair value of biological assets	39.9	66.8	106.7
Inventory transferred to cost of sales at fair value	(25.9)	(6.7)	(32.6)
Biological assets transferred to cost of sales at fair value	–	(63.1)	(63.1)
	14.0	(3.0)	11.0

	Bovine £m	Porcine £m	Total £m
Year ended 30 June 2009			
Net IAS 41 valuation movement in biological assets*			
Changes in fair value of biological assets	26.0	56.3	82.3
Inventory transferred to cost of sales at fair value	(20.6)	(6.5)	(27.1)
Biological assets transferred to cost of sales at fair value	–	(52.5)	(52.5)
	5.4	(2.7)	2.7

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

Additional information

	2010	2009
Bovine		
Quantities at period end		
Number of marketable bulls in stud	201	169
Number of doses of semen in inventory – stud	8.0m	8.0m
Total number of bulls in development	1,790	1,818
Number of doses of semen in inventory from bulls in development	1.5m	1.3m
Amounts during the year		
Fair value of agricultural produce – semen, harvested during the period	£28.7m	£23.4m
Porcine		
Quantities at period end		
Number of pigs (own farms)	126,279	107,285
Number of pigs despatched on a royalty basis and valued at fair value	35,691	57,397
Amounts during the year		
Fair value of agricultural produce – semen, harvested during the period	£6.7m	£6.5m

18. Property, plant and equipment

	Land and buildings £m	Plant, motor vehicles and equipment £m	Total £m
Cost or deemed cost			
Balance at 1 July 2008	16.9	20.0	36.9
Additions	11.4	4.0	15.4
Disposals	(1.4)	(2.5)	(3.9)
Effect of movements in exchange rates	1.9	3.5	5.4
Balance at 30 June 2009	28.8	25.0	53.8
Additions	3.2	3.9	7.1
Classified as held for sale	(0.3)	–	(0.3)
Disposals	(0.3)	(1.3)	(1.6)
Effect of movements in exchange rates	3.9	2.7	6.6
Balance at 30 June 2010	35.3	30.3	65.6
Depreciation and impairment losses			
Balance at 1 July 2008	2.9	6.4	9.3
Depreciation for the year	1.1	3.1	4.2
Disposals	(0.8)	(1.3)	(2.1)
Effect of movements in exchange rates	1.1	2.0	3.1
Balance at 30 June 2009	4.3	10.2	14.5
Depreciation for the year	1.9	3.5	5.4
Disposals	(0.1)	(0.9)	(1.0)
Effect of movements in exchange rates	1.4	1.9	3.3
Balance at 30 June 2010	7.5	14.7	22.2
Carrying amounts			
At 30 June 2010	27.8	15.6	43.4
At 30 June 2009	24.5	14.8	39.3
At 30 June 2008	14.0	13.6	27.6

Leased plant and machinery

At 30 June 2010 plant, motor vehicles and equipment included assets held under finance leases with a carrying value of £4.4m (2009: £4.0m, 2008: £3.4m). The associated depreciation charge for the year was £0.6m (2009: £0.7m, 2008: £0.6m).

Assets under construction

At 30 June 2009 fixed assets included assets in the course of construction with a carrying value of £12.9m. The majority of the expenditure related to the construction of a nucleus herd facility in South Dakota, which was bought into use in stages starting April 2009.

19. Equity accounted investees

The Group's share of profit after tax in its equity accounted investees for the year was £3.1m (2009: £1.8m).

	2010 £m	2009 £m	2008 £m
Balance at 1 July	5.3	4.7	3.5
Share of post tax profits of joint ventures and associates retained	3.1	1.8	2.7
Dividends received	(1.1)	(2.1)	(1.8)
Effect of movements in exchange rates	0.1	0.9	0.3
Balance at 30 June	7.4	5.3	4.7

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

19. Equity accounted investees continued

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

Year ended 30 June 2010

	Ownership	Current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
Net assets								
Agrocères – PIC Suinos (Brazil)	49%	2.8	2.6	2.9	8.3	(1.2)	(1.2)	7.1
Hybridschweine Cooperations GmbH (Germany)	50%	0.1	–	–	0.1	(0.1)	(0.1)	–
Hu Mei Pig Improvement Company Ltd (China)	50%	0.4	–	–	0.4	(0.1)	(0.1)	0.3
		3.3	2.6	2.9	8.8	(1.4)	(1.4)	7.4

Year ended 30 June 2010

	Ownership	Revenues £m	Movement in fair value of biological assets £m	Expenses £m	Operating profit £m
Income statement					
Agrocères – PIC Suinos (Brazil)	49%	9.3	1.8	(7.2)	3.9
Hybridschweine Cooperations GmbH (Germany)	50%	8.4	–	(8.3)	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	1.6	–	(1.5)	0.1
		19.3	1.8	(17.0)	4.1

Year ended 30 June 2009

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

Year ended 30 June 2009

	Ownership	Revenues £m	Movement in fair value of biological assets £m	Expenses £m	Operating profit £m
Income statement					
Agrocères – PIC Suinos (Brazil)	49%	9.3	(0.1)	(7.3)	1.9
Hybridschweine Cooperations GmbH (Germany)	50%	7.0	–	(6.9)	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	1.6	–	(1.5)	0.1
		17.9	(0.1)	(15.7)	2.1

Year ended 30 June 2008

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

Year ended 30 June 2008

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

20. Available for sale investments

	2010 £m	2009 £m	2008 £m
Fair value	0.3	0.3	0.3

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

21. Deferred tax assets and liabilities

Unrecognised deferred tax assets and liabilities

At the balance sheet date, the Group has unused tax losses with a potential tax benefit of £14.1m (2009: £13.7m, 2008: £14.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of £2.1m (2009: £3.3m, 2008: £2.6m) of such losses. No deferred tax asset has been recognised in respect of the remaining £12.0m (2009: £10.4m, 2008: £11.8m) due to the uncertainty over the availability of future taxable profits.

Deferred tax liabilities totalling £3.6m (2009: £2.8m, 2008: £3.9m) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain overseas subsidiaries. No provision is required since the Group is in a position to control the timing and reversal of these differences and it is probable that such differences will not reverse in the foreseeable future.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	2010 £m	2009* £m	2008* £m	2010 £m	2009* £m	2008* £m	2010 £m	2009* £m	2008* £m
Property, plant and equipment	3.0	0.4	–	0.7	0.8	0.8	3.7	1.2	0.8
Intangible assets	(2.5)	(3.2)	(2.2)	27.1	27.4	25.2	24.6	24.2	23.0
Biological assets	–	–	–	73.7	63.3	52.8	73.7	63.3	52.8
Financial instruments	(0.4)	(0.7)	0.3	–	–	–	(0.4)	(0.7)	0.3
Retirement benefit obligations	(7.9)	(10.2)	(4.5)	–	0.1	(1.4)	(7.9)	(10.1)	(5.9)
Share-based payments	(0.7)	(0.5)	(1.3)	–	–	–	(0.7)	(0.5)	(1.3)
Short-term timing differences	(6.9)	(4.7)	(8.5)	2.1	2.2	2.4	(4.8)	(2.5)	(6.1)
Tax loss carry-forwards	(2.1)	(3.2)	(2.2)	–	(0.1)	(0.4)	(2.1)	(3.3)	(2.6)
Net tax (assets)/liabilities	(17.5)	(22.1)	(18.4)	103.6	93.7	79.4	86.1	71.6	61.0

* Deferred tax has been restated (see note 2).

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

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

21. Deferred tax assets and liabilities continued

Movement in net deferred tax liabilities during the year

	Balance brought forward 1 July 2009 £m	Recognised in income statement £m	Prior year adjustments £m	Recognised in equity £m	Transfers to current tax £m	Foreign exchange difference £m	Balance carried forward 30 June 2010 £m
Property, plant and equipment	1.2	2.0	0.5	–	–	–	3.7
Intangible assets	24.2	(0.5)	–	0.4	–	0.5	24.6
Biological assets	63.3	3.6	–	6.8	–	–	73.7
Financial instruments	(0.7)	–	0.2	0.1	–	–	(0.4)
Retirement benefit obligations	(10.1)	1.0	(0.5)	1.7	–	–	(7.9)
Share-based payments	(0.5)	–	–	(0.2)	–	–	(0.7)
Short-term timing differences	(2.5)	(1.3)	(0.1)	(0.1)	(0.8)	–	(4.8)
Tax loss carry-forwards	(3.3)	1.4	–	–	–	(0.2)	(2.1)
	71.6	6.2	0.1	8.7	(0.8)	0.3	86.1

	Balance brought forward 1 July 2008 £m	Recognised in income statement £m	Prior year adjustments £m	Recognised in equity £m	Changes in tax rate £m	Foreign exchange difference £m	Balance carried forward 30 June 2009 £m
Property, plant and equipment	0.8	0.5	(0.1)	–	–	–	1.2
Intangible assets	23.0	(1.5)	–	2.7	–	–	24.2
Biological assets	52.8	0.8	–	9.7	–	–	63.3
Financial instruments	0.3	(0.1)	–	(0.9)	–	–	(0.7)
Retirement benefit obligations	(5.9)	(0.5)	–	(3.7)	–	–	(10.1)
Share based payments	(1.3)	0.2	–	0.6	–	–	(0.5)
Short-term timing differences	(6.1)	3.9	(1.0)	0.3	0.3	0.1	(2.5)
Tax loss carry-forwards	(2.6)	–	(0.7)	–	–	–	(3.3)
	61.0	3.3	(1.8)	8.7	0.3	0.1	71.6

22. Inventories

	2010 £m	2009 £m	2008 £m
Biological assets harvest classed as inventories	23.2	20.9	16.3
Raw materials and consumables	0.6	0.5	1.2
Goods held for resale	7.3	6.6	4.3
	31.1	28.0	21.8

At 30 June 2010 inventories are shown net of a provision for potential obsolescence of £0.2m (2009: £0.2m, 2008: £0.2m).

23. Trade and other receivables

	2010 £m	2009 £m	2008 £m
Trade receivables	52.4	46.1	42.1
Other debtors	4.0	4.8	4.9
Prepayments and accrued income	1.7	2.2	2.1
Other taxes and social security	2.1	0.6	2.6
	60.2	53.7	51.7

Trade receivables

The average credit period taken on the sales of goods is 67 days (2009: 59 days, 2008: 62 days). No interest is charged on receivables for the first 30 days from the date of the invoice. The Group provides for all receivables based upon knowledge of the customer and historical experience and estimates irrecoverable amounts by reference to past default experience.

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

At 30 June 2010, £35.6m (2009: £30.8m, 2008: £27.7m) of trade receivables were not yet due for payment.

23. Trade and other receivables *continued*

Included in the Group's trade receivables balance are debtors with a carrying amount of £16.8m (2009: £15.3m, 2008: £14.4m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 69 days (2009: 65 days, 2008: 52 days).

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

	2010 £m	2009 £m	2008 £m
0–30 days	7.1	7.2	8.1
31–90 days	5.3	4.7	4.3
91–180 days	2.6	1.5	1.1
Over 180 days	1.8	1.9	0.9
Total	16.8	15.3	14.4

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

At 30 June 2010 trade receivables are shown net of an allowance for doubtful debts of £3.3m (2009: £3.1m, 2008: £2.6m).

Movement in the allowance for doubtful debts

	2010 £m	2009 £m	2008 £m
Balance at the beginning of the year	3.1	2.6	2.2
Impairment losses recognised	1.5	0.9	0.3
Amounts written off as uncollectable	(1.1)	(0.5)	(0.1)
Impairment losses reversed	(0.4)	–	–
Effect of movements in exchange rates	0.2	0.1	0.2
Balance at the end of the year	3.3	3.1	2.6

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

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

Receivables denominated in currencies other than Sterling comprise £15.6m of receivables denominated in US Dollar (2009: £11.6m, 2008: £14.2m), £7.4m of receivables denominated in Euros (2009: £9.1m, 2008: £8.5m) and £17.0m of receivables denominated in other currencies (2009: £21.0m, 2008: £14.8m).

24. Cash and cash equivalents

	2010 £m	2009 £m	2008 £m
Bank balances	18.1	20.6	19.3

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

Included with the bank balances is £3.6m (2009: £3.4m, 2008: £4.0m) held in China for future investment but subject to certain local restrictions.

25. Trade and other payables

	2010 £m	2009 £m	2008 £m
Trade payables	13.1	11.9	15.1
Other payables and accrued expenses	24.7	24.0	22.1
Other taxes and social security	4.5	3.1	4.9
	42.3	39.0	42.1

Payables denominated in currencies other than the functional currency comprise £10.6m of payables denominated in US Dollar (2009: £9.9m, 2008: £9.1m), £7.0m of payables denominated in Euros (2009: £6.6m, 2008: £5.1m) and £11.0m of payables denominated in other currencies (2009: £10.1m, 2008: £11.8m). The carrying values of these liabilities are a reasonable approximation of their fair values.

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

26. Provisions

	Onerous property leases £m	Environ- mental provision £m	Total £m
Balance at 30 June 2008	2.9	1.3	4.2
Utilisation of provision	(1.0)	(1.3)	(2.3)
Unwinding of discount	0.1	–	0.1
Balance at 30 June 2009	2.0	–	2.0
Utilisation of provision	(0.3)	–	(0.3)
Unwinding of discount	0.1	–	0.1
Balance at 30 June 2010	1.8	–	1.8
	2010 £m	2009 £m	2008 £m
Non-current	1.4	1.8	3.0
Current	0.4	0.2	1.2
Balance at 30 June	1.8	2.0	4.2

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

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

27. Financial instruments

Capital risk management

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

Gearing ratio

The Group keeps its capital structure under review. The gearing ratio at the year end is as follows:

	2010 £m	2009 £m	2008 £m
Debt	98.1	108.6	96.8
Cash and cash equivalents	(18.1)	(20.6)	(19.3)
Net Debt	80.0	88.0	77.5
Equity	251.8	204.6	185.1
Net debt to equity ratio	32%	43%	42%

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

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

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

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

Categories of financial instruments

	Carrying value		
	2010 £m	2009 £m	2008 £m
Financial assets			
Derivative instruments in designated hedge accounting relationships	0.9	1.7	2.5
Cash and cash equivalents	18.1	20.6	19.3
Financial liabilities			
Derivative instruments in designated hedge accounting relationships	(12.5)	(9.8)	(1.3)
Loans and overdrafts	(96.2)	(106.6)	(94.6)
Leasing obligations	(1.9)	(1.9)	(2.2)

Financial risk management objectives

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

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

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

Financial risk

The principal financial risks to which the Group is exposed through its activities are risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

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

Foreign currency risk management

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

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

	Liabilities			Assets		
	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
US Dollar (including leases)	(42.0)	(45.1)	(34.5)	0.6	2.8	3.7
EURO	(9.8)	(10.2)	—	2.6	2.8	—
Australian Dollar	—	—	(6.3)	—	—	—

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

27. Financial instruments continued

Foreign currency sensitivity analysis

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

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

	Euro currency impact			US Dollar currency impact		
	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
10% currency movement						
Profit or loss	0.6	0.6	0.6	2.0	1.9	1.5

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

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

	Average exchange rate 2010	Foreign currency 2010	Contract value			Fair value		
			2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
Outstanding contracts								
Buy Czech Koruna	29.38	CZK	2.0	2.0	2.4	–	–	–
Buy Romanian Leu	4.79	RON	0.6	–	–	–	–	–
Buy Chilean Peso	530.25	CLP	1.1	–	–	–	–	–
Buy Renminbi	989	CNY	0.8	–	–	–	–	–
Sell Polish Zloty	4.85	PLN	0.4	–	1.9	–	–	–
Buy Canadian Dollar	2.01	CAD	–	–	4.1	–	–	–
Buy Euro	4.85	EUR	–	–	0.2	–	–	–
Net investment hedge – currency swap								
Sell US Dollar	1.4963	USD	35.0	35.0	35.0	(9.6)	(5.7)	(0.1)

Interest rate risk management

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

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

Interest rate sensitivity analysis

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

If interest rates had been 1.0% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2010 would decrease/increase by £0.2m (2009: decrease/increase by £0.3m). This small impact is attributable to the Group's high level of fixed rate borrowing.

Interest rate swap contracts

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

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

Cash flow hedges

Interest rate swaps (IRS)

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate			Notional principal amount			Fair value		
	2010 %	2009 %	2008 %	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
GBP IRS									
Within 1 year	4.74	–	–	20.0	–	–	(0.5)	–	–
2 to 5 years	–	4.74	4.74	–	35.0	55.0	–	(1.2)	1.1
	2.17	2.17	–	10.0	10.0	–	(0.3)	0.1	–
USD IRS									
Within 1 year	3.19	–	–	26.7	–	–	(0.5)	–	–
2 to 5 years	3.18	3.20	3.20	13.4	36.4	30.1	(0.6)	(1.3)	0.4
EUR IRS									
2 to 5 years	1.91	1.91	–	9.8	10.2	–	–	–	–
				79.9	91.6	85.1	(2.1)	(2.4)	(1.5)

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

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

Credit risk management

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

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

Liquidity risk management

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

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	5+ years £m	Total £m
2010							
Variable interest rate instruments	3.5	3.1	0.7	3.7	97.9	–	105.4
2009							
Variable interest rate instruments	3.5	3.8	0.7	4.1	113.5	–	122.1
2008							
Variable interest rate instruments	6.0	0.9	1.2	22.0	85.1	–	109.2

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

27. Financial instruments continued

The following table details the Group's expected maturity for other non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	5+ years £m	Total £m
2010							
Variable interest rate instruments	1.2	15.8	3.3	–	–	–	18.1
2009							
Variable interest rate instruments	1.7	18.6	2.0	–	–	–	20.6
2008							
Variable interest rate instruments	2.0	18.2	0.6	0.7	–	–	19.5

The Group has access to financing facilities, the total unused amount of which is £53.6m (2009: £44.1m, 2008: 26.3m) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Group expects to reduce the current debt to equity ratio as the level of borrowings decreases through repayment from operating cash flows.

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

	Less than 1 month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	5+ years £m	Total £m
2010						
Interest rate swaps	(0.4)	(0.3)	(1.4)	(0.3)	–	(2.4)
2009						
Interest rate swaps	(0.1)	(0.1)	(1.8)	(3.0)	–	(5.0)
2008						
Interest rate swaps	0.2	0.2	0.2	0.8	–	1.4

28. Loans and borrowings

	2010 £m	2009 £m	2008 £m
Non-current liabilities			
Secured bank loans	93.9	103.6	77.0
Unsecured bank loans	0.7	0.6	–
Obligations under finance leases	1.0	1.0	1.2
	95.6	105.2	78.2
Current liabilities			
Secured bank loans and overdrafts	1.3	2.0	16.6
Unsecured bank loans	0.3	0.5	1.0
Obligations under finance lease liabilities	0.9	0.9	1.0
	2.5	3.4	18.6
Total interest-bearing liabilities	98.1	108.6	96.8

28. Loans and borrowings continued**Terms and debt repayment schedule**

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

	Currency	Interest rate	2010 £m	2009 £m	2008 £m
Secured revolving credit facility and overdraft	GBP	2.8%	45.3	52.9	5.0
Secured term loan A	GBP	5.9%	–	–	2.5
Secured amortising term loan B	GBP	5.9%	–	–	47.5
Secured revolving credit facility and overdraft	USD	2.6%	40.1	42.5	32.3
Secured revolving credit facility and overdraft	EUR	2.7%	9.8	10.2	–
Secured revolving credit facility and overdraft	AUD	8.2%	–	–	6.3
Finance lease liabilities	USD	5.0%	1.9	1.9	2.2
Unsecured bank borrowings	Other	0%	1.0	1.1	1.0
Total interest-bearing liabilities			98.1	108.6	96.8

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

	2010 £m	2009 £m	2008 £m
Loans and borrowings (excluding finance leases):			
Amounts falling due:			
In one year or less or on demand	3.2	3.9	18.0
In more than one year but not more than two years	94.0	0.1	17.5
In more than two years but not more than five years	0.6	105.8	60.1
	97.8	109.8	95.6
Less: unamortised issue costs	(1.6)	(3.1)	(1.0)
	96.2	106.7	94.6
Current liabilities	(1.6)	(2.5)	(17.6)
Non current liabilities	94.6	104.2	77.0

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

The Company's credit facilities comprise a £110m multi currency revolving credit facility and a US\$60m revolving credit facility with both facilities being repayable on 25 February 2012.

As part of its interest rate strategy the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result bank loan and overdrafts include £30.0m fixed at 4.74% and £10m fixed at 2.17%, US\$60m (£40.1m) fixed at 3.2%, and €12m (£9.8m) fixed at 1.91%. All indicated rates are exclusive of applicable bank margin.

Also included in the above are unsecured loans of £0.4m for an agricultural development loan in USA and a £0.4m loan in Spain. Both of these loans are interest free.

29. Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2010 £m	Interest 2010 £m	Principal 2010 £m	Minimum lease payments 2009 £m	Interest 2009 £m	Principal 2009 £m	Minimum lease payments 2008 £m	Interest 2008 £m	Principal 2008 £m
Less than one year	0.9	–	0.9	0.9	–	0.9	1.1	0.1	1.0
Between one to five years	1.1	0.1	1.0	1.1	0.1	1.0	1.3	0.1	1.2
	2.0	0.1	1.9	2.0	0.1	1.9	2.4	0.2	2.2

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

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

30. Retirement benefit obligations

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

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

	2010 £m	2009 £m	2008 £m
The Milk Pension Fund – Genus share	20.3	27.7	14.2
The Dalgety Pension Fund	–	–	–
Other retirement benefit obligations	8.5	7.7	6.9
Gross liability	28.8	35.4	21.1
Deferred taxation	(8.5)	(10.1)	(5.9)
Net liability	20.3	25.3	15.2

Overall, the Group expects to pay £2.7m in contributions to defined benefit plans in the 2010/11 financial year.

The Milk Pension Fund (MPF)

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

The most recent actuarial valuation of the Milk Pension Fund was at 31 March 2006. The valuation of the fund used the projected unit method (for future service, a control period of three years was used) and was carried out by professionally qualified actuaries. An updated valuation at 31 March 2009 has not yet been finalised by the trustees of the scheme.

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

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

With effect from 31 May 2010, the majority of the Genus' active members ceased accruing benefits in the fund and became deferred pensioners. This event resulted in a curtailment gain of £2.5m, which has been recognised during the year as an exceptional item in the income statement.

The Group's pension cost for the scheme in 2010 is £0.7m (2009: £0.6m).

Dalgety Pension Fund

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

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

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

The disclosures 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 2010. For the purposes of their calculations, the Dalgety Pension Fund actuary has offset the value of the annuity policies and the element of the surplus under the control of the Trustees. New employees are no longer able to join the scheme. Under the projected unit method the current service cost will increase as the members approach retirement.

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

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

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

The Group's pension cost for the scheme in 2010 is £0.2m (2009: £0.3m).

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 2010 under the provisions of IAS 19 were £3.3m (2009: £2.8m, 2008: £3.0m) and £4.6m (2009: £4.1m), respectively.

Other unfunded schemes

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

For the three unfunded defined benefit schemes, based on the methods and assumptions of IAS 19 the scheme liabilities amount to £5.7m (2009: £5.0m, 2008: £4.5m) and this amount is included within pension liabilities in the Group's balance sheet. The current cost charged to operating profit in the year to 30 June 2010 amounted to £nil (2009: £nil, 2008: £nil) and the interest on pension scheme liabilities amounted to £0.3m (2009: £0.3m, 2008: £0.3m).

The principal assumptions used to calculate the scheme liabilities were that the discount rate would be 5.5% (2009: 6.0%, 2008: 6.5%), that pay increases would average 0% per annum (2009: 0%, 2008: 0%) and that inflation and pension payments would be 3.1% per annum (2009: 3.2%, 2008: 4.0%).

For the unfunded retirement health benefit plan, based on the methods and assumptions of IAS 19, scheme liabilities amount to £1.4m (2009: £1.3m, 2008: £1.3m) and this amount is included within retirement benefit obligations in the Group's balance sheet. The current cost charged to operating profit in the year to 30 June 2010 amounted to £nil (2009: £nil) and the interest on plan liabilities amounted to £0.1m (2009: £0.1m).

The principal assumptions used to calculate the plan liabilities were that the discount rate would be 5.5% (2009: 6.0%) and that the long-term rate of medical expense inflation would be 7.1% (2009: 7.4%).

Aggregated position of defined benefit schemes

	2010 £m	2009 £m	2008 £m
Present value of funded obligations (includes Genus section only for MPF)	150.0	139.7	138.7
Present value of unfunded obligations	7.1	6.3	5.8
Total present value of obligations	157.1	146.0	144.5
Fair value of plan assets (includes Genus section only for MPF)	(130.9)	(112.0)	(126.1)
Restrict recognition of asset	2.6	1.4	2.7
Recognised liability for defined benefit obligations	28.8	35.4	21.1

Plan assets consist of the following:

	2010 £m	2009 £m	2008 £m
Equities	77.2	51.4	54.3
Gilts and corporate bonds	47.1	58.6	67.9
Cash	1.0	2.0	1.8
Other	5.6	–	2.1
	130.9	112.0	126.1

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

30. Retirement benefit obligations continued

Movement in the liability for defined benefit obligations

	2010 £m	2009 £m	2008 £m
Liability for defined benefit obligations at the start of the year	146.0	144.5	140.7
Benefits paid by the plans	(6.4)	(7.6)	(5.7)
Current service costs and interest	9.5	9.9	10.1
Actuarial losses/(gains) recognised in equity	9.4	(2.4)	(0.6)
Gains on curtailments and settlements	(2.5)	–	(0.8)
Contributions by scheme members	0.7	0.8	0.8
Exchange rate adjustment	0.4	0.8	–
Liability for defined benefit obligations at the end of year	157.1	146.0	144.5

Movement in plan assets

	2010 £m	2009 £m	2008 £m
Fair value of plan assets at the start of the year	112.0	126.1	124.8
Contributions paid into the plans	2.6	2.8	5.7
Benefits paid by the plans	(6.4)	(7.6)	(5.7)
Expected return on plan assets	6.9	8.1	9.1
Actuarial gains/(losses) recognised in equity	15.8	(17.4)	(7.8)
Fair value of plan assets at the end of the year	130.9	112.0	126.1

Amounts recognised in the Group income statement

	2010 £m	2009 £m	2008 £m
Current service costs	0.9	0.9	1.0
Interest obligation	8.6	9.0	7.8
Expected return on plan assets	(6.9)	(8.1)	(7.9)
Gains on curtailments and settlements	(2.5)	–	(0.2)
	0.1	1.8	0.7

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

	2010 £m	2009 £m	2008 £m
Administrative expenses	0.9	0.9	1.0
Exceptional item – Curtailment gain in administrative expenses	(2.5)	–	(0.2)
Finance costs	1.7	0.9	(0.1)
	0.1	1.8	0.7

Actuarial gains and losses recognised directly in equity

	2010 £m	2009 £m	2008 £m
Cumulative loss at the start of the year	21.1	5.3	(3.7)
Actuarial (gain)/loss recognised during the year	(5.2)	15.0	7.2
Additional contributions by trustees	–	–	1.8
Exchange rate adjustment	0.4	0.8	–
Cumulative loss at the end of the year	16.3	21.1	5.3

Actuarial assumptions and sensitivity analysis

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

	2010	2009	2008
Discount rate	5.5%	6.0%	6.5%
Expected return on plan assets	6.9%	6.6%	6.7%
Future salary increases	4.1%	3.8%	5.0%
Medical cost trend rate	7.1%	7.4%	8.0%
Future pension increases	3.1%	2.8%	4.0%

The mortality assumptions used are consistent with those recommended by the schemes' actuaries and reflect the latest available tables, adjusted for the experience of the scheme where appropriate. The mortality tables used are the SN1A tables, with birth year and medium cohort projections, with mortality rates increased by 25% at all ages (2009 and 2008: PxA00 tables, with birth year and medium cohort projections, with mortality rates increased by 25% at all ages).

The following table shows the assumptions used for all schemes and 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.

		2010 (years)	2009 (years)	2008 (years)
Retiring at balance sheet date at age 65:	Male	21.6	20.8	20.8
	Female	24.0	23.4	23.4
Retiring at age 65 in 20 years' time:	Male	24.5	23.7	23.7
	Female	27.0	26.2	26.2

The overall expected long-term rate of return on assets is 6.9% (2009: 6.5%, 2008: 6.7%). The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The amount the deficit varies if the main financial assumption changes, particularly the discount rate. If the discount rate increased/decreased by 0.1% the IAS 19 deficit would decrease/increase by £2.5m.

The history of experience adjustment is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of the defined benefit obligation	157.1	146.0	144.5	140.7	145.0
Fair value of plan assets	(128.3)	(110.6)	(123.4)	(124.8)	(122.2)
Deficit in the plan	28.8	35.4	21.1	15.9	22.8
Experience adjustments arising on plan liabilities (%)	6.0	(1.6)	(0.4)	3.3	(9.2)
Experience adjustments arising on plan assets (%)	12.1	(15.5)	(6.2)	2.4	5.3

31. Share-based payments

The Group recognised total share-based payment expense (including national insurance contributions of £0.2m (2009: £0.3m)) of £1.6m (2009: £2.0m).

Share options

On 12 August 2004, the Group established a share option programme that entitles key management personnel and other senior employees to purchase shares in the Company. Further grants on similar terms were offered to these employee groups as set out below.

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

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

Employees entitled	Grant date	Number of instruments	Vesting conditions	Option exercise price	Contractual life of options
(1) 2004 Company share plan	9 September 2004	7,000	Exercisable	221.5p	10 years
(2) 2004 Company share plan	19 May 2005	30,000	Exercisable	310.5p	10 years
(3) 2004 Company share plan	21 June 2006	70,400	Exercisable	439.75p	10 years
(4) 2004 Company share plan	25 September 2006	20,550	Exercisable	472p	10 years
(5) 2004 Company share plan	21 September 2007	153,671	3 years service (*)	582p	10 years
(6) 2004 Company share plan	19 September 2008	153,159	3 years service (*)	775.67p	10 years
(7) 2004 Company share plan	15 September 2009	246,795	3 years service (*)	654.5p	10 years
Total share options		681,575			

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

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

31. Share-based payments continued

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

	Weighted average exercise price 2010	No. of options 2010	Weighted average exercise price 2009	No. of options 2009
Outstanding at start of year	535p	761,519	449p	801,166
Forfeited during the year	575p	(57,083)	495p	(82,622)
SAR effected during the year	441p	(122,994)	381p	(62,847)
Exercised during the year	425p	(153,261)	338p	(69,669)
Granted during the year	655p	253,394	776p	175,491
Outstanding at 30 June	618p	681,575	535p	761,519
Exercisable at 30 June		127,950		377,696

The weighted average share price at the date of exercise for share options exercised during the period was 687p.

In the year to 30 June 2010, options were granted on 15 September 2009. The aggregate of the fair values of those options granted was £565,000.

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

Assumptions applied in valuation models at grant date

	2010	2009
Exercise price of options granted in the year (nil for awards)	655p	776p
Expected volatility (weighted average volatility)	30%	28%
Option life (expected weighted average life)	6.5 years	7 years
Expected dividends	1.80%	1.32%
Risk-free interest rate (based on government bonds)	2.97%	4.50%

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

Share awards

In addition to the outstanding share options above, a total of 748,443 conditional shares were awarded to Executive Directors and Senior management on 21 September 2007, 19 September 2008, 15 October 2008, 3 March 2009, 15 September 2009 and 2 March 2010 under the 2004 Performance Share Plan. In accordance with the terms of the plan, participants in the plan have received a conditional annual award of shares or nil cost option award which will vest mainly after three years, with the proportion of the award vesting being based on growth in Group adjusted earnings per share. Further details of the performance conditions attributing to the 2004 Performance Share Plan are given in the report on Directors' remuneration.

In the year to 30 June 2010, awards were granted on 15 September 2009 and 2 March 2010. The aggregate of the fair values of those awards granted was £1,494,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model.

	No. of awards 2010	No. of awards 2009
Outstanding at start of year	850,698	747,626
Exercised during the year	(314,246)	(179,222)
Lapsed during the year	(13,537)	(23,492)
Granted during the year	225,528	305,786
Outstanding at 30 June	748,443	850,698

32. Capital and reserves

Share capital

	2010 Number	2009 Number	2008 Number	2010 £m	2009 £m	2008 £m
Authorised						
Ordinary shares of 10p	75,989,400	75,989,400	75,989,400	7.6	7.6	7.6
Issued and fully paid						
Ordinary shares of 10p	59,678,535	59,525,274	59,455,605	6.0	6.0	5.9

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

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

	2010 Number	2009 Number	2010 £m	2009 £m
Issued under the Executive Share Option Plan	153,261	69,669	–	0.1

Shares issued under share option plans were issued at option prices as follows:

	2010 Number	Price	2009 Number	Price
Executive Share Option Plan	3,846	173p	8,399	221.5p
	5,710	221.5p	12,307	310.5p
	2,500	310.5p	36,670	331.5p
	4,489	331.5p	10,197	439.75p
	111,387	439.75p	2,096	582p
	25,329	472p		
	153,261		69,669	

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 shareholders' funds for the consideration paid for the Company's shares purchased by the trust which had not vested unconditionally at the balance sheet date. The number and market value of the ordinary shares held by the employee benefit trust and the QUEST were:

	2010 Number	2009 Number	2008 Number	2010 £m	2009 £m	2008 £m
Shares allocated but not vested	161,824	476,070	655,292	1.2	2.4	5.3
Unallocated shares	92,334	92,334	92,334	0.7	0.5	0.7
	254,158	568,404	747,626	1.9	2.9	6.0

Translation reserve

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

Hedging reserve

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

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

32. Capital and reserves continued

Hedging and translation reserves

	Hedging reserve £m	Translation reserve £m
Balance at 30 June 2008	0.7	(7.9)
Exchange differences on translation of overseas operations	–	26.9
Gain recognised on net investment hedge	–	(11.7)
Loss recognised on cash flow hedges:		
Commodity hedges	0.2	–
Interest swaps	(3.4)	–
Income tax related to gains/(losses) recognised in equity	1.1	3.1
Balance at 30 June 2009	(1.4)	10.4
Exchange differences on translation of overseas operations	–	34.8
Gain/(loss) recognised on net investment hedge	–	(7.1)
Gain/ (loss) recognised on cash flow hedges:		
Interest swaps	0.3	–
Income tax related to gains/(losses) recognised in equity	(0.1)	(7.8)
Balance at 30 June 2010	(1.2)	30.3

33. Notes to the cash flow statement

	2010 £m	2009 £m
Profit for the year	27.5	17.9
Adjustment for:		
Net IAS 41 valuation movements in biological assets	(11.0)	(2.7)
Amortisation of intangible assets	5.8	5.8
Share-based payment expense	1.6	2.0
Share of profit of joint ventures and associates	(3.1)	(2.1)
Other gains and losses	–	(0.4)
Finance costs	9.3	9.0
Income tax expense	13.3	8.3
Pension curtailment gain	(2.5)	–
Depreciation of property, plant and equipment	5.4	4.2
Loss on disposal of plant and equipment	–	1.2
Other movements in biological assets and harvested produce	(2.6)	(4.6)
Decrease in provisions	(0.1)	(2.2)
Other	(1.0)	(1.3)
Operating cash flows before movement in working capital	42.6	35.1
Increase in inventories	(0.9)	(1.1)
(Increase)/decrease in receivables	(3.2)	1.1
Increase/(decrease) in payables	2.0	(6.9)
Cash generated by operations	40.5	28.2
Interest received	0.3	0.4
Interest and other finance costs paid	(3.8)	(6.9)
Cash flow from derivative financial instruments	(2.7)	(1.0)
Income taxes paid	(7.8)	(6.6)
Net cash from operating activities	26.5	14.1

The cash impact of exceptional items for the year ended 30 June 2010 was an outflow of £nil (2009: £2.0m).

Analysis of net debt

	At 1 July 2009 £m	Cash flows £m	Foreign exchange £m	Non cash movements £m	At 30 June 2010 £m
Cash and cash equivalents	20.6	(3.8)	1.3	–	18.1
Interest bearing loans – current	20.6	(3.8)	1.3	–	18.1
Obligation under finance leases – current	(2.5)	1.1	–	(1.6)	(3.0)
	(0.9)	1.0	–	(1.0)	(0.9)
Interest bearing loans – non-current	(3.4)	2.1	–	(2.6)	(3.9)
Obligation under finance lease – non current	(104.2)	14.6	(3.6)	–	(93.2)
	(1.0)	–	(0.2)	0.2	(1.0)
	(105.2)	14.6	(3.8)	0.2	(94.2)
Net debt	(88.0)	12.9	(2.5)	(2.4)	(80.0)

Included within non-cash movements is £1.4 amortisation of debt issue cost and £0.8m in relation to new finance leases.

34. Operating leases

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

Total of future minimum lease payments under non-cancellable operating leases which expire:

	2010 £m	2009 £m
Less than one year	2.9	3.5
Between one and five years	8.3	8.3
More than five years	3.0	3.6
	14.2	15.4

Total future sublease payments receivable relating to the above operating leases amounted to £2.8m (2009: £3.6m).

35. Capital commitments

At 30 June 2010 outstanding contracted capital expenditure amounted to £nil (2009: £1.4m, 2008: £9.8m). For 2009, the capital expenditure relates to the construction of a new nucleus herd facility in South Dakota (£0.5m) and additional bull facilities in Wisconsin (£0.9m).

36. Contingencies

The retirement benefit obligations referred to in note 30 include obligations relating to the Milk Pension defined benefit scheme. Although Genus only account for its section and its share of any orphan assets and liabilities, collectively representing approximately 36% of the Milk Pension Fund, the Group together with the other participating employers, is joint and severally liable for the scheme's obligations.

37. Related parties

Transactions with key management personnel

Key management compensation (including Directors)

	2010 £m	2009 £m
Salaries and short-term employee benefits	3.1	2.5
Post-employment benefits	0.1	0.1
Termination benefits	–	0.1
Share-based payment expense	1.0	1.4
	4.2	4.1

Directors

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

Other transactions with key management personnel

Other than remuneration there were no transactions with key management personnel.

Notes to the Group Financial Statements continued

For the year ended 30 June 2010

37. Related parties continued

Other related party transactions

	Transaction value			Balance outstanding		
	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
Sale of goods and services						
Joint ventures and associates	5.1	1.2	6.4	0.1	0.1	0.4

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

38. Group entities

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

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

(1) Held by subsidiary undertaking.

Independent Auditors' Report – Parent Company Financial Statements

Independent auditors' report to the members of Genus plc

We have audited the parent company financial statements of Genus plc for the year ended 30 June 2010 which comprise the Parent Company Balance Sheet and the related notes 39 to 53. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Genus plc for the year ended 30 June 2010.



William Touche (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
6 September 2010

Parent Company Financial Statements

Balance Sheet as at 30 June 2010

	Note	2010 £m	2009 £m
Fixed assets			
Tangible assets	41	0.5	0.4
Investments in subsidiaries	42	237.5	235.5
		238.0	235.9
Current assets			
Debtors	43	32.2	39.6
Cash at bank and in hand		1.1	2.2
		33.3	41.8
Creditors: Amounts falling due within one year	45	(28.0)	(35.1)
Net current assets		5.3	6.7
Total assets less current liabilities		243.3	242.6
Creditors: Amounts falling due after more than one year	46	(105.5)	(111.6)
Net assets		137.8	131.0
Capital and reserves			
Called up share capital	49	6.0	6.0
Share premium account	50	112.0	111.7
Own shares	50	(0.1)	(0.1)
Profit and loss account	50	21.1	14.8
Hedging reserve	50	(1.2)	(1.4)
Shareholders' funds	51	137.8	131.0

The financial statements of Genus plc, (registration number 02972325) were approved by the Board of Directors on 6 September 2010.

Signed on behalf of the Board of Directors



Richard Wood
Chief Executive



John Worby
Finance Director

Notes to the Parent Company Financial Statements

For the year ended 30 June 2010

39. Significant accounting policies

Basis of preparation

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

The principal accounting policies are summarised below.

The Company's financial statements are included in the Genus plc consolidated financial statements for the year ended 30 June 2010. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Genus Group.

Fixed assets and depreciation

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

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

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

Investments

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

Pensions

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

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

Taxation

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

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

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

Deferred taxation is recognised in respect of the future remittance of retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Notes to the Parent Company Financial Statements

continued For the year ended 30 June 2010

39. Significant accounting policies continued

Treasury shares

The Company has adopted UITF Abstract 38, Accounting for ESOP Trusts, which requires the assets and liabilities associated with the Company's investment in its own shares to be recognised in the Company's financial statements where there is de facto control of the assets and liabilities.

The Company's own shares held by a Qualifying Employee Share Ownership Trust ('QUEST') remain deducted from shareholders' funds until they vest unconditionally with employees.

Employee share schemes

Executive Directors and Chief Operating Officers of the Company receive part of their remuneration in the form of share awards which vest upon meeting performance criteria over a three year period.

The cost of such awards is measured by reference to the fair value of the shares at the date of the award. At the end of each financial reporting period an estimate is made of the extent to which those performance criteria will be met at the end of three years and an appropriate charge recorded in the profit and loss account together with a corresponding credit to profit and loss reserves. Changes in estimates of the number of shares vesting may result in charges or credits to the profit and loss account in subsequent periods.

Share-based payments

The Company has implemented the generally accepted accounting principle for accounting for share-based payments with its subsidiary undertaking under UITF 44, whereby the Company has granted the rights of its shares to the employees of its subsidiary undertaking under an equity-settled arrangement and the subsidiaries have not reimbursed to the Company for these rights. Under this arrangement, the Company treats the share-based payment recognised in the subsidiary's accounts as a cost of investment in the subsidiary and credits equity with an amount equal to the share-based payment recognised by these subsidiaries in their accounts.

Derivative financial instruments and hedging

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Company uses interest rate swaps to hedge interest rate risk. The Company also uses forward foreign currency contracts (implemented through a medium term US Dollar cross currency borrowing and related interest rate swap) to hedge Group exposure to translation risk associated with US Dollar net assets of subsidiary entities. Forward foreign currency contracts do not qualify for hedge accounting in the parent Company financial statements, as the hedged item is not in its balance sheet.

The use of financial derivative instruments is governed by the Group's policies approved by the Board of Directors, which provides written principles on the use of financial derivatives. Information about the Group's financial risks, the management thereof, and the use of financial instruments and their impact on the Group's risk, profile, performance, and financial condition is included in the notes to the Group financial statements.

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

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

Cash flow hedges

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

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

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

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

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains and losses reported in the profit and loss account.

Debt

Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Finance costs

Finance costs of debt are charged to the profit and loss account over the term of the debt at a constant rate on the carrying value of the debt to which they relate.

40. Employees

Staff costs including Directors' remuneration during the year amounted to:

	2010 £m	2009 £m
Wages and salaries	2.9	2.1
Social security costs	0.4	0.4
Pension costs	0.1	0.2
Compensation for loss of office	–	0.1
Share-based payment expense	0.7	1.0
	4.1	3.8

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

	2010 No.	2009 No.
Administration	18	16

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

41. Tangible fixed assets

	Leasehold land and buildings £m	Motor vehicles and equipment – owned £m	Total £m
Cost			
At 1 July 2009	0.2	0.8	1.0
Additions	–	0.3	0.3
Disposals	–	(0.4)	(0.4)
At 30 June 2010	0.2	0.7	0.9
Depreciation			
At 1 July 2009	0.1	0.5	0.6
Charge for the year	–	–	–
Disposals	–	(0.2)	(0.2)
At 30 June 2010	0.1	0.3	0.4
Net book value			
At 30 June 2010	0.1	0.4	0.5
At 30 June 2009	0.1	0.3	0.4

Notes to the Parent Company Financial Statements

continued

For the year ended 30 June 2010

42. Investments

	Shares in subsidiary undertaking £m
Cost	
At 1 July 2009	252.4
Additions	2.0
At 30 June 2010	254.4
Provision for impairment	
At 1 July 2009 and 30 June 2010	16.9
Net book value	
At 30 June 2010	237.5
At 30 June 2009	235.5

Principal Subsidiary Undertakings

The principal subsidiaries of Genus plc and their main activities are given in note 38.

43. Debtors

	2010 £m	2009 £m
Amounts due within one year		
Amounts owed by group undertakings	12.1	16.1
Group relief receivable	–	10.7
Corporation tax recoverable	0.2	–
Other debtors	–	0.3
Other taxes and social security	0.5	0.3
Prepayments and accrued income	0.1	0.1
Deferred tax	1.0	1.2
	13.9	28.7
Amounts due after more than one year		
Amounts owed by Group undertakings – Derivative financial assets	18.3	10.9
	32.2	39.6

At the balance sheet date the amounts owed by Group undertakings were £12.1m (2009: £16.1m). The carrying amount of these assets approximates their fair value. There are impaired receivable balances of £1.5m (2009: £1.1m). Of the amounts owed by Group undertakings, £0.6m (2009: £4.6m) is interest bearing.

44. Deferred tax

The movements in deferred taxation are as follows:

	2010 £m	2009 £m
At the start of the year	1.2	0.5
Charge for the year	(0.3)	–
Recognised in equity	0.1	0.7
At the end of the year	1.0	1.2

The amounts provided are as follows:

	2010 £m	2009 £m
Derivatives	0.5	0.9
Share-based payments	0.4	0.3
Other timing differences	0.1	–
	1.0	1.2

The amounts unprovided are as follows:

	2010 £m	2009 £m
Losses	1.6	1.6

Unrecognised deferred tax assets

At the balance sheet date, the Company has unused tax losses with a potential tax benefit of £1.6m (2009: £1.6m) available for offset against future profits. No deferred tax asset has been recognised due to the uncertainty over the availability of future taxable profits.

45. Creditors: amounts falling due within one year

	Note	2010 £m	2009 £m
Bank loans and overdrafts	47	–	1.6
Trade creditors		0.3	0.3
Other creditors		0.5	0.3
Amounts owed to Group undertakings		25.0	30.7
Accruals and deferred income		2.2	2.2
		28.0	35.1

Included within amounts owed to Group undertakings are amounts of £20.5m (2009: £23.5m) which are interest bearing and payable on demand.

46. Creditors: amounts falling due after more than one year

	Note	2010 £m	2009 £m
Bank loans and overdrafts	47	93.9	103.6
Derivative financial liabilities		11.6	8.0
		105.5	111.6

47. Loans and borrowings

	2010 £m	2009 £m
Loans and borrowings comprise amounts falling due:		
In one year or less or on demand	1.6	3.0
In more than one year but not more than two years	93.9	–
In more than two years but not more than five years	–	105.3
	95.5	108.3
Less: unamortised issue costs	(1.6)	(3.1)
	93.9	105.2
Amounts falling due within one year	–	(1.6)
Amounts falling due after more than one year	93.9	103.6

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

The Company's credit facilities comprise a £110m multi currency revolving credit facility and a US\$60m revolving credit facility with both facilities being repayable on 25 February 2012.

As part of its interest rate strategy the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result bank loan and overdrafts include £30.0m fixed at 4.74% and £10m fixed at 2.17%, US\$60m (£40.1m) fixed at 3.2%, and €12m (£9.8m) fixed at 1.91%. All indicated rates are exclusive of applicable bank margin.

Notes to the Parent Company Financial Statements

continued For the year ended 30 June 2010

47. Loans and borrowings continued

Terms and debt repayment schedule

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

	Currency	Interest rate	2010 £m	2009 £m
Secured revolving credit facility and overdraft	GBP	2.8%	44.0	52.5
Secured revolving credit facility and overdraft	USD	2.6%	40.1	42.5
Secured revolving credit facility and overdraft	EUR	2.7%	9.8	10.2
Total interest-bearing liabilities			93.9	105.2

48. Derivatives and other financial instruments

Fair values

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

	2010		2009	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Interest rate swap treated as cash flow hedge	(2.1)	(2.1)	(2.3)	(2.3)
Cross currency swap – external	(9.6)	(9.6)	(5.7)	(5.7)
Cross currency swap – internal	18.3	18.3	10.9	10.9
	6.6	6.6	2.9	2.9

Hedges

The Company's policy is to monitor net transactional currency exposures and future contracted sales, in order to hedge such exposures in the Group, where appropriate. There were short-term forward contracts totalling £0.2m (net) entered into at 30 June 2010 (2009: £2.0m (net)).

The recognised profit/(loss) included in the profit and loss account on forward exchange contracts taken out in previous years amounted to £0.1m profit (2009: £0.1m loss). The Company has entered into interest rate swaps and a cross currency swap in order to manage its interest rate profile and to partially match the value of the Group's net assets held in the USA.

Other information

Additional disclosure on financial instruments can be found in note 27.

49. Called up share capital

Share capital

	2010 Number	2009 Number	2010 £m	2009 £m
Authorised				
Ordinary shares of 10p	75,989,400	75,989,400	7.6	7.6
Issued and fully paid				
Ordinary shares of 10p	59,678,535	59,525,274	6.0	6.0

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

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

	2010 Number	2009 Number	2010 £m	2009 £m
Issued under the Executive Share Option Plan	153,261	69,669	–	0.1

Shares issued under share option plans were issued at option prices as follows:

	2010 Number	Price	2009 Number	Price
Executive Share Option Plan	3,846	173p	8,399	221.5p
	5,710	221.5p	12,307	310.5p
	2,500	310.5p	36,670	331.5p
	4,489	331.5p	10,197	439.75p
	111,387	439.75p	2,096	582p
	25,329	472p		
	153,261		69,669	

Reserve for own shares

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

	2010 Number	2009 Number	2010 £m	2009 £m
Shares allocated but not vested	161,824	476,070	1.2	2.4
Unallocated shares	92,334	92,334	0.7	0.5
	254,158	568,404	1.9	2.9

Hedging reserve

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

Share options

On 12 August 2004, the Group established a share option programme that entitles key management personnel and other senior employees to purchase shares in the Company. Further grants on similar terms were offered to these employee groups as set out below.

As permitted by the transitional arrangements for adoption of FRS 20, the recognition and measurement principles in FRS 20 have not been applied to share option arrangements granted before 7 November 2002.

The terms and conditions of the grants are as set out below. All options are to be settled by physical delivery of shares and meet the criteria for being treated as equity settled as defined by FRS 20.

Employees entitled	Grant date	Number of instruments	Vesting conditions	Option exercise price	Contractual life of options
(1) 2004 Company share plan	9 September 2004	7,000	Exercisable	221.5p	10 years
(2) 2004 Company share plan	19 May 2005	30,000	Exercisable	310.5p	10 years
(3) 2004 Company share plan	21 June 2006	70,400	Exercisable	439.75p	10 years
(4) 2004 Company share plan	25 September 2006	20,550	Exercisable	472p	10 years
(5) 2004 Company share plan	21 September 2007	153,671	3 years service (*)	582p	10 years
(6) 2004 Company share plan	19 September 2008	153,159	3 years service (*)	775.67p	10 years
(7) 2004 Company share plan	15 September 2009	246,795	3 years service (*)	654.5p	10 years
Total share options		681,575			

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

Notes to the Parent Company Financial Statements

continued For the year ended 30 June 2010

49. Called up share capital continued

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

	Weighted average exercise price 2010	No. of options 2010	Weighted average exercise price 2009	No. of options 2009
Outstanding at start of year	535p	761,519	449p	801,166
Forfeited during the year	575p	(57,083)	495p	(82,622)
SAR effected during the year	441p	(122,994)	381p	(62,847)
Exercised during the year	425p	(153,261)	338p	(69,669)
Granted during the year	655p	253,394	776p	175,491
Outstanding at 30 June	618p	681,575	535p	761,519
Exercisable at 30 June		127,950		377,696

The weighted average share price at the date of exercise for share options exercised during the period was 687p.

In the year to 30 June 2010, options were granted on 15 September 2009. The aggregate of the fair values of those options granted was £565,000.

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

Assumptions applied in valuation models at grant date

	2010	2009
Exercise price of options granted in the year (nil for awards)	655p	776p
Expected volatility (weighted average volatility)	30%	28%
Option life (expected weighted average life)	6.5 years	7 years
Expected dividends	1.80%	1.32%
Risk-free interest rate (based on government bonds)	2.97%	4.50%

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

Share awards

In addition to the outstanding share options above, a total of 748,443 conditional shares were awarded to Executive Directors and Senior management on 21 September 2007, 19 September 2008, 15 October 2008, 3 March 2009, 15 September 2009 and 2 March 2010 under the 2004 Performance Share Plan. In accordance with the terms of the plan, participants in the plan have received a conditional annual award of shares or nil cost option award which will vest mainly after three years, with the proportion of the award vesting being based on growth in Group adjusted earnings per share. Further details of the performance conditions attributing to the 2004 Performance Share Plan are given in the report on Directors' Remuneration.

In the year to 30 June 2010, awards were granted on 15 September 2009 and 2 March 2010. The aggregate of the fair values of those awards granted was £1,494,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model.

	No. of awards 2010	No. of awards 2009
Outstanding at start of year	850,698	747,626
Exercised during the year	(314,246)	(179,222)
Lapsed during the year	(13,537)	(23,492)
Granted during the year	225,528	305,786
Outstanding at 30 June	748,443	850,698

50. Reserves

	Share premium account £m	Profit and loss account £m	Hedging reserve £m	Own shares £m
At 1 July 2009	111.7	14.8	(1.4)	(0.1)
Profit for the financial year	–	11.1	–	–
Dividends paid	–	(6.5)	–	–
Share-based payments, net of tax	–	1.7	–	–
Premium on shares issued	0.3	–	–	–
Fair value movement on cash flows hedge, net of tax	–	–	0.2	–
At 30 June 2010	112.0	21.1	(1.2)	(0.1)

For information on dividends see note 14.

51. Reconciliation of shareholders' funds

	2010 £m	2009 £m
Shareholders' funds at 1 July	131.0	134.6
Retained profit for the year	11.1	3.4
New share capital subscribed	–	0.1
Premium on shares issued	0.3	–
Dividend paid	(6.5)	(5.9)
Share-based payments, net of tax	1.7	1.1
Fair value movement on cash flow hedges, net of tax	0.2	(2.3)
Shareholders' funds at 30 June	137.8	131.0

52. Related party transactions

The Company is exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Genus Group.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of other related party transactions are disclosed in note 37 in the Group's financial statements.

53. Contingencies

The retirement benefit obligations referred to in note 30 include obligations relating to the Milk Pension defined benefit scheme. Although Genus only account for its section and its share of any orphan assets and liabilities, collectively representing approximately 36% of the Milk Pension Fund, the Group together with the other participating employers, is joint and severally liable for the scheme's obligations.

Five Year Record – Consolidated Results

The financial information included in the five year record below is in accordance with IFRS as adopted for use in the European Union.

	2010 £m	2009 £m	2008 £m	2007 £m	2006** £m
Revenue from continuing operations	285.3	280.4	247.1	233.8	236.7
Adjusted operating profit from continuing operations*	39.9	38.1	32.3	28.7	23.6
Adjusted profit before tax*	32.9	32.0	27.9	20.0	10.0
Basic adjusted earnings per share*	36.7p	36.1p	31.8p	24.6p	18.4p
Diluted adjusted earnings per share*	36.2p	35.6p	31.2p	23.9p	17.9p
Operating profit from continuing operations	47.0	33.0	26.2	28.4	24.1
Profit before tax from continuing operations	40.8	26.2	22.0	19.9	20.4
Profit after tax from continuing operations	27.5	17.9	14.2	12.7	13.2
Profit for year	27.5	17.9	17.7	14.6	7.7
Basic earnings per share	46.3p	30.4p	30.8p	26.6p	14.1p
Diluted earnings per share	45.7p	29.9p	30.2p	25.8p	13.6p
Net assets	251.8	204.6	185.1	150.9	146.1
Net debt	80.0	88.0	77.5	111.1	151.9

* Adjusted operating profit, adjusted profit before tax and adjusted basic and diluted earnings per share are before net IAS41 valuation movements in biological assets, amortisation of acquired intangible assets, share-based payment expense, exceptional items and other gains and losses.

** Proforma unaudited 12 month numbers (see 2007 financial statements for reconciliations to statutory accounts).

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in Genus plc, please send this document and the accompanying documents to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2010 Annual General Meeting of Genus plc (the 'Company') will be held at Buchanan Communications, 45 Moorfields, London EC2Y 9AE on 11 November 2010 at 2.30pm for the following purposes:

To consider and if thought fit, to pass the following resolutions, of which numbers 1 to 10 will be proposed as ordinary resolutions and numbers 11 to 13 as special resolutions.

Ordinary Business

1. To receive and approve the Company's audited financial statements and directors' and auditors' reports for the year ended 30 June 2010.
2. To approve the directors' remuneration report for the year ended 30 June 2010.
3. To declare and approve a final dividend of 12.1 pence per ordinary share, payable to shareholders on the register of members at the close of business on 11 December 2010.

In accordance with provisions of the UK Corporate Governance Code, all directors of the Company are required to offer themselves for annual re-election. Accordingly, resolutions 4 to 8 are proposed:

4. To re-elect Richard Wood as a director of the Company who, being eligible, offers himself for re-election.
5. To re-elect John Worby as a director of the Company who, being eligible, offers himself for re-election.
6. To re-elect Nigel Turner as a director of the Company who, being eligible, offers himself for re-election.
7. To re-elect Mike Buzzacott as a director of the Company who, being eligible, offers himself for re-election.
8. To re-elect Barry Furr as a director of the Company who, being eligible, offers himself for re-election.
9. To re-appoint Deloitte LLP as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting of the Company at which financial statements are laid and to authorise the directors to agree the auditors' remuneration.
10. THAT the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to allot relevant securities (within the meaning of sections 549(1) to (3), section 551(1) and section 559 of the Act) up to a maximum aggregate nominal amount of £1,631,086 being 16,310,865 ordinary shares of 10 pence each ('Ordinary Shares'), such authority to expire on the conclusion of the Company's Annual General Meeting next following but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Business

11. THAT subject to and conditional on the passing of resolution 10, the directors be empowered, pursuant to section 570 and section 573 of the Act, to allot equity securities (within the meaning of sections 560 of the Act) for cash pursuant to the authority conferred by resolution 10 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - 11.1 in connection with an offer of such securities by way of rights issue; and
 - 11.2 otherwise than pursuant to sub-paragraph 11.1 above up to an aggregate nominal amount of £298,392 being 2,983,926 Ordinary Shares representing not more than 5% of the issued share capital of the Company as at 30 June 2010,

and shall expire on the conclusion of the Company's Annual General Meeting next following save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired. This power applies in relation to a sale of treasury shares as if in the first paragraph of this resolution the words 'pursuant to the authority conferred by resolution 10' were omitted.

In this resolution, 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory or any other matter.

Notice of Annual General Meeting continued

12. THAT subject to and in accordance with article 9 of the Company's Articles of Association, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares on such terms as the directors think fit provided that:
- 12.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 5,967,853 (representing 10% of the Company's issued ordinary share capital as at 30 June 2010);
- 12.2 the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 10 pence;
- 12.3 the maximum price, exclusive of any expenses, which may be paid for an Ordinary Share is an amount equal to the higher of: (a) 105% of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately before the day on which such share is contracted to be purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and
- 12.4 the authority conferred by this resolution shall expire on the conclusion of the Company's Annual General Meeting next following or 18 months after the date of its passing (whichever occurs first), except that the Company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which will or may be completed by or executed wholly or partly after the expiration of this authority.
13. THAT a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice and that such authority shall expire on the conclusion of the Company's Annual General Meeting next following.

By order of the Board

Registered office:
Belvedere House
Basing View
Basingstoke
RG21 4HG
Registered in England and Wales with number 02972325



Ian Farrelly
Group Company Secretary & General Counsel
11 October 2010

Notice of Annual General Meeting continued

NOTES:

This notice is being sent to all members and to any person nominated by a member of the Company under section 146 of the Companies Act 2006 (the 'Act') to enjoy information rights. Information regarding the Annual General Meeting, including the information required by section 311A of the Act, is available from www.genusplc.com.

Members will find an attendance card and a form of proxy enclosed with this notice. If you are attending the Annual General Meeting, you should bring the attendance card with you. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, vote and speak at the Annual General Meeting. Any member so entitled may appoint one or more proxies to attend, speak and to vote instead of him. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint one or more proxies are set out in the notes to the proxy form. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

To be valid, a duly executed form of proxy for use at the Annual General Meeting together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a duly certified copy of such power or authority must be deposited at the offices of Equiniti Registrars, SEA10845, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZJ at least 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Alternatively, proxies may be appointed by having an appropriate CREST message transmitted, if you are a user of the CREST system (further details are below). In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.

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

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Act ('nominated persons'). Nominated persons may have a right under an agreement with the registered member who hold shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the Annual General Meeting is 6.00pm on 9 November 2010 (or if the Annual General Meeting is adjourned, members on the register of members not later than 6.00pm on the day that is two working days prior to the reconvened Annual General Meeting). Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Copies of contracts of service and letters of appointment between the directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours until the conclusion of the Annual General Meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this Annual General Meeting to be held on 11 November 2010 at 2.30pm and any adjournment(s) thereof by using the procedures described in the CREST Manual found on the Euroclear website www.euroclear.com/CREST. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited do not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Notice of Annual General Meeting continued

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

As at 30 June 2010 the Company's issued share capital comprised 59,678,535 ordinary shares of 10 pence each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 30 June 2010 is 59,678,535. The Company's website, referred to above, will include information on the number of shares and voting rights.

Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information; the answer has already been given on a website in the form of an answer to a question; or it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Voting on all resolutions will be conducted on a show of hands. Except as provided above, members who have general queries about the Annual General Meeting should call Equiniti registrars on 0871 384 2290. Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday. If calling from overseas, please call the Equiniti overseas helpline number of +44 121 415 7047. No other methods of communication will be accepted. You may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Advisors

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