SYGEN

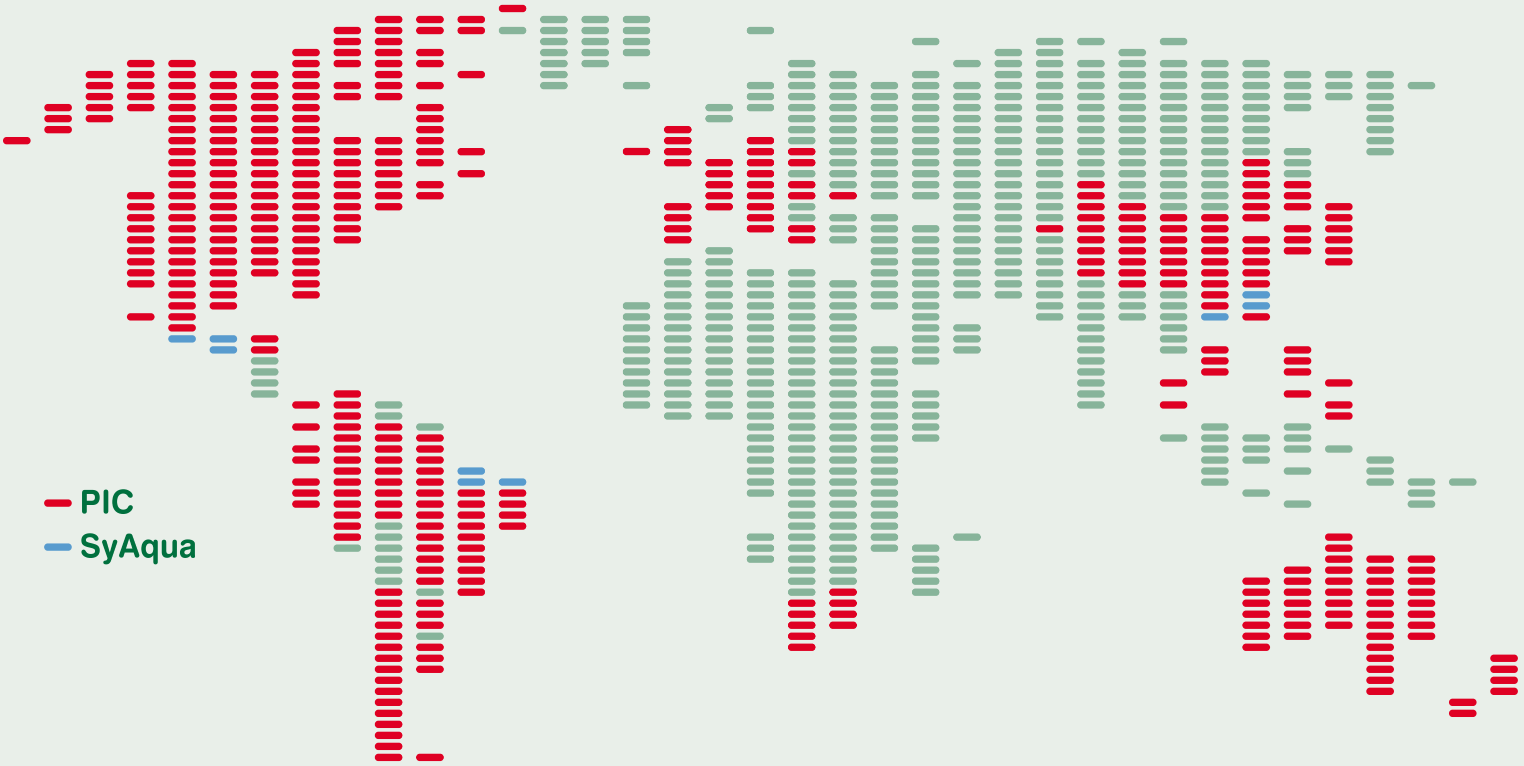
Sygen International plc annual report and accounts 2004

Differentiation

through our genes

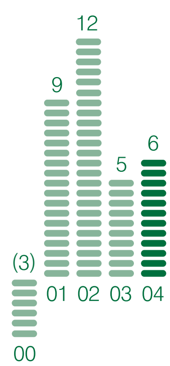
Growth markers

Sygen applies a unique combination of quantitative genetics and biotechnology to animal selection and breeding, which enables farmers and their customers to produce higher quality and healthier non-GMO meat products. PIC and SyAqua are Sygen's business brands, drawing on individual, local and sector expertise. Sygen companies operate in 30 countries on five continents, with laboratories in USA and UK.

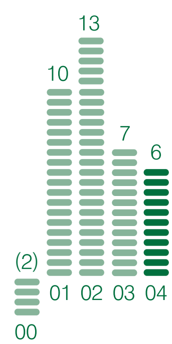


£m	2004	2003
Turnover	129.4	132.7
EBITDA	12.6	12.7
Operating profit before exceptional items	5.8	5.0
Profit after tax and exceptional items	8.5	11.3
Cash inflow from operations	11.4	2.4
Dividend per share	0.65p	0.55p
Earnings per share – basic	2.9p	3.9p
Earnings per share – adjusted	1.4p	2.6p

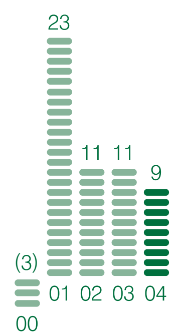
Operating profit/(loss) before exceptional items £m



Profit/(loss) before tax and after exceptional items £m



Profit/(loss) after tax and exceptional items £m



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Adding value throughout the food chain

With over 15 years of pioneering innovation and investment in biotechnology, Sygen is the undisputed leader in molecular breeding. Using our combination of quantitative genetics and biotechnology, we are at the forefront of producing the best possible parents for the next generation of animals. Our commitment to the meat industry has added value throughout the meat supply chain of farmers, processors, distributors, retailers and consumers.

Giving farmers competitive advantage

Since 1999, a PICmarq™ technology has protected over five million pigs from the potentially lethal effects of E. coli. Preventing pigs from dying, and improving the growth amongst those that survive brings immediate cost savings to PIC's customers.
In addition, this PICmarq™ technology helps farmers reduce their dependence on antibiotics and feed additives that may harm the environment.

Giving consumers better choice

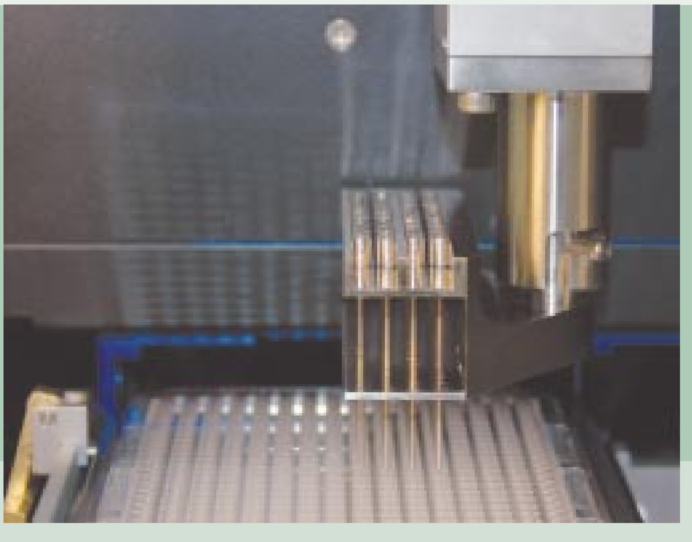
Since 1999, a Japanese Government agency uses a PICmarq™ test to verify if high-priced and succulent Kurabuta pork complies with the expected breed information on the label.

Giving processors consistent quality

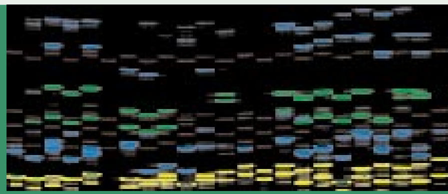
Since 1994 PIC has been using its PICmarq™ technology to improve pork quality in its lines, benefiting tens of millions of carcasses every year. More recently, PIC has worked closely with Hormel Foods Corporation to demonstrate the value of several new proprietary Meat Quality markers and has developed an exclusive customised meat quality line whose progeny began bringing higher quality carcasses to harvest in 2004. This same approach is now being developed for the SyAqua shrimp breeding programme, making it the first, and only, shrimp programme to use this cutting edge technology.

Increasing the rate of genetic discovery

Sygen is committed to investing in research and development in order to remain leaders in pioneering innovation. This investment has enabled us to leverage our quantitative genetic and biotechnology skills across multiple species. We now have 44 genetic markers available for application (most of which are protected by granted patents or are the subject of patent applications) in the areas of meat quality, litter size, growth and carcass quality, disease resistance and traceability. 18 of them are in routine use in PIC's genetic improvement lines. The first Sygen-developed marker is used by SyAqua in its shrimp breeding programme, the world's first and only shrimp breeding programme to use this cutting edge technology.



We have continued to make significant progress in accelerating our genomics programme – new technology initiatives have provided us with a platform to apply technology to new animal species and our genetic marker pipeline has increased five-fold during the past year.



Distinguishing features

Biotechnology; Quantitative Genetics; Traceability

Awareness of food quality has become a major factor in agribusiness. As a result, meat quality has received more specific attention from the processing and retail sectors and this has passed on to the breeding and production links of the supply chain. We have developed a range of genetic markers for meat quality which are used in our breeding programmes to help improve traits such as water retention, meat colour and tenderness.

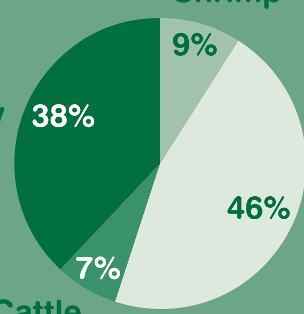
Globalisation of world food supply is an irreversible trend. It is being driven by increasing price-competition, new technology and the demand for an increasing range of products. When food is no longer locally-produced then its origin becomes a legitimate concern for consumers: are customers' expectations of food safety, quality, environmental impact, welfare and humanitarian standards being met? At the same time, government and consumer expectations of transparency and corporate responsibility add further pressures. Retailers must be able to prove the provenance of their sources of supply. Governments also have concerns about accidental or deliberate contamination of the food supply chain.

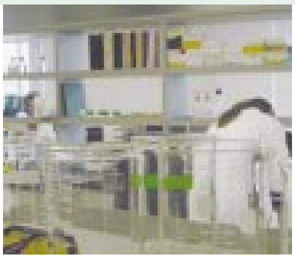
Sygen's range of traceability tools has the ability to independently validate other systems. We are seeking opportunities to exploit this new marketplace and these systems are already being used by some customers.

More than

50%

of Sygen's genetic discovery is now in species outside of pigs





Sygen's new research and development centre was opened in April 2004 in Kentucky, USA. Significant economic development support was obtained from the State of Kentucky for the construction of the new centre which includes two state-of-the-art laboratories dedicated to molecular genetic research (far left) and shrimp research (left). This world class facility provides Sygen with a centre of excellence for research in the USA which, along with our existing laboratory in Cambridge, UK, will continue to focus on enhancing our research and development capabilities and advancing our biotechnology application.

Chairman's and Chief Executive's review

Driving earnings quality

Overview
Sygen achieved a profit before tax, amortisation and exceptional items of £6.7 million for the year to 30 June 2004, an 18% improvement over the prior year. At constant exchange rates, profit before tax, amortisation and exceptional items improved 33% over prior year. Profit before tax and exceptional items was £6.0 million compared with £5.4 million in the prior year. After exceptional items, profit before tax was £6.0 million compared with £7.1 million in the prior year. Although a significant improvement over the prior year, the outturn is below the expectations that we had at the beginning of the year. Recovery in the Americas market after the downturn in calendar 2003 was slower than we had anticipated. Despite this, we continued to make good progress in implementing our strategy of technical differentiation across several food animal species.

Earnings per share were 1.4 pence before exceptional items and 2.9 pence after exceptional items. The Board is recommending a dividend of 0.65 pence per share, up 18% over the prior year. Despite acquisition expenditure of £9.2 million, Sygen still ended the year in a strong financial position with £17.8 million in cash and no debt.

The following were key developments during the year:
• We significantly expanded our shrimp genetics business. SyAqua has established itself as a leading supplier of shrimp breeding stock in three key markets. The acquisition of Aquatec, the leading Brazilian shrimp breeding business, and market entry into Thailand with the construction of a large scale hatchery, have added to our existing operation in Mexico.
• Our genetic discovery pipeline has increased five-fold during the past twelve months. We have now identified genetic marker candidates in shrimp, cattle and poultry as well as pigs.
• Gross profit from sales of products improved through biotechnology increased 40% to £5.5 million.
• The Group's head office was relocated from California to Oxfordshire, and the US-based laboratories were relocated from California to larger facilities next to our North American headquarters in Kentucky. These moves have been completed on time and within budget. We incurred one-time expenses totalling £2.0 million relating to these moves. We will make annual cost savings in the region of £1.0 million, some of which was delivered in the 2004 financial year.

Strategy
Sygen's strategy is to be the global leader in creating value through the innovative application of quantitative genetics and biotechnology to animal breeding. Our multi-species strategy will enable us to leverage our leadership in Research & Development and it will further enhance the Group's financial performance as we increasingly derive income by exploiting our technology throughout the food animal production industry.

The year has seen successes in many key areas of our strategy. Sygen is now a global market-leading supplier of breeding stock in two species – pigs and shrimp. Underpinning this strategy and market leading position in pigs, PIC North America announced, after the end of the 2004 financial year, the signing of a long term contract with Triumph Foods, a group of producers representing 10% of the US market, to supply PIC breeding stock.

Sygen's market leading Research & Development programme continued to yield significant genetic discoveries. In addition to increasing the Group's genetic marker pipeline (with more than 55% of the genetic discovery pipeline now relating to food animals other than pigs), eight additional patents were granted during the year, bringing the total to 39. Gross profit relating to sales from biotechnology products increased 40% to £5.5 million and now accounts for 12% of the Group's total gross profits. The increase in the sales of our higher margin products, combined with our diversification into shrimp – a species that generates demonstrably higher gross profit margin than pigs – will continue to enable us to drive the quality of Sygen's earnings and further decrease the impact of the volatile pig market.

People
Sygen employs 1,133 full time people: 18% are in the SyAqua division, 74% in PIC and most of the remainder are Sygen group R&D employees.

Key accomplishments during the year were the integration of the employees in the two businesses SyAqua purchased over the last two years and the relocation of the US-based R&D and the corporate teams. All have been completed on time and within budget. In addition, we are building a significant team in our business in Thailand, where we are growing both the pig and shrimp breeding stock businesses.

We have employees in 20 countries and sales in 30 countries. It is their understanding of each local market and the ability of our technical teams to translate that information into genetic improvement programmes that give an advantage to our customers.

Outlook
The recovery in the North American pig market, as demonstrated by lower feed costs in the past two months and higher pig market prices during the past six months, has now occurred. Although we expect the normal seasonal downturn to decrease profitability this winter, industry forecasts indicate that market conditions for our customers during the Group's current financial year will be the strongest in 4-5 years. As market conditions improve, we expect demand for our products to increase as the year progresses. At the same time, we will continue to extend our technological differentiation and to increase sales from biotechnology. The new financial year will also be the first in which the Group will realise the full-year benefit of all three of SyAqua's regions (Brazil was acquired at the end of the first half of the last financial year and Thailand was operational for only part of that year). We also expect to make further progress in implementing our multi-species strategy by seeking to establish new genetic improvement businesses.

Brian F. Baldock, CBE, Chairman

Phillip J. David, Chief Executive

Financial position remains strong

Results

Sygen's financial performance for the year ended 30 June 2004 demonstrated the resilience of its business model and multi-species strategy in the face of challenging market conditions. Despite a later than expected recovery in the US pig market, Sygen reported a profit before tax and exceptional items of £6.0 million, an increase of 11% compared with prior year. Gross profits from biotechnology increased by 40% and now account for 12% of total gross profits. Attributable profit after tax and exceptional items was £8.5 million compared with £11.3 million in the prior year. Earnings before interest, tax, depreciation, amortisation and exceptional items were £12.6 million for the year ended 30 June 2004 (2003: £11.0 million).

Profit before taxation

Profit before tax and exceptional items was £6.0 million, an increase of 11% over the prior year. At constant exchange rates, this was £6.9 million, an increase of 28% over the prior year. The pre-tax impact of foreign exchange movement for the year was negative £0.9 million.

PIC achieved operating profits of £14.8 million at actual exchange rates or £15.9 million at constant exchange rates. The results were led primarily by the performance in the Americas region, which achieved operating profits of £14.5 million at actual exchange rates and £15.4 million at constant exchange rates. Overall, softer trading in North America relating to the delay in the market recovery was offset by stronger than expected performance in Latin America. The European region reported an operating loss of £0.4 million due primarily to higher feed costs during the year, which affected not only trading in the region but also specifically affected the costs at our genetic nucleus facility in France. This loss was offset by the strong performance in Asia, which achieved an 80% increase in operating profit to £0.9 million at constant exchange rates. The growth in Asia can be attributed to a number of new stockings in the region as the market continues to industrialise.

SyAqua generated an operating profit of £0.4 million at constant exchange rates in its second year of operations. A full year's contribution from Mexico and partial contribution from Brazil were offset by start-up costs in Thailand as we entered the world's largest shrimp producing region.

Taxation

During the year, we continued to make significant progress on the global tax optimisation project initiated two years ago. The normalised effective tax rate for the 2004 financial year, before exceptional items, was in the region of 32% of profits, a rate that has dropped from over 40% three years ago. The operating tax charge of £1.8 million was, however, offset by an exceptional tax credit of £4.3 million due to adjustments in respect of prior periods and better than expected results from the resolution of outstanding tax issues. The net tax credit was £2.5 million.

Exceptional items

As expected, the Group recorded a charge of £2.0 million relating to its planned relocation of the head office from California to Oxfordshire, and the relocation of the Group's Californian-based laboratories to Kentucky, both of which were completed during the second half of the year. Offsetting this charge was a £2.0 million credit relating to a release of surplus property provisions attributable to increases in rents receivable from sub-lessees.

The net balance of exceptional items for the year, including the tax exceptional of £4.3 million, was a profit of £4.3 million, compared with a £3.8 million profit in the prior year.

Earnings per share

Basic earnings per share were 2.9 pence compared with earnings per share of 3.9 pence in the prior year. Excluding exceptional items, earnings per share were 1.4 pence compared with 2.6 pence in the prior year. On a pre-tax basis and excluding exceptional items, earnings per share were 2.0 pence (2003: 1.8 pence).

Dividend

The Board is recommending the payment of a final dividend of 0.65 pence per share for the year ended 30 June 2004 (2003: 0.55 pence). As in 2003, no interim dividend was paid.

Investments

Fixed asset investments by the Group totalled £16.0 million. The major single item of expenditure related to the acquisition of a shrimp breeding business in Brazil for £7.4 million and a pig genetics company in North America for £1.8 million.

Financing

The Group ended the year in a strong financial position. In addition to the Group's net cash balance of £17.8 million, the Group has a US$25 million credit facility with a US financial institution, none of which has been drawn. The Group has no debt as all outstanding loans were repaid during the prior year.

The Group has international operations that give rise to exposure from foreign currency fluctuations. The principal overseas currency is the US Dollar, and based on financial year 2004 earnings, a 5% change in the average US dollar rate could affect operating profit by approximately £0.7 million. Each year, a foreign currency exposure review is completed to identify major translation exposures that affect both our balance sheet and profit and loss account. The Group's position is to hedge large identifiable transaction exposures that occur in a given financial year to minimise the exposure to currency valuation and market volatility.

International Financial Reporting Standards

In line with EU regulations, the Group will adopt international financial reporting standards (IFRS) as the basis upon which it will report its financial statements for the year ending 30 June 2006. The Group has developed a transition plan to manage the conversion from UK accounting standards. In common with many companies, the adoption of IFRS is likely to have a material impact on the Group's financial statements.

John W. Adams, Finance Director

Building customer base

PIC

Product offerings increased 15%

PIC's Global Genetic Improvement strategy has contributed to its growth initiatives, including improved global product development and increased technology-led sales outside the USA.

PIC – operating profit £14.8 million (2003: £15.6 million)
Although PIC's reported operating profit was down 5%, at constant exchange rates, profit was marginally (£0.3 million) up over the prior year. The below-expectation performance was due to the slower than expected recovery in PIC Americas.

Americas – operating profit £14.5 million (2003: £15.4 million)
Profit in this region was down 6% over the prior year. At constant exchange rates, the performance remained unchanged from the prior year. Underlying the Americas' performance was the delayed recovery in the North American market, driven by higher than expected feed prices during the second half of the year. Although pig prices started their recovery last winter, the higher feed prices reduced the profit margins of many of PIC's customers, who in turn delayed breeding stock purchases. Current market conditions in North America, along with industry analysts' forecasts, suggest that producer margins in 2005 should be at the highest level since 2000, which is expected to stimulate an increase in production. This bodes well for PIC in North America in the new financial year. The softness in North America in the past year was partially offset by a strong performance in Latin America. Mexico, Chile and Brazil all saw significant improvements in performance year over year as market conditions continued to improve.

Europe – operating loss £0.4 million (2003: operating loss £0.3 million)
The European business again performed at near breakeven despite very poor market conditions. The average net margin achieved by our customers in the 2004 financial year was a negative €12 per pig. PIC Europe maintained its market share position (10%-12%) in the European region and is well positioned in the largest Central European countries. It is expected that the investment made by Sygen in recent years will enable PIC's operations to grow significantly in this region, following the recent enlargement of the European Union. PIC's centralised Global Genetic Improvement strategy has contributed to an increase in the quality and quantity of products in the region. This strategy, which effectively brings PIC's nucleus facilities under one group to leverage product development and technology globally more effectively, is expected to be a driver of growth in the region during the new financial year.

Asia – operating profit £0.7 million (2003: £0.5 million)
PIC Asia demonstrated significant growth in 2004. All countries were profitable with China and Philippines demonstrating particularly good growth. New customer stockings in Asia increased total volume by 74%, and together with the strength of our joint venture in China, PIC Asia achieved a 40% increase in operating profits. As in Europe, PIC Asia is beginning to achieve the planned benefits of our Global Genetic Improvement strategy with two new boar products being launched in the region.

Netting a bigger share

SyAqua

Market share up 50%

Expansion into Thailand and Brazil represented major steps toward SyAqua delivering both technical and market leadership in shrimp breeding worldwide.

SyAqua – operating profit £0.2 million (2003: £0.7 million)
In the second year since establishing this division, SyAqua was again profitable, although exchange rate movement halved the reported results. The acquisition in October 2002 of Mexico's largest shrimp breeding business represented an important first step in the implementation of Sygen's multi-species strategy. Complementing our business in Mexico, SyAqua acquired Brazil's largest shrimp breeding business in October 2003. Start-up operations also commenced in Thailand – the world's largest shrimp producing region. The start-up costs, coupled with a delay in receiving the necessary import permits, have partially offset the positive results from Mexico and Brazil. The new financial year will be the first in which SyAqua and Sygen will benefit from a full year's trading in all three countries.

Mexico, where SyAqua's market share is approximately 20%-25%, represents 2%-3% of global shrimp production. Through the acquisition in October 2002, two hatcheries, including the management team and customer base, were acquired. SyAqua utilises these hatcheries to breed and raise shrimp to 21 days old *(post-larvae)*, which are then sold to shrimp farmers. Another hatchery was contracted during the year and a Genetic Nucleus was constructed in November 2002. SyAqua utilises Genetic Nucleus facilities to breed its pure line shrimp, which, through selection based on a combination of quantitative genetics and genomics, will possess traits of interest to shrimp farmers. Shrimp from the Genetic Nucleus facilities are transferred to the hatcheries where they are mated to produce offspring that are subsequently sold to shrimp producers.

Brazil, where SyAqua's market share is also approximately 20%-25%, represents 4%-6% of global shrimp production. Through the acquisition in October 2003, one hatchery and a Genetic Nucleus facility, including the management team and customer base, were acquired.

Thailand is the world's largest shrimp producing country – it represents over 30% of global shrimp production and offers significant growth opportunities. In July 2003, SyAqua announced its expansion into Thailand. Two shrimp hatcheries have been leased. These hatcheries provide SyAqua with access to existing infrastructure and shrimp producers. A Genetic Nucleus facility is being established to complement the existing ones in Mexico, Brazil and Hawaii. Construction of this environmentally enclosed facility is expected to be completed during the 2005 financial year. As in Mexico and Brazil, the main focus for the Thai Genetic Nucleus facility will be the application of Sygen's genetic improvement, health and reproductive technologies to enhance performance including such traits as growth rate, feed conversion, survival, disease resistance and meat quality. In July 2004, SyAqua received an import permit for shrimp breeding stock from the Thai Government, enabling SyAqua Thailand to import improved stock for its breeding programme. In August 2004, SyAqua successfully imported 5,000 parent shrimp, which will be used in the development of differentiated and improved products for the Thai market.

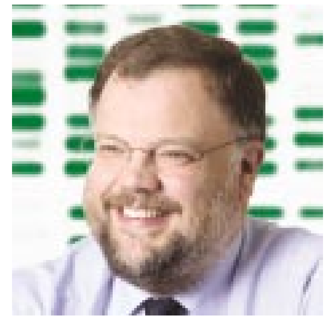
The Hawaiian Genetic Nucleus utilises the services of The Oceanic Institute under a three-year contract. The Oceanic Institute is, along with Sygen's subsidiary PIC USA, one of the research partners within a consortium that received an US$8.2 million shrimp research grant from the US Department of Commerce.

Driving growth

Brian Baldock, CBE
Chairman
Joined the Board in February 1993 and was appointed Chairman on 1 January 1999. He is a member of the Remuneration and Audit Committees. He is also Chairman of MENCAP and Wellington Finance Limited, and was a non-executive director of Marks and Spencer p.l.c. from 1996 to 2004. He is also a Fellow of the Royal Society of Arts, a companion of the British Institute of Management and a Fellow of The Chartered Insitute of Marketing. Age 70; UK citizen.

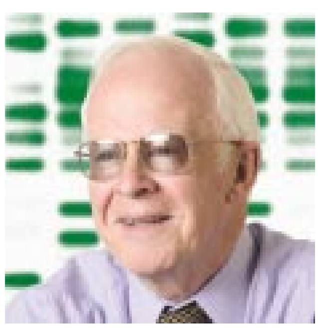
Phillip David
Chief Executive
Joined PIC in 1982 as a geneticist. He became President of PIC Americas and Asia in 1990. In 1994, he was appointed Chief Executive of PIC. He was appointed to the Board as an executive director in February 1998 and was appointed Chief Executive of the Group in October 1998. He holds a PhD in Genetics. Age 51; US citizen.

John Adams
Finance Director
Joined the Board as Finance Director in October 2001. He is also responsible for the Group's Information Technology function. He was formerly Chief Financial Officer of PeoplePC Inc, an internet infrastructure company based in San Francisco. He has previously held various strategic and financial planning positions at The Walt Disney Company, Pepsi-Cola Company and Hewlett-Packard. He holds a BA in Economics and an MBA. Age 42; US citizen.



Iain Ferguson, CBE
Non-Executive Director
Joined the Board on 1 July 2002. He is a member of the Remuneration and Audit Committees. He is also Chief Executive of Tate & Lyle PLC and prior to that, he was Senior Vice-President of Corporate Development at Unilever. He is a Fellow and President of the Institute of Grocery Distribution, a Commissioner on the UK Government's Policy Commission on the Future of Farming and Food and a non-executive director of the British Nutrition Foundation and Rothamsted Experimental Station Limited. He is also a Member of the UK's DTI Foresight Group and Vice President of the Food and Drink Federation. Age 49; UK citizen.

John Harvey, CBE
Non-Executive Director; Senior Independent Director
Joined the Board on 1 November 1999. He is Chairman of the Audit Committee and a member of the Remuneration Committee. He was until August 2004, Executive Chairman of Tibbett & Britten Group plc and then became Strategic Adviser to Exel plc. He is also Chairman of TRANSAID Worldwide Services Limited and Cranfield Center for Logistics and Transportation Advisory Board. He is also a Fellow of The Chartered Institute of Transport, The Institute of Logistics & Transport, and a Fellow and director of The Institute of Grocery Distribution. Age 68; UK citizen.



James Meister
Non-Executive Director
Joined the Board on 9 February 1999. He is Chairman of the Remuneration Committee and a member of the Audit Committee. He retired from Kings Super Markets Inc., New Jersey, as President and Chief Executive Officer in 1998 after 24 years with the group. He is currently a director of Franklin Publishing Company. Age 62; US citizen.

Graham Plastow
Chief Technology Director
Joined the Group in July 1983 as a senior geneticist and was appointed Chief Technology Officer in August 2001. He was appointed to the Board as an executive director on 24 July 2003. He holds a PhD in Genetics and sits on a number of external scientific committees and biotechnology advisory groups - he is currently a member of the Governing Council of the Roslin Institute in the UK and a Director of the Biotechnology Research and Development Corporation in Peoria, Illinois and the Farm Animal Genetics and Genomics Faraday Partnership Limited. Age 48; UK citizen.

Dorothy Lee
Company Secretary
Joined the Group in 1989 and was appointed Company Secretary in 1999. She is a member of the Institute of Chartered Secretaries and Administrators. Age 34; Singapore citizen.

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2004.

Principal activity

The principal activity of the Group is the application of quantitative genetics and biotechnology to animal breeding. The development of the Group's businesses is reviewed on pages 6 to 9.

Results and dividend

The profit for the financial year, after taxation, amounts to £8.5 million. The Board recommends a final dividend of 0.65 pence per ordinary share, amounting to approximately £1.9 million, to be paid on 26 November 2004 to ordinary shareholders who are on the register on 29 October 2004. Shareholders with registered addresses in the USA will receive dividends in US dollars – the exchange rate will be based on the date payment is made. No interim dividend in respect of the year was paid.

Acquisitions

On 23 September 2003, the Group acquired the assets of Cotswold Swine Genetics of North America for £1.7 million in cash.

On 16 October 2003, the Group acquired the shares and assets of Aquatec in Brazil for £7.2 million in cash.

Share capital

At 30 June 2004, there were 295,252,580 ordinary shares in issue. 1,490,413 ordinary shares were issued during the year – further details are given under Note 18 on page 33.

Directors

The directors at the date of this report and their biographical details are listed on page 10. A complete list of directors who served during the year is shown in the Remuneration Report on page 17.

Graham Plastow was appointed an executive director on 24 July 2003 and he was elected a director at the 2003 Annual General Meeting.

James Anderson and Gregg BeVier retired as executive directors on 24 July 2003.

Brian Baldock and John Adams will retire by rotation at the 2004 Annual General Meeting and, being eligible, offer themselves for re-election. Brian Baldock does not have a service agreement with the Company – his current term of appointment as Chairman, which is due to expire on 31 December 2004, was renewed by mutual agreement for a further two years, subject to annual re-elections at Annual General Meetings. John Adams has a US service agreement with the Group which provides for a notice period of six months for the first three years of employment (to 15 October 2004,) increasing to one year's notice thereafter.

Directors' remuneration and share interests

The directors' remuneration and interests in shares and share options of the Company are shown in the Remuneration Report on pages 17 and 18.

Major shareholders

As at 8 September 2004, the Company had been notified under Section 198 of the Companies Act 1985 of the following substantial interests in the Company's ordinary share capital:

- Phoenix Asset Management Partners Limited held 35,001,096 ordinary shares (11.85%);
- FMR Corp, its direct and indirect subsidiaries and Fidelity International Limited held 32,459,986 ordinary shares (10.99%);
- Prudential plc and certain of its subsidiaries held 29,939,919 ordinary shares (10.14%);
- Legal & General Group Plc held 11,771,958 shares (4.00%).

Employee involvement

Employees are recognised as key assets of the Group and their quality and motivation are essential to the Group's business and its ability to compete successfully in their markets. The Group's employment policies are designed to attract, retain, develop and motivate high quality staff, to recognise and reward success, results and achievements, and to give equal opportunities for employment, training, career development and promotion to all employees regardless of sex, race, religion and including disabled persons where their aptitude and abilities permit.

The Group also considers it to be of great value for its employees to be interested in the Group's performance. A global share option plan was established in 1999 and eligible employees each received a one-off grant of options over 2,000 shares. In certain countries where the grant of options was not possible, equivalent rights, called awards, were granted. The awards give the right to receive cash bonuses instead of shares, and in all respects, are subject to the same rules and performance target as options. The terms and conditions of the 1999 grant are identical to that of the executive share option plan, details of which are set out in the Remuneration Report.

To help achieve corporate aims and objectives, the Group maintains and develops formal and informal systems of communications with its employees to discuss matters of mutual interest. The Company makes extensive use of local consultative procedures in each country in which it operates, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. Additionally, information on matters of concern to employees is given through bulletins, meetings, reports and newsletters, and includes information to enable them to gain awareness of financial and economic factors affecting the Group.

Corporate governance

The Group's statement on corporate governance is set out on pages 13 and 14.

Research and development

Research and development programmes to improve and develop new products and production techniques are core to the Group's success. The Group is actively involved in the public debate on the future use of biotechnology and is committed to working within the regulations and guidelines on animal welfare and food safety in the territories in which it operates. Expenditure on research and development in the year amounted to £7.2 million.

Fixed assets

The directors do not consider that there is a significant difference between the carrying value of land and its market value.

Policy on payment to creditors

The Company does not follow any particular code of practice for the payment of suppliers. The Company has due regard to the payment terms of suppliers and generally settles all undisputed accounts within the terms agreed on each transaction.

At 30 June 2004, the Company had no trade creditors.

Donations

Worldwide charitable donations during the year totalled £60,259, of which £2,037 was donated in the UK to national and local charities. No political donations were made.

Going concern

The Board has reviewed the Group's budget for the financial year ending 2005 and projections for the subsequent year. After taking into account the cash flow implications of these projections, including proposed capital expenditure and asset sales, and after comparing these with the Group's committed borrowing facilities, the Board has concluded that it is appropriate to prepare the accounts of the Company and the Group on a going concern basis.

Auditors

PricewaterhouseCoopers LLP were appointed auditors until the conclusion of the 2004 Annual General Meeting. They have expressed their willingness to continue in office and a resolution, upon the recommendation of the Audit Committee, will be proposed at the Annual General Meeting for their re-appointment.

Annual General Meeting
The Annual General Meeting will be held at 2:00 p.m. on 3 November 2004 at The Insurance Hall, 20 Aldermanbury, London EC2V 7HY. The Notice of Meeting appears on page 39. There are three items of Special Business, all of which relate to the authorities given to directors at the last Annual General Meeting and which will expire at this year's Annual General Meeting – explanatory notes on these resolutions are set out below.

Resolution 7 – Section 80 of the Companies Act 1985 prevents directors of a company from allotting unissued shares without the authority of shareholders in general meeting. Resolution 7 seeks renewal of this authority through to the next Annual General Meeting, subject to the limitations set out in the Notice for the allotment of shares up to an aggregate nominal value of £9,000,000, being 30% of the total share capital in issue as at 8 September 2004. The directors have no present intention of exercising their authority to allot unissued shares, except those relating to scrip dividends and share options.

Resolution 8 – Under Section 89(1) of the Companies Act 1985, the directors are not authorised to allot new shares for cash without first offering them to existing shareholders, unless they are authorised to do so by a Special Resolution. Resolution 8 seeks to renew the authority of the directors, pursuant to Section 95 of the Companies Act 1985, to allot shares as if Section 89(1) of that Act did not apply to such allotments. If passed, the Resolution will give directors the power to issue shares in connection with a rights issue and shares for cash up to an aggregate nominal value of £1,476,000 being 5% of the issued ordinary share capital as at 8 September 2004. Notwithstanding that power, it is the intention of the directors to observe the institutional guidelines which require that no more than 7.5% of the issued ordinary share capital may be allotted for cash on a non pre-emptive basis in any three year period. 1,490,413 ordinary shares were issued on that basis during the year. In the prior financial two financial years, 628,125 ordinary shares have been issued on that basis.

Resolution 9 – this resolution seeks renewal of shareholders' authority to enable directors to make market purchases of the Company's shares. No purchases were made during the year under this authority and whilst the directors have no present intention of utilising this authority, the Board considers it desirable to continue to have the flexibility to make such market purchases, on the terms described in the Notice. The Board will only exercise this power if it believes it would result in an increase in the earnings per share of the Company and would be in the best interests of shareholders generally. The total number of options to subscribe for shares that are outstanding as at 8 September 2004 are 13,322,792 representing 4.5% of the issued share capital.

By Order of the Board

D Lee
Company Secretary
8 September 2004

Corporate governance

The Listing Rules of the Financial Services Authority require listed companies to disclose how they have complied with the principles of good governance and the code of best practice, known as The Combined Code. The Board believes that the Company has complied with the principles set out in Section 1 of the June 1998 Combined Code throughout the 2004 financial year. This statement, together with the Remuneration Report, explains how the Company has applied the principles set out in Section 1 of The Combined Code.

The Combined Code was revised in July 2003 and will apply to Sygen in the 2005 financial year. The Board is reviewing the implications of the revised Combined Code and will report on these issues in the 2005 Annual Report.

Board structure and committees

The Board currently comprises three executive directors (including the Chief Executive) and four non-executive directors (including the Chairman). Their biographies are set out on page 10. The directors bring a wide range of skills and experience to the Board. All of the non-executive directors are considered by the Board to be independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement. They play a full part as members of the Board and share responsibility for Board decisions.

The roles of the Chairman and the Chief Executive are separated and clearly defined. The Chairman's overall responsibility is to ensure that the Board carries out its responsibilities, and the Chief Executive, to directing and promoting the operation and development of the Group.

Following the relocation of the Group's head office to the UK, the Board considered that it would be more appropriate for the Senior Independent Director to be based in the UK – John Harvey was therefore appointment Senior Independent Director in April 2004 in place of James Meister.

All directors have access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision making, that Board procedures are followed and that statutory and regulatory requirements are met. All new executive directors receive appropriate induction training when they join the Company. Upon appointment, Graham Plastow attended a briefing session conducted by the Company's solicitors in relation to the responsibilities of a director under the Companies Act 1985 and the Listing Rules of the Financial Services Authority. There is also a formal procedure whereby directors, wishing to do so in the furtherance of their duties, may take independent professional advice, if necessary, at the Company's expense. The composition of the Board is kept under review to ensure that the Board collectively possesses the necessary skills and experience. Under the Company's Articles of Association, new directors are required to submit themselves for election at the next Annual General Meeting. In addition, one-third of the Board is required to retire each year by rotation and all directors are required to offer themselves for re-election at least every three years.

The Board usually meets five times a year and determines the commercial strategy and policies for the Group. It also maintains control over investment policy and major capital expenditure. It has a schedule of matters reserved for its decision. The Board receives full and timely management reports regarding its businesses to enable it to discharge its duties. Operational control and the implementation of Group strategy and policy is delegated by the Board to the Chief Executive, who is supported by his executive group. The executive group comprises of the executive directors and senior management. There are clear lines of reporting for the Group's individual executive directors, and members of the executive group have specific responsibilities for key areas of operation across the Group. The Board has established three standing committees, all of which operate within written terms of references.

The Audit Committee comprised the following non-executive directors during the year: John Harvey (Chairman); Brian Baldock; Iain Ferguson and James Meister. The Audit Committee meets three times a year and assists the Board in fulfilling its overview responsibilities, primarily in reviewing the report of financial and non-financial information to shareholders, the systems of internal control and risk management, and the work of both internal and external auditors.

The Remuneration Committee also comprised non-executive directors during the year: James Meister (Chairman); Brian Baldock; Iain Ferguson and John Harvey. The company policy for remuneration and benefits is considered as part of the strategic development of the business. The Remuneration Committee's policy for the remuneration of executive directors is to align remuneration to the Group objective of providing superior returns for shareholders, to motivate and reward high levels of achievement consistent with the best interests of shareholders and to support the recruitment and retention of executive directors with requisite skills and experience. The Remuneration Committee meets three times a year and determines the policy and the specific remuneration packages for each executive director and a small number of senior executives. It also recommends to the Board the terms and conditions of all share-based bonuses and long term incentive plans. The Committee also periodically monitors the performance and development programmes of the executive directors and a small number of senior executives, and they are appraised annually.

The Nomination Committee comprised the following non-executive directors during the year: Brian Baldock (Chairman); Iain Ferguson; John Harvey and James Meister. The Nomination Committee meets when necessary. It is responsible for reviewing the structure, size and composition of the Board, and for identifying and making recommendations, following a formal selection process, to the Board on all new appointments.

Internal control

Control environment – the directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The 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, and the maintenance of proper accounting records and the reliability of financial information.
The Board has established procedures necessary to implement the requirements of the Combined Code relating to internal controls and reviewed the effectiveness of the Group's systems of internal control, including financial, operational and compliance controls and risk management. These procedures establish the process by which the Board will, on an ongoing basis, identify, evaluate and manage the significant risks faced by the Group and carry out its annual review of the effectiveness of the internal controls. It is intended that these procedures will be kept under review each year and adjusted as appropriate.

In addition to the review of the scope and results of the audit and the activities of the external and internal auditors (including the cost effectiveness of the audit and the independence and objectivity of the external auditors) the Audit Committee's terms of reference include responsibility for overseeing internal controls, including operational and financial controls and risk management.

Risk management – the Board's strategy is to follow a prudent risk policy. Business risks are evaluated at Group level as part of the annual strategic planning process. Business managers have responsibility to identify the risks facing each business and then establish procedures or policies in place to mitigate or monitor them. Treasury risks are evaluated by the Finance Director and the Group Treasurer who are responsible to the Board for evaluating all significant borrowings, foreign currency and interest rate management facilities.

Information systems, control procedures and monitoring – the Group has comprehensive strategic plans, budgets, and detailed monthly financial and cash reporting. The strategic plan and annual budget are reviewed by the executive committee and submitted to the Board for approval. Business managers report regularly on performance to the executive group and major issues are reported to the Board. Levels of authority are agreed annually to set clear limits of delegation, to establish procedures, and to control and monitor risks. A detailed self-audit questionnaire is received annually from each business unit.

Relations with shareholders
The Board recognises the importance of good communications with all shareholders. The Company issues Summary Annual Reports to shareholders, with full Annual Report and Accounts available on request. The Company also makes certain communications available to shareholders electronically – shareholders can elect to receive Annual and Interim Report and Accounts, and notices of general meetings, electronically. They may also register proxy votes electronically. The Company has a website (www.sygeninternational.com) which contains information on Group activities and published financial results.

There is regular dialogue with individual institutional shareholders and analysts, and general presentations are made after financial results are announced.

The Annual General Meeting is the principal forum for dialogue with private investors, where shareholders are given the opportunity to raise questions at the meeting. The results of proxy votings are announced at the meetings.

The environment
The Group recognises the social obligations to the communities in which it operates and considers respect of the environment to be one of the Group's core values. The Group is committed to providing the knowledge, skills and resources necessary to support an effective environmental policy within its wider commercial objectives. The Group specifically aims to:
• comply with national environmental legislation;
• implement local industry best practice in its production units;
• continually assess and, where possible, improve the impact of its operations on the environment;
• include environmental considerations in its investment decisions;
• use energy efficiently;
• play an active role in the trade associations which represent the Group's businesses, and work with them to raise environmental standards;
• progressively, seek similar environmental standards of the Group's suppliers, contractors and business partners.

Animal welfare
The Group regards respect for animals as one of the core values of its business and is committed to adopting high animal welfare standards from both an ethical and commercial point of view. The Group specifically aims to:
• adhere to local, national and international legal requirements and guidelines on animal welfare;
• implement what is regarded as local industry best practice in its production units;
• monitor animal welfare practices on all owned and contracted production units through a regular programme of management audits and independent veterinary visits;
• require all farm staff and employees to adopt a company-wide "code of conduct" to ensure professional levels of animal husbandry;
• work with suppliers and customers to share the benefits of "best practices" internationally.

Directors' responsibilities statement
The directors are required by the Companies Act 1985 and other regulations to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year, and of the Group's profit or loss for the year.

In preparing the financial statements, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. All relevant accounting standards which the directors consider to be applicable have been followed.

In addition, the directors are also responsible for maintaining adequate accounting records and sufficient internal controls to safeguard the assets of the Group and to prevent and detect fraud and or any other irregularities.

The maintenance and integrity of the Company's website is the responsibility of the directors. Information published on the internet is accessible in many countries - legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Remuneration report

The Board presents its report on directors' remuneration for the year ended 30 June 2004. The report has been prepared in compliance with the Companies Act 1985 as introduced by the Directors' Remuneration Report Regulations 2002, Schedule B of the June 1998 Combined Code and the Listing Rules. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting. The Chairman of the Remuneration Committee will be available to answer questions at the Annual General Meeting.

The Regulations require the auditors to report to the Company's members on the "auditable part" of the report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Membership and role

The members of the Remuneration Committee during the year, all of whom were independent non-executive directors, were James Meister (Chairman); Brian Baldock; Iain Ferguson and John Harvey.

The Committee determines the framework and the specific remuneration packages for each executive director and a small number of senior executives. It also recommends to the Board the terms and conditions of all share-based bonuses and long term incentive plans.

The Committee receives advice that materially assists in their consideration of remuneration matters from the Chief Executive and Chief Human Resources Officer. In addition, New Bridge Street Consultants were engaged by the Committee during the year to advise on the appropriateness of the Group's long term incentive and share option plans.

Remuneration policy

Executive directors – the Group policy, which has been applied in the 2004 financial year and is also intended to continue in subsequent years, provides for remuneration to executive directors aligning it to the Group objective of rewarding high levels of achievement consistent with the best interests of shareholders and to support the recruitment and retention of executive directors with requisite skills and experience.

The total value for each executive director is judged by comparison with the median value of remuneration and benefits provided by comparator companies of similar size, structure and business.

The current overall policy ensures that the package for each director:

• provides an appropriate element of total remuneration comprising fixed pay, variable pay and benefits, linked to the annual and longer term performance of the Group as measured against targets set and monitored by the Committee;
• encourages share ownership by directors;
• remains competitive in respect of employment terms and conditions, reflecting the market in which the executive operates, and
• is fair by comparison with packages of other executives within the Group.

Over several years, the package has moved towards performance-related payments. For the year ending June 2005, subject to the Group profits target being achieved, nearly 50% of executive directors' potential direct remuneration would be performance related.

Non-executive directors – the remuneration of the non-executive directors is determined by a Committee comprising the executive directors. Non-executive directors receive a cash fee, part of which is then used to purchase ordinary shares in the Company. The shares are held by the Company as a nominee and will be released to them at the end of their term of office.

Non-executive directors do not participate in the pension, bonus, option nor long term incentive plans.

There is no formal term of office for non-executive directors, but in practice, non-executive directors are appointed initially for a three-year period, renewable for a further three years by mutual agreement.

Remuneration package for executive directors

The present remuneration package for executive directors comprises the following elements:

Basic salary – this is a fixed annual sum recognising ongoing market value, set within a range around the market median for similar positions in other companies of similar size. It is reviewed and determined from 1 July each year by the Committee, recognising the individual's performance and developments in the relevant employment market. Based on the results of the 2004 financial year, no increases in the base salaries of the executive directors and other senior executives were awarded for the current year.

Management incentive plan – the Committee determines the basis and objectives each year of the annual bonus for executive directors. These objectives reflect the annual priorities of the business. Bonuses are payable in cash and are not pensionable.

For the 2004 financial year, the annual bonus plan had been re-designed more towards alignment with Group profit expectations with higher rewards for above-profit expectations. The Chief Executive was entitled to a bonus of between 50% to 125% of basic salary and other executive directors were entitled to bonuses of between 40% to 100%. In addition, 25% of bonuses earned over Group profit expectations would be used to purchase shares in the Company. No bonus would be paid unless a threshold of 90% of Group profit target was achieved – this minimum threshold target was not met for the 2004 financial year and, as a result, no bonuses were paid.

Long term incentive plan – the Sygen International Long Term Incentive Plan was established in 1998. Bonuses under this Plan are payable in the form of deferred rights to receive (or acquire for a nominal consideration) ordinary shares. Awards range from 100% of basic salary for the Chief Executive, 75% for other executive directors and 35% for selected senior executives. Participants are also expected to acquire and retain a personal shareholding in the Company, and they do not, except in exceptional circumstances, participate in the share option plan.

The release of shares conditionally awarded under this Plan is subject to a performance target comparing the Company's total shareholder return over a period of three years with the comparator companies comprised within the FTSE SmallCap Index at the start of the financial year. Awards will not be released if the Company's performance is below the median. At the median, 30% of awards will vest, with awards vesting in full for performance at or above the 75th percentile. Between those two levels, awards will vest on a sliding scale.

During the 2003 financial year, the Committee reviewed the effectiveness of this Plan and decided to suspend it. The Committee is currently undertaking a full review of the incentive arrangements in the 2005 financial year. It is expected that the new arrangement will be more linked to operational performance with higher rewards for achieving above target expectations.

In the prior financial year, the Company's performance under the awards granted in 2000 was at the 74th percentile, equivalent to a vesting of 97.2% of shares awarded.

Share option plan – the Company operates an Executive Share Option Plan for executive directors and certain senior executives. It is the Company's policy to phase the granting of share options rather than to grant them in a single large block, and each executive director can hold options up to the value of four times basic annual salary. Executive directors are also required to retain shares equivalent to a minimum of 25% of any gain in order to be eligible for future grants.

Options are granted for no consideration and the exercise of options is subject to performance conditions determined from time to time by the Committee. For options granted in October 2003 and March 2004 to be exercised, the current performance target is that the Company's earnings per share growth over a rolling period of three years commencing 1 July 2003 must exceed the UK rate of inflation over that same period by at least 9%.

As previously mentioned, the Committee is currently undertaking a full review of the incentive arrangements in the 2005 financial year with the intention of consulting or seeking shareholder approval for any new long term incentive arrangements.

Pensions

• UK Plan – the Company operates a defined benefit funded pension plan (the Dalgety Pension Fund (the "Fund")) of which Graham Plastow is the only executive director who is a member. He has a normal retirement age of 65 and is provided with a pension of 1/60th of pensionable earnings for each year of service in the Fund, where pensionable earnings are based on a two-year average of basic annual salary. No benefits of any description are pensionable.

On death before retirement, a lump sum of three times the greater of basic annual salary at the date of death and gross earnings over the previous tax year would be paid, together with a spouse's pension of one-half of the members' prospective pension. On death in retirement, a spouse's pension of one-half of the members' pre-commutation pension would be payable together with a lump sum payment if death occurs within five years of retirement equal to the balance of five years of pension instalments. In the event of death after leaving service but prior to commencement of the pension, a spouse pension of one-half of the accrued preserved pension would be payable.

Early retirement pensions may be granted after age 50 and a reduction of 4% per annum is applied for early payment where the retirement is before the age of 60. However, no reduction is applied after the age of 60. Pensions in payment are guaranteed to be increased in line with inflation up to 5% per annum. No allowance is made for discretionary benefits in the calculation of transfer values on leaving service. Deferred benefits are revalued in accordance with the Rules of the Fund.

Members contribute 5% of basic annual salary to the Fund. The Company contributed 13.6% to the Fund to March 2004. This was increased to 15.9% from April 2004.

The Fund was closed to new members in March 2003. A new defined contribution plan was introduced in April 2004 but no executive director participates in this plan.

• US Plan – US-based executive directors and employees participate in a 401(k) "defined contribution" tax-deferred retirement savings plan. Executives can save up to a limit of US$13,000 of their earnings before taxes are withheld. This reduces the US federal and state income tax liability for the executive. The Company matches up to 2% of employee contributions each month and made a discretionary contribution of 3% for the 2004 financial year.

The amounts contributed by the executives as well as the interest earned on those contributions belong to the executives from the time they participate in the Plan. The executives become fully vested in the Company contributions after three years of employment.

• The Company also operates an unfunded arrangement for Phillip David. This arrangement was introduced on 1 January 2004 and consolidated his previous unfunded benefits at this date. This unfunded arrangement provides a pension of 1/60th of pensionable earnings for each year of service since 1 August 1982 (date of joining), where pensionable earnings are based on a three year average of basic annual salary.

On death before retirement, a spouse's pension of 60% of the pension accrued to the date of death is payable. On death after retirement a spouse's pension of 60% of the pension in payment is payable together with a lump sum payment if death occurs within five years of retirement equal to the balance of five years of pension instalments.

An early retirement pension may be granted and no reduction is applied for early payment where the retirement is with the consent of the Company. The pension in payment will increase in line with the increase in the US Consumer Prices Index over the previous 12 months. No revaluation is applied to deferred benefits.

Other benefits – these include life assurance equal to three times basic salary; health insurance; company car or car allowance and fuel or fuel allowance. These benefits are not pensionable.

Service contracts

• UK Contracts – the standard UK service agreement has a notice period of one year for executive directors. Any compensation payment for termination would be subject to mitigation. Graham Plastow has a UK service agreement with the Company dated 6 September 2002.

• US Contracts – the standard US service agreement issued to US executive directors are subject to one year's notice from either party, with no expiry date. The exception is J W Adams, who has a notice period of six months for the first three years of employment, increasing to one year's notice thereafter. John Adams and Phillip David have US service agreements dated 15 October 2001 and 19 August 1998 respectively. In the case of dismissal other than for cause or change in control and material change in duties or responsibilities, provision is made for salary and benefits continuation for the period during which the executive is restrained from working for a competitor or soliciting other executives to enter into competition with the Company (6 months for John Adams and 18 months for Phillip David).

Change of control – executive directors are also provided with protection against a change of control. If such an event were to occur, and their position/responsibilities were to alter significantly for a period of up to two years following a change of control, they would be entitled to resign and receive compensation. This represents two and a half times basic salary and target bonus for the Chief Executive and two times basic salary and target bonus for other executive directors. Benefits would also be continued for the same period. The Committee is currently reviewing elements of this clause and it is expected that any changes would be phased in over the next 12 months.

Audited information

1 Directors' emoluments and share interests

The full year emoluments of the directors of the Company for the year ended 30 June 2004, together with the interests in ordinary shares of the Company at 30 June 2004 of the directors and their families, all being beneficial, are disclosed below. There were no changes in the directors' interests after the year end and the date of this report.

	Basic salary or fees £'000 2003	Basic salary or fees £'000 **2004**	Benefits[5] £'000 2003	Benefits[5] £'000 **2004**	Annual bonus £'000 2003	Annual bonus £'000 **2004**	Total £'000 2003	Total £'000 **2004**	30 June 2003 (or date of appointment)	**Shareholding 30 June 2004**
Chairman										
Brian Baldock	95	**97**	–	**–**	–	**–**	95	**97**	316,747	**359,878**
Executive directors										
John Adams[1]	174	**166**	12	**162**	–	**–**	186	**328**	20,000	**293,000**
Phillip David[2]	299	**295**	17	**72**	–	**–**	316	**367**	250,000	**700,000**
Graham Plastow[3]	–	**140**	–	**8**	–	**38**	–	**186**	95,986	**95,986**
Non-executive directors										
Iain Ferguson	29	**30**	–	**–**	–	**–**	29	**30**	13,457	**48,553**
John Harvey	29	**30**	–	**–**	–	**–**	29	**30**	175,332	**190,428**
James Meister	28	**28**	–	**–**	–	**–**	28	**28**	125,332	**170,428**
Former executive directors										
James Anderson[4]	164	**10**	13	**1**	–	**–**	177	**11**	n/a	**n/a**
Gregg BeVier[4]	199	**15**	10	**1**	–	**–**	209	**16**	n/a	**n/a**
Total	1,017	**811**	52	**244**	–	**38**	1,069	**1,093**	996,854	**1,858,273**

1) John Adams' benefits of £161,914 included £151,190 of costs associated with his relocation from USA to UK. His relocation package included a one-off disturbance allowance of £28,439 and fees connected with the sale of his US property of £94,676.
2) The highest paid director during the year was Phillip David. His benefits of £72,108 included £59,201 of costs associated with his relocation from USA to UK. His relocation package included a one-off disturbance allowance of £172,168, of which £53,991 was paid in the 2004 financial year and the balance is payable in monthly instalments over the next six years from July 2004.
3) Graham Plastow was appointed an executive director on 24 July 2003 – his emoluments for the 2004 financial year reflect a part-year service of approximately 11 months. He received a bonus of £37,928 in recognition of his appointment to the Board.
4) James Anderson and Gregg BeVier both retired from the Board on 24 July 2003 following a restructuring of the composition of the Board. They did not receive any compensation for that change.
5) Benefits which each executive director receives include life assurance equal to three times basic salary; health insurance; company car or car allowance and fuel or fuel allowance. These benefits are not pensionable.

2 Directors' pension information

The Directors' Remuneration Report Regulations 2002 require disclosure of defined benefit pension arrangements on a different basis to that specified in the Listing Rules. Details of pension benefits earned by executive directors during the 2004 financial year are shown below on both bases.

	Required under Listing Rules					Required under Directors' Remuneration Report Regulations				
	Accrued entitlement at 30 June 2003 (or date of joining if later) £'000	Additional pension earned in the year £'000	Additional pension earned in the year in excess of inflation £'000	Transfer value of additional pension earned in the year in excess of inflation (net of director's contribution) £'000	**Accrued entitlement at 30 June 2004 £'000**	Transfer value of pension at 30 June 2003 £'000	**Transfer value of pension at 30 June 2004 £'000**	Increase in transfer value (less director's contribution) £'000	Pension contribution 2003 £'000	**Pension contribution 2004 £'000**
John Adams	n/a	n/a	n/a	n/a	**n/a**	n/a	**n/a**	n/a	8	**6**
James Anderson	n/a	n/a	n/a	n/a	**n/a**	n/a	**n/a**	n/a	8	**–**
Gregg BeVier	n/a	n/a	n/a	n/a	**n/a**	n/a	**n/a**	n/a	10	**–**
Phillip David[1]	99	14	11	104	**113**	1,019	**1,082**	63	16	**6**
Graham Plastow[2]	43	9	8	66	**52**	342	**475**	126	n/a	**19**

1) Phillip David remains eligible for a deferred UK pension benefit from his previous membership of the Dalgety Pension Fund. The amount of this deferred benefit of £18,442 per annum at 30 June 2004 which is due to come into payment on his 60th birthday in 2012. In addition, he also participates in an unfunded arrangement. In this arrangement, his accrued unapproved pension at 30 June 2004 amounts to £94,932 per annum also payable in 2012. As noted previously, his unapproved arrangements were amended with effect from 1 January 2004.
2) Graham Plastow became a director on 24 July 2003.

The accrued pension entitlement is the amount that the director would receive if he left service with a deferred pension at the end of the year. The Listing Rules require the increase in the accrued pension in excess of inflation, and the transfer value of the increase in the accrued pension in excess of inflation and net of director's contributions to be disclosed.

The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the fund's liability in respect of the directors' pension benefits. They do not represent sums payable to the individual directors.

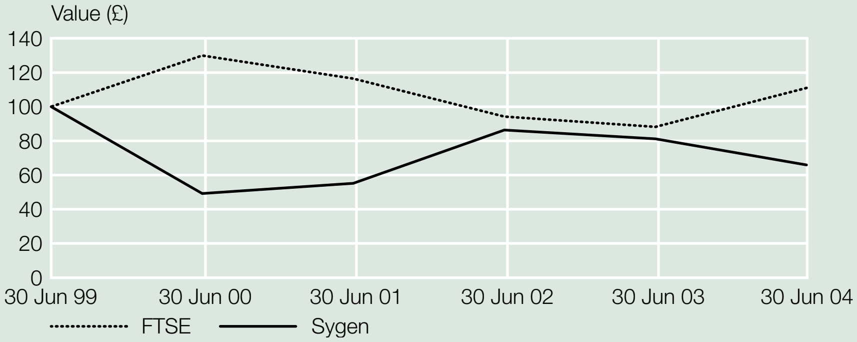
3 Long term incentive plan
Details of shares that have been conditionally awarded and held by executive directors are shown in the table below.

	Year of Award	Market value of shares on Award £	At 30 June 2003	Year of vesting	Shares released on vesting	Market value of shares on vesting £	**At 30 June 2004**
John Adams	2000	143,750	500,000	2003	486,000	204,120	**–**
Phillip David	2000	266,667	927,537	2003	901,566	378,658	**–**
Graham Plastow	2000	24,500	85,217	2003	82,831	34,789	**–**

For the 2003 financial year, the performance target for shares awarded in 2000 had been achieved and vested on 30 June 2003 – the Company's performance was at the 74th percentile, equivalent to a vesting of 97.2% of shares awarded, and those shares were released to the executive directors on 9 July 2003.

The graph below shows a comparison of the total shareholder return for the Company's shares for each of the last five years against the same return for the companies comprised within the FTSE Small Cap Index, which is considered appropriate as it is a broad equity market index of which the Company is a constituent. It shows the value, by 30 June 2004, of £100 invested in Sygen International on 30 June 1999 compared with the value of £100 invested in the FTSE Small Cap Index. The other points plotted are the values at intervening financial year-ends.

Total shareholder return Source: Thomson Financial



4 Share option plan
Details of options held by executive directors are shown in the table below:

	Year of Grant	At 30 June 2003	Granted	Exercised/ lapsed	**At 30 June 2004**	Exercise price (pence)	Exercise period
John Adams	2003	–	200,802	–	**200,802**	55.00	2006-2013
	2003	301,447	–	–	**301,447**	38.25	2006-2013
	2002	412,447	–	–	**412,447**	63.50	2005-2012
		713,894	200,802	–	**914,696**		
Phillip David	2003	–	213,220		**213,220**	55.00	2006-2013
	1999	121,212	–	–	**121,212**	100.00	2002-2009
	1998	245,660	–	–	**245,660**	145.92	2001-2008
	1997	119,834	–	–	**119,834**	143.53	2000-2007
	1996	9,670	–	–	**9,670**	186.10	1999-2006
	1995	115,268	–	–	**115,268**	173.50	1998-2005
		611,644	213,220	–	**824,864**		
Graham Plastow	2003	–	109,090	–	**109,090**	55.00	2006-2013
	2001	27,027	–	–	**27,027**	37.00	2004-2011
	2000	103,514	–	–	**103,514**	40.00	2003-2010
	1999	202,898	–	–	**202,898**	69.00	2002-2009
	1998	23,025	–	–	**23,025**	145.92	2001-2008
	1997	20,899	–	–	**20,899**	143.53	2000-2007
		377,363	109,090	–	**486,453**		

Options held by executive directors are exercisable at prices ranging between 37.00 pence and 186.10 pence per share between now and 2013. The middle market price of the Company's ordinary shares at the end of the 2004 financial year was 37.75 pence, and the range of the middle market prices during the 2004 financial year was between 37.75 pence and 58.00 pence.

On behalf of the Board

J W Meister
Chairman – Remuneration Committee
8 September 2004

Independent auditors' report to members of Sygen International plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code issued in June 1998 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

• the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2004 and of the profit and cash flows of the group for the year then ended;
• the financial statements have been properly prepared in accordance with the Companies Act 1985, and
• those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
8 September 2004

Group profit and loss account for the year ended 30 June 2004

	Note	2004 Operations before exceptional items £m	2004 Exceptional items £m	2004 Total £m	2003 Operations before exceptional items £m	2003 Exceptional items £m	2003 Total £m
Turnover							
Continuing operations		**134.9**	**–**	**134.9**	140.3	–	140.3
Acquisitions	21	**3.2**	**–**	**3.2**	2.9	–	2.9
Group and share of joint ventures		**138.1**	**–**	**138.1**	143.2	–	143.2
Less share of joint ventures - continuing operations		**(8.7)**	**–**	**(8.7)**	(10.5)	–	(10.5)
Group turnover		**129.4**	**–**	**129.4**	132.7	–	132.7
Group operating profit before exceptional items		**4.9**		**4.9**	4.7		4.7
Exceptional items consisting of:	3						
– Restructuring		**–**	**(2.0)**	**(2.0)**	–	–	–
– Reimbursement by insurers for livestock lost		**–**	**–**	**–**	–	0.5	0.5
– Lost profits reimbursed from insurers		**–**	**–**	**–**	–	4.1	4.1
Continuing operations		**4.7**	**(2.0)**	**2.7**	4.0	4.6	8.6
Acquisitions	21	**0.2**	**–**	**0.2**	0.7	–	0.7
Group operating profit	4	**4.9**	**(2.0)**	**2.9**	4.7	4.6	9.3
Share of operating profit of joint ventures – continuing operations		**0.9**	**–**	**0.9**	0.3	–	0.3
Total operating profit: Group and share of joint ventures		**5.8**	**(2.0)**	**3.8**	5.0	4.6	9.6
Insurance gain on the disposal of fixed assets – continuing operations	3	**–**	**–**	**–**	–	0.5	0.5
Fundamental restructuring – discontinued operations	3	**–**	**2.5**	**2.5**	–	(2.2)	(2.2)
Sale of business – continuing operations	3	**–**	**–**	**–**	–	(1.3)	(1.3)
Net interest (payable)/receivable	5	**0.2**	**(0.5)**	**(0.3)**	0.4	0.1	0.5
Profit on ordinary activities before tax		**6.0**	**–**	**6.0**	5.4	1.7	7.1
Tax on profit on ordinary activities	6	**(1.8)**	**4.3**	**2.5**	2.1	2.1	4.2
Profit for the financial year		**4.2**	**4.3**	**8.5**	7.5	3.8	11.3
Dividends	7			**(1.9)**			(1.6)
Retained profit for the financial year				**6.6**			9.7
Dividend per share				**0.65p**			0.55p
Earnings per share	8						
Basic earnings per 10p ordinary share				**2.9p**			3.9p
Adjustment to eliminate effect of exceptional items				**(1.5)p**			(1.3)p
Adjusted basic earnings per 10p ordinary share				**1.4p**			2.6p
Diluted earnings per 10p ordinary share				**2.9p**			3.9p

The notes on pages 24 to 36 form part of these accounts.

Group statement of total recognised gains and losses for the year ended 30 June 2004

	2004 £m	2003 £m
Profit for the financial year	**8.5**	11.3
Currency translation differences on foreign currency net investments	**(5.7)**	(2.3)
Total gains recognised for the year	**2.8**	9.0

Group reconciliation of movement in equity shareholders' funds for the year ended 30 June 2004

	2004 £m	2003 £m
Profit for the financial year	**8.5**	11.3
Dividends	**(1.9)**	(1.6)
Retained profit for the financial year	**6.6**	9.7
Shares issued	**0.4**	–
Currency translation differences on foreign currency net investments	**(5.7)**	(2.3)
Net increase in equity shareholders' funds	**1.3**	7.4
Equity shareholders' funds at 1 July	**48.9**	41.5
Equity shareholders' funds at 30 June	**50.2**	48.9

The notes on pages 24 to 36 form part of these accounts.

Balance sheets at 30 June 2004

		Group				Company			
			2004		2003		**2004**		2003
	Note		**£m**		£m		**£m**		£m
Fixed assets									
Intangible assets	10		**8.6**		3.5		**–**		–
Tangible assets	11		**28.7**		28.0		**–**		–
Investments	12								
Joint ventures									
Share of gross assets		**2.1**		1.9		**–**		–	
Share of gross liabilities		**(0.3)**		(0.4)		**–**		–	
		1.8		1.5		**–**		–	
Other		**1.1**		1.6		**879.8**		879.8	
			2.9		3.1		**879.8**		879.8
			40.2		34.6		**879.8**		879.8
Current assets									
Stocks	13		**7.0**		7.0		**–**		–
Debtors	14		**19.5**		25.8		**31.9**		55.9
Cash at bank and in hand			**17.8**		23.6		**1.7**		4.8
			44.3		56.4		**33.6**		60.7
Creditors									
– amounts falling due within one year									
Other	16	**(22.8)**		(26.6)		**(710.0)**		(738.6)	
			(22.8)		(26.6)		**(710.0)**		(738.6)
Net current assets/(liabilities)			**21.5**		29.8		**(676.4)**		(677.9)
Total assets less current liabilities			**61.7**		64.4		**203.4**		201.9
Creditors									
– amounts falling due after more than one year									
Borrowings	15	**(0.2)**		–		**–**		–	
			(0.2)		–		**–**		–
Provisions for liabilities and charges	17		**(11.3)**		(15.5)		**–**		–
Net assets			**50.2**		48.9		**203.4**		201.9
Capital and reserves									
Called up share capital	18		**29.5**		29.4		**29.5**		29.4
Share premium account	19		**2.2**		1.9		**2.2**		1.9
Revaluation reserve	19		**0.7**		0.7		**–**		–
Other reserves	19		**(287.8)**		(287.8)		**170.6**		170.6
Profit and loss account	19		**305.6**		304.7		**1.1**		–
Equity shareholders' funds			**50.2**		48.9		**203.4**		201.9

The notes on pages 24 to 36 form part of these accounts.

The financial statements on pages 20 to 36 were approved by the Board on 8 September 2004 and signed on its behalf by:

P J David
J W Adams

Group cash flow statement for the year ended 30 June 2004

	Note	2004 £m	2003 £m
Net cash inflow from operating activities	20	**11.4**	2.4
Dividends received from joint ventures		**0.5**	0.3
Returns on investments and servicing of finance			
Interest received		**0.2**	0.5
Interest paid		**(0.1)**	(0.5)
Net cash inflow from returns on investment and servicing of finance		**0.1**	–
Taxation		**(0.7)**	0.6
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(6.8)**	(5.1)
Sale of tangible fixed assets		**1.7**	1.0
Net cash outflow from capital expenditure and financial investment		**(5.1)**	(4.1)
Acquisitions			
Acquisition of subsidiary and business assets	21	**(9.2)**	(3.2)
Net cash outflow from acquisitions		**(9.2)**	(3.2)
Equity dividends paid		**(1.6)**	(1.4)
Net cash outlow before use of liquid resources and financing		**(4.6)**	(5.4)
Management of liquid resources			
Net maturity of short term deposits and investments	23	**6.4**	9.2
Net cash inflow from management of liquid resources		**6.4**	9.2
Financing			
Increase/(repayment) in borrowings	23	**0.2**	(6.3)
Net cash inflow/(outflow) from financing		**0.2**	(6.3)
Increase/(decrease) in cash in the year	23	**2.0**	(2.5)

The notes on pages 24 to 36 form part of these accounts.

Notes to the financial statements

1 Accounting policies
A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

a) Basis of preparation
The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets, in accordance with the Companies Act 1985 and applicable accounting standards.

The consolidated financial statements include the Company and all its subsidiaries together with the Group's share of the profits and retained post acquisition reserves of joint ventures, which have been accounted for under the gross equity method.

b) Use of estimates
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from estimates.

c) Turnover
Turnover comprises the invoiced value of sales and royalties receivable from customers. Turnover is net of trade discounts and value added tax. Turnover is recognised in the financial statements on despatch of goods or on performance of services or contractual obligations.

d) Tangible fixed assets
Tangible fixed assets are recorded at their purchase price, together with any incidental expenses of acquisition or at their latest valuation. Tangible fixed assets other than freehold land are depreciated on a straight-line basis to their residual value over their estimated useful economic lives. Freehold buildings are depreciated at rates between 2% and 10% depending on the expected life of the building. Improvements to leasehold property are amortised over the length of each lease or its useful life, if shorter. Plant and equipment are depreciated over periods which range from 4 to 20 years. Breeding stock used for internal breeding purposes is depreciated over 1 to 2 years. Impairments in the value of tangible fixed assets are charged in the profit and loss account.

e) Breeding stock
Breeding animals in genetic nucleus, daughter nucleus and production nucleus herds that are classified as Maiden Gilts, In-Pig or Empty Sows and Stock Boars are held for breeding purposes on the Group's pig breeding farms. The cost of breeding stock includes direct production costs and an apportionment of production related overheads. These breeding animals are classified as fixed assets and are depreciated over their estimated useful lives.

f) Deferred tax
Deferred tax 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 the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is not provided on earnings retained overseas unless there is an intention to remit dividends.

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

g) Stocks
Stocks (excluding breeding animals included in fixed assets) are valued at the lower of cost or net realisable value.

h) Goodwill
Goodwill on acquisitions arising prior to 1 July 1998, including the acquisition of interests in associated undertakings, has been eliminated against other reserves. Goodwill that has been eliminated against reserves is reinstated on disposal and charged against the profit and loss account. Goodwill on acquisitions arising after 1 July 1998 is capitalised and amortised over the directors' estimate of its remaining useful life on a straight-line basis.

i) Foreign currencies
The results of overseas subsidiaries are translated into sterling at average exchange rates for the financial year and assets and liabilities are translated using rates of exchange at the balance sheet date. Exchange differences which arise on translation are dealt with through reserves.

Differences arising on the translation of foreign currency borrowings which hedge Group equity investments in foreign enterprises are taken directly to reserves to the extent of corresponding exchange differences on translation of the related net investment. The tax on those exchange differences which are taken directly to reserves is also recorded as a direct movement on reserves.

Exchange differences which arise on the settlement of other transactions and on the translation of other monetary assets and liabilities are dealt with in the profit and loss account.

The sterling exchange rates used for the main currencies in the Group are:

	2004		2003	
	Average	**Year end**	Average	Year end
US Dollar	**1.74**	**1.81**	1.59	1.65
Canadian Dollar	**2.34**	**2.43**	2.39	2.22
Mexican Peso	**19.31**	**20.85**	16.41	17.19
Euro	**1.46**	**1.5**	1.52	1.44

j) Financial instruments
Information about the management of financial instruments and their impact on the Group's risk profile, performance and financial condition is included in Note 15.

The Group limits its exposure to movements in foreign exchange rates on a selective basis by entering into forward exchange contracts. No gain or loss is recognised on forward exchange contracts held to maturity. Upon termination of a contract prior to maturity, any resulting gain or loss will be taken to the profit and loss account.

Financial instruments that do not qualify as hedges during the period are marked to market and any gains or losses arising are recognised as other income or expense.

k) Research and development expenditure
Costs in respect of research and development expenditure are expensed as incurred.

l) Pensions
Contributions to the defined benefit pension schemes in respect of current and past services, ex-gratia pensions, and cost of living adjustments to existing pensions are based on the advice of actuaries. Contributions are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the employees' working lives with the Group. Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

m) Leases
Costs in respect of operating lease rentals are expensed as incurred.

n) Grants
Regional development grants and other investment grants are taken to deferred income and are released to the profit and loss account in appropriate instalments relating to the type and nature of expenditure they are intended to fund.

2 Segmental reporting

Turnover, operating profit before exceptionals, operating profit and net assets are analysed in the following tables:

	Pig breeding				Shrimp breeding				
	Americas £m	Europe £m	Asia £m	Total £m	Americas £m	Asia £m	Total £m	**2004 Total**	2003 Total
Turnover 2004									
Group and share of joint ventures	71.9	54.0	6.5	132.4	5.6	0.1	5.7	**138.1**	143.2
Less: share of joint ventures	(3.1)	(4.9)	(0.7)	(8.7)	–	–	–	**(8.7)**	(10.5)
Group turnover	68.8	49.1	5.8	123.7	5.6	0.1	5.7	**129.4**	132.7
Turnover 2003									
Group and share of joint ventures	79.6	56.2	4.5	140.3	2.9	–	2.9		143.2
Less: share of joint ventures	(3.2)	(7.3)	–	(10.5)	–	–	–		(10.5)
Group turnover	76.4	48.9	4.5	129.8	2.9	–	2.9		132.7
Total operating profit/(loss): Group and share of joint ventures 2004									
Group	13.9	(0.5)	0.5	13.9	0.5	(0.3)	0.2	**14.1**	16.0
Corporate costs	(3.3)	(2.9)	(1.4)	(7.6)	(1.5)	(0.1)	(1.6)	**(9.2)**	(11.3)
Group operating profit/(loss) before exceptionals	10.6	(3.4)	(0.9)	6.3	(1.0)	(0.4)	(1.4)	**4.9**	4.7
Exceptional item – restructuring	(2.0)	–	–	(2.0)	–	–	–	**(2.0)**	–
Exceptional item – reimbursement by insurers for livestock lost	–	–	–	–	–	–	–	**–**	0.5
Exceptional item – lost profits reimbursed from insurers	–	–	–	–	–	–	–	**–**	4.1
Group operating profit/(loss)	8.6	(3.4)	(0.9)	4.3	(1.0)	(0.4)	(1.4)	**2.9**	9.3
Share of operating profit of joint ventures	0.6	0.1	0.2	0.9	–	–	–	**0.9**	0.3
Total operating profit/(loss): Group and share of joint ventures	9.2	(3.3)	(0.7)	5.2	(1.0)	(0.4)	(1.4)	**3.8**	9.6
Total operating profit/(loss): Group and share of joint ventures 2003									
Group	15.2	(0.4)	0.5	15.3	0.7	–	0.7		16.0
Corporate costs	(4.8)	(4.1)	(1.6)	(10.5)	(0.8)	–	(0.8)		(11.3)
Group operating profit/(loss)	10.4	(4.5)	(1.1)	4.8	(0.1)	–	(0.1)		4.7
Exceptional item – reimbursement by insurers for livestock lost	0.5	–	–	0.5	–	–	–		0.5
Exceptional item – lost profits reimbursed from insurers	4.1	–	–	4.1	–	–	–		4.1
Group operating profit/(loss)	15.0	(4.5)	(1.1)	9.4	(0.1)	–	(0.1)		9.3
Share of operating profit of joint ventures	0.2	0.1	–	0.3	–	–	–		0.3
Total operating profit/(loss): Group and share of joint ventures	15.2	(4.4)	(1.1)	9.7	(0.1)	–	(0.1)		9.6
Net assets									
Operations	32.3	0.3	2.3	34.9	12.1	0.9	13.0	**47.9**	46.8
Corporate	(1.5)	(1.3)	(0.6)	(3.4)	(0.7)	(0.1)	(0.8)	**(4.2)**	(6.0)
	30.8	(1.0)	1.7	31.5	11.4	0.8	12.2	**43.7**	40.8
2003	40.7	(3.9)	1.7	38.5	2.3	–	2.3		40.8
Net cash								**17.8**	23.6
Provisions for liabilities and charges								**(11.3)**	(15.5)
Net assets								**50.2**	48.9
Total									
– Group								**48.4**	47.4
– Joint ventures								**1.8**	1.5

a) For the year ended 30 June 2004, the Americas region of the shrimp breeding division included £1.8m of turnover and £0.5m of operating profit before corporate costs relating to Aquatec in Brazil which was acquired in October 2003 (Note 21).

b) For the year ended 30 June 2004, the Americas region of the shrimp breeding division included £1.7m of net assets, before net cash and provisions for liabilities and charges and corporate allocations, relating to Aquatec in Brazil which was acquired in October 2003 (Note 21).

c) For the year ended 30 June 2004, the Americas region of the pig breeding division included £1.4m of turnover and £(0.3)m of operating loss before corporate costs relating to Cotswold Swine Genetics of North America which was acquired in September 2003 (Note 21).

d) For the year ended 30 June 2004, the Americas region of the pig breeding division included £0.6m of net assets, before net cash and provisions for liabilities and charges and corporate allocations, relating to Cotswold Swine Genetics of North America which was acquired in September 2003 (Note 21).

e) Provisions for liabilities and charges included £2.0m (£2.4m) for the Americas region of the pig breeding division and £nil (£0.1m) for the European region of the pig breeding division. The remaining provisions relate to residual liabilities from the Dalgety PLC ("Dalgety") restructuring in 1998.

f) Geographical turnover is shown by origin. It would not be materially different if based on the geographical region in which the customer is located.

g) Turnover between segments is immaterial.

3 Exceptional items

	2004 Total £m	2003 Total £m
Operating exceptional items:		
Restructuring	**(2.0)**	-
Reimbursement by insurers for lost livestock and profits	**-**	4.6
Total operating exceptional items	**(2.0)**	4.6
Non-operating exceptional items:		
Fundamental restructuring	**2.5**	(2.2)
Insurance gain on the disposal of fixed assets	**-**	0.5
Sale of business	**-**	(1.3)
Total non-operating exceptional items	**2.5**	(3.0)
Exceptional profit before interest and tax	**0.5**	1.6

a) Restructuring
The restructuring charge of £2.0m (2003: £nil) relates to the relocation of the Group's head office from the United States of America (USA) to the United Kingdom (UK) and to the relocation of Sygen's laboratory and SyAqua's research facility from California, USA to Kentucky, USA. The tax credit attributable to the restructuring charge is £0.7m.

b) Fundamental restructuring
The fundamental restructuring credit of £2.5m represents a release of surplus property provisions mainly due to upward adjustments in rents receivable from sub-lessees. The tax charge attributable to the fundamental restructuring credit is £nil.

The fundamental restructuring charge of £2.2m in 2003 represented increases in the provisions recorded in the 1998 fundamental restructuring of the Dalgety business. Of the £2.2m charge, £1.0m and £1.2m represented increases in the provisions for unfunded pensions and medical benefits, respectively, for former Dalgety executives of businesses in prior years. The tax benefit attributable to the fundamental restructuring charge was £0.8m.

c) Insurance claim
In 2003, a pig farm in Kentucky, USA, owned by the Group was damaged by a fire. A claim was submitted under one of the Group's insurance policies and the insurers agreed to pay Sygen £5.7m in respect of this fire. At 30 June 2003, the Group had received £0.4m of these proceeds. The remaining £5.3m was received in the year ended 30 June 2004. The insurance proceeds of £5.7m consisted of £0.7m for tangible fixed assets, £0.9m for stocks and £4.1m for loss of profits. After deducting the book value of livestock lost in the fire, an exceptional profit of £0.5m was recognised in operating profit as reimbursement by insurers for livestock lost. In addition, an exceptional profit of £4.1m was recognised in operating profit as reimbursement by insurers for loss of profits.

After deducting the book value of fixed assets damaged by the fire, a profit on disposal of fixed assets of £0.5m was recognised. The tax charge attributable to this item was £0.2m.

d) Sale of business
In 2003, a charge of £1.3m was recorded relating to the sale of businesses in prior years. The tax benefit attributable to the sale of business was £0.5m.

4 Group operating profit

	Continuing operations £m	Acquisitions £m	2004 Total £m	2003 Total £m
Turnover	126.2	3.2	**129.4**	132.7
Charges				
Change in stocks of work in progress	–	–	**–**	(0.5)
Raw materials and consumables	53.5	0.6	**54.1**	56.8
Other external charges	32.2	1.3	**33.5**	33.3
Staff costs (Note 9b)	28.9	0.7	**29.6**	30.5
Depreciation and amortisation	6.0	0.3	**6.3**	6.1
Hire of plant and machinery	1.3	–	**1.3**	0.8
Other operating lease rentals	1.8	0.1	**1.9**	2.1
Total charges	123.7	3.0	**126.7**	129.1
Other operating income	2.2	–	**2.2**	1.1
Group operating profit before exceptional items	4.7	0.2	**4.9**	4.7
Exceptional items:				
– Restructuring	(2.0)	–	**(2.0)**	–
– Reimbursement by insurers for livestock lost	–	–	**–**	0.5
– Lost profits reimbursed from insurers	–	–	**–**	4.1
Total exceptional items	(2.0)	–	**(2.0)**	4.6
Group operating profit	2.7	0.2	**2.9**	9.3

a) Services provided by the Group's auditor and network firms
During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs as detailed below:

	2004 £m	2003 £m
Audit services		
– statutory audit	**0.3**	0.3
– audit-regulated regulatory reporting	**0.1**	0.1
Further assurance services	**0.1**	0.1
Tax services		
– compliance services	**0.1**	0.1
– advisory services	**0.1**	0.3
	0.7	0.9

Included in the analysis above are Group audit fees and expenses paid to the Group's auditors of £0.4m (£0.4m), of which £0.1m (£0.1m) was paid in respect of the parent company.

b) Research and development expenditure
Research and development expenditure amounted to £7.2m (£7.7m).

5 Interest

	Continuing operations £m	Exceptional items £m	2004 £m	2003 £m
Interest payable and similar charges:				
– On bank loans and overdrafts	(0.1)	–	**(0.1)**	(0.1)
– Unwinding of discount on surplus property and pension provisions	–	(0.5)	**(0.5)**	(0.3)
Interest receivable and similar income:				
– On banks	0.3	–	**0.3**	0.5
– Other	–	–	**–**	0.4
Net interest receivable	0.2	(0.5)	**(0.3)**	0.5

5 Interest continued

Exceptional interest payable of £0.5m (£0.3m) relates to the unwinding of discount on surplus property and pension provisions. Net interest receivable for the year ended 30 June 2003 includes exceptional interest receivable of £0.4m, relating to an interest accrual on taxes following resolution of a tax matter relating to the disposal of a Dalgety business (except the breeding stock business) in 1998.

6 Tax

a) Analysis of charge in the period

	Continuing operations £m	Exceptional items £m	**2004 £m**	2003 £m
Current taxation:				
UK corporation tax at 30% (30%):				
– Current tax on income for the period	–	–	**–**	–
– Adjustments in respect of prior periods	–	(0.2)	**(0.2)**	(6.2)
	–	(0.2)	**(0.2)**	(6.2)
US corporation tax at 40% (40%):				
– Current tax on income for the period	1.3	(0.7)	**0.6**	0.4
– Adjustments in respect of prior periods	–	–	**–**	(1.4)
Other overseas tax:				
– Current tax on income for the period	0.9	–	**0.9**	0.6
– Adjustments in respect of prior periods	–	(3.2)	**(3.2)**	–
	2.2	(4.1)	**(1.9)**	(6.6)
Deferred tax:				
– Current year	0.7	(0.2)	**0.5**	1.2
– Adjustments in respect of prior periods	(1.1)	–	**(1.1)**	1.2
	(0.4)	(0.2)	**(0.6)**	2.4
	1.8	(4.3)	**(2.5)**	(4.2)

The continuing operations effective tax rate, which excludes adjustments in respect of prior periods, for the year ended 30 June 2004 is 30% (33%). The tax charge for the year before exceptional items and prior period adjustments was £2.9m (£1.8m). This represents mainly tax on profits earned in the Americas region with no benefit taken in respect of losses in other regions. Future results will benefit from these tax losses once the other regions become profitable.

The prior period exceptional credit of £3.4m (£2.5m) reflects the release of tax provisions where actual settlements were better than anticipated at last year end mainly due to the disposal of all of Dalgety's businesses except the pig breeding business in 1998. The current exceptional credit of £0.7m (£nil) represents the tax credit due to the restructuring of the US business during 2004. The deferred exceptional credit/(charge) of £0.2m (£(0.4m)) is due to the release of the provision arising on the exceptional gain on an insurance claim in 2003.

b) Factors affecting tax charge for the period

	Continuing operations £m	Exceptional items £m	**2004 £m**	2003 £m
Profit on ordinary activities before tax	6.0	–	**6.0**	7.1
Taxation at the standard UK corporation tax rate of 30% (30%)	1.8	–	**1.8**	2.1
Effects of:				
– Restructuring	–	(0.7)	**(0.7)**	–
– Permanent differences	0.1	–	**0.1**	0.3
– Temporary differences	1.2	–	**1.2**	2.9
– Capital allowances for period in excess of depreciation	–	–	**–**	(0.2)
– Other short term timing differences	(1.2)	–	**(1.2)**	(2.5)
– Utilisation of tax losses	–	–	**–**	(1.9)
– Higher tax rates on overseas earnings	0.3	–	**0.3**	0.3
– Adjustments in respect of prior periods	–	(3.4)	**(3.4)**	(7.6)
Total current taxation	2.2	(4.1)	**(1.9)**	(6.6)

c) Deferred tax asset (provision)

	2004 £m	2003 £m
Pensions	**2.1**	2.2
Short term timing differences	**–**	0.6
Repatriation	**(1.3)**	(2.2)
Accelerated tax depreciation	**(0.7)**	(0.7)
	0.1	(0.1)

The Group has provided a deferred tax asset of £2.1m (£2.2m) related to pensions and £nil (£0.6m) for expenses related to provisions which are not currently deductible for tax purposes for the year ended 30 June 2004. The Group has recorded a deferred tax provision of £1.3m (£2.2m) for anticipated repatriation of non-UK earnings and £0.7m (£0.7m) for accelerated tax depreciation. The Group has not recognised a deferred tax asset of £6.0m (£7.0m) for losses carried forward, until such time as those operating units return to profitability and the income tax benefit may be realised.

7 Dividends

	2004 £m	2003 £m
Equity – ordinary shares		
Final proposed: 0.65p per 10p share		
(0.55p per 10p share)	**1.9**	1.6

8 Earnings per share

Earnings per share has been calculated in accordance with FRS 14 'Earnings Per Share'. Adjusted earnings per share is calculated for the purpose of providing a measure of underlying performance of the Group's operations and are based on earnings before exceptional items. The data used in the calculations is as follows:

	2004 £m	2003 £m
Earnings – basic and diluted	**8.5**	11.3
Earnings – exceptional items	**(4.3)**	(3.8)
Earnings – adjusted to eliminate exceptional items	**4.2**	7.5

	2004 million	2003 million
Weighted average number of shares in issue	**295.2**	293.8
Adjustment – weighted average number of shares owned by the Employee Benefit Trust	**–**	(1.7)
Weighted average number of shares in issue – basic	**295.2**	292.1
Dilutive options	**0.6**	0.2
Weighted average number of shares in issue – diluted	**295.8**	292.3

9 Directors and employees

Directors' emoluments	2004 £'000	2003 £'000
Salaries	**626**	836
Fees	**185**	181
Benefits in kind	**244**	52
Bonuses	**38**	–
	1,093	1,069
Pension contributions	**31**	42
	1,118	1,111

Further details of directors' emoluments are given in the Remuneration Report on pages 15 to 18 which forms part of these financial statements.

Employees

(a) Average weekly number of persons employed during the year:

	2004 Number	2003 Number
Americas	**656**	581
Europe	**397**	419
Asia	**208**	166
	1,261	1,166

(b) Staff costs – all employees:

	Continuing operations £m	Acquisition £m	2004 Total £m	2003 £m
Wages and salaries	25.5	0.6	**26.1**	27.2
Social security costs	2.4	0.1	**2.5**	2.4
Other pension costs	1.0	–	**1.0**	0.9
			29.6	30.5

10 Intangible fixed assets

Group	Goodwill £m
Cost at 30 June 2003	4.1
Additions	6.9
Exchange Rate Variation	(1.1)
At 30 June 2004	**9.9**
Amortisation at 30 June 2003	0.6
Charge for the year	0.7
At 30 June 2004	**1.3**
Net book value	
At 30 June 2004	**8.6**
At 30 June 2003	3.5

Goodwill additions for the year ended 30 June 2004 relate to the acquisitions of Cotswold Swine Genetics of North America in September 2003 and of Aquatec in Brazil in October 2003 (see Note 21). Goodwill arising from the acquisitions is being amortised on a straight-line basis over the directors' estimate of the useful economic life of 15 years.

11 Tangible fixed assets

Group	Land and buildings £m	Plant and equipment £m	Breeding stock £m	**Total £m**
Cost or valuation at 30 June 2003	30.4	21.8	3.2	**55.4**
Additions	2.3	1.2	3.3	**6.8**
Acquisition	1.5	0.8	–	**2.3**
Disposals	(0.5)	(0.7)	(2.9)	**(4.1)**
Exchange rate variation	(2.2)	(1.3)	(0.3)	**(3.8)**
At 30 June 2004	31.5	21.8	3.3	**56.6**
Depreciation at 30 June 2003	9.4	16.5	1.5	**27.4**
Charge for the year	1.0	2.2	2.4	**5.6**
Disposals	(0.3)	(0.6)	(2.5)	**(3.4)**
Exchange rate variation	(0.6)	(1.0)	(0.1)	**(1.7)**
At 30 June 2004	9.5	17.1	1.3	**27.9**
Net book value				
At 30 June 2004	22.0	4.7	2.0	**28.7**
At 30 June 2003	21.0	5.3	1.7	28.0

a) Analysis of cost or valuation:

	Land and buildings £m	Plant and equipment £m	Breeding stock £m	**2004 Total £m**	2003 Total £m
1996 valuation	5.9	–	–	**5.9**	5.9
Cost	25.6	21.8	3.3	**50.7**	49.5
At 30 June 2004	31.5	21.8	3.3	**56.6**	55.4

The land and buildings were valued in 1996, at existing use value with certain special purpose buildings valued on the basis of depreciated cost.

In June 2000, the Group followed the transitional provisions in FRS 15, Tangible Fixed Assets, and retained the book value of land and buildings, certain of which were revalued in 1996, without updating the valuations.

b) Historical cost of assets shown in (a):

	Land and buildings £m
Cost	**30.8**
Depreciation	**(9.1)**
Historical cost net book value at 30 June 2004	**21.7**
30 June 2003	20.7

c) Depreciation provided in the year on the revaluation surplus element of the book value of the fixed assets was £nil (£nil).

d) Analysis of land and buildings:

	Freehold £m	Long lease £m	Short lease £m	**Total £m**
Gross book value	30.7	0.8	–	**31.5**
Depreciation	(9.3)	(0.2)	–	**(9.5)**
Net book value at 30 June 2004	**21.4**	**0.6**	**–**	**22.0**
30 June 2003	20.3	0.2	0.5	21.0

12 Fixed asset investments

Group	Interest in own shares (note a) £m	Interest in joint ventures (note b) £m	Other investments (note c) £m	**Total £m**
Cost				
At 30 June 2003	2.5	1.5	2.1	**6.1**
Share of profits retained	–	0.9		**0.9**
Dividends received	–	(0.5)	–	**(0.5)**
Exchange rate variation	–	(0.1)	–	**(0.1)**
Disposals	(2.5)	–	–	**(2.5)**
Transferred to current assets	–	–	(1.0)	**(1.0)**
At 30 June 2004	–	1.8	1.1	**2.9**
Provision				
At 30 June 2003	(2.0)	–	(1.0)	**(3.0)**
Share of profits retained	–	–	–	**–**
Disposals	2.0	–		**2.0**
Transferred to current assets	–	–	1.0	**1.0**
At 30 June 2004	–	–	–	**–**
Net book value at 30 June 2004	**–**	**1.8**	**1.1**	**2.9**
30 June 2003	0.5	1.5	1.1	3.1

a) Investment in own shares

The Dalgety Employee Benefit Trust ("EBT") was established in April 1998, to facilitate the holding of shares in the Company by, or for the benefit of, current and former employees.

The EBT was funded by an interest free loan from PIC Fyfield Limited (formerly Dalgety PLC). At 30 June 2004, the outstanding loan was £nil (£2.5m). The number of the ordinary shares of the Company held by the EBT at 30 June 2004 amounted to nil (1,668,000), and the market value was £nil (£0.8m) of which £nil (£nil) has vested in employees of the Company. In July 2003, all of the shares held in the EBT were released to executives participating in the 2000 Long Term Incentive Plan following achievement of the performance target.

b) Joint ventures

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

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

The joint ventures operate within the pig breeding division.
The Group's investment in joint ventures includes £0.3m (£0.3m) of goodwill.

c) Other investments

Other investments represent investments held by the Group in non-group companies and other long term investments.

d) Parent company

	Shares in group companies £m
Net book value at 30 June 2004	**879.8**
30 June 2003	879.8

Principal direct and indirect subsidiaries of the Company are listed in note 26.

13 Stocks

Group	2004 £m	2003 £m
Raw materials and consumables	**1.0**	0.9
Work in progress (livestock)	**6.0**	6.1
	7.0	7.0

14 Debtors

Group	2004 £m	2003 £m
Trade debtors	**13.1**	15.1
Amounts owed by joint ventures	**0.4**	–
Other debtors	**4.4**	9.0
Deferred tax recoverable – note 6	**0.1**	–
Prepayments and accrued income	**1.5**	1.7
	19.5	25.8

a) Trade debtors include amounts falling due after more than one year of £nil (£0.2m).

b) Other debtors include amounts falling due after more than one year of £0.6m (£0.1m).

c) Deferred tax recoverable includes amounts falling due after more than one year of £0.1m (£nil).

d) Parent Company debtors comprise amounts due from Group companies of £31.9m (£55.9m).

15 Borrowings and financial instruments

The disclosures set out below exclude short term debtors and creditors as permitted by FRS 13 Derivatives and Other Financial Instruments, other than the currency risk disclosures:

Interest rate risk profile

The interest rate risk profile of the Group's financial assets and liabilities, after taking into account the interest rate and currency swaps used to manage the interest and currency risk profile, is as follows:

Financial assets	Sterling £m	US Dollars £m	Euro £m	Other £m	2004 Total £m
Cash at bank and in hand	3.1	8.9	2.1	3.7	**17.8**
Debtors – over one year	–	0.6	–	–	**0.6**
Fixed asset investments	0.3	0.6	–	–	**0.9**
Total	3.4	10.1	2.1	3.7	**19.3**
At floating rates of interest	3.4	8.9	2.1	3.7	**18.1**
At fixed rates of interest	–	0.7	–	–	**0.7**
On which no interest is earned	–	0.5	–	–	**0.5**
	3.4	10.1	2.1	3.7	**19.3**

Financial assets	Sterling £m	US Dollars £m	Euro £m	Other £m	2003 Total £m
Cash at bank and in hand	5.6	12.0	3.3	2.7	23.6
Debtors – over one year	–	0.1	–	0.2	0.3
Fixed asset investments	0.3	–	–	–	0.3
Total	5.9	12.1	3.3	2.9	24.2
At floating rates of interest	5.9	12.0	3.3	2.9	24.1
At fixed rates of interest	–	0.1	–	–	0.1
	5.9	12.1	3.3	2.9	24.2

The floating rate financial assets mainly comprise cash, money market funds, commercial paper and US state and local government securities at variable market rates that mature within 90 days which are included within liquid resources.

The Group also has £0.6m (£0.3m) of non-bank financial assets in the form of a note receivable from a customer which earns interest at a fixed rate of 8%. The fixed asset investments represent preference shares of £0.3m (£0.3m) that attract interest from June 2001 at a margin above UK base rate, short term bonds of £0.1m (£nil) and equity investments of £0.5m (£nil).

Financial liabilities	Sterling £m	US Dollars £m	2004 Total £m
Borrowings	–	0.2	**0.2**
Provision for pension administration and management costs	1.0	–	**1.0**
Provisions for surplus properties	3.1	–	**3.1**
Total	4.1	0.2	**4.3**
At floating rates of interest	4.1	–	**4.1**
On which no interest is charged	–	0.2	**0.2**
	4.1	0.2	**4.3**
The maturity of the Group's financial liabilities is as follows:			
Less than one year	1.0	–	**1.0**
One to two years	0.4	–	**0.4**
Two to five years	1.1	0.1	**1.2**
Greater than five years	1.6	0.1	**1.7**
	4.1	0.2	**4.3**

15 Borrowings and financial instruments continued

Financial liabilities	Sterling £m	2003 Total £m
Provision for pension administration and management costs	1.6	1.6
Provision for surplus properties	5.7	5.7
Total	7.3	7.3
At floating rates of interest	7.3	7.3
The maturity of the Group's financial liabilities is as follows:		
Less than one year	1.6	1.6
One to two years	1.0	1.0
Two to five years	2.2	2.2
Greater than five years	2.5	2.5
	7.3	7.3

The floating rate financial liabilities comprise certain provisions due after one year.

The Group's provisions for surplus properties of £3.1m (£5.7m) and pension administration and management costs of £1.0m (£1.6m) meet the definition of financial liabilities and are considered to be floating rate financial liabilities. This is because in establishing the provisions, the cash flows have been discounted and the discount rate is re-appraised at each half yearly reporting date to ensure that it reflects current market assessments of the time value of money and the risks specific to the liability.

Exchange rate management

The table below shows the Group's currency exposures, being exposures on currency transactions that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities that are not denominated in the functional currency of the operating company involved.

	2004 Foreign currency monetary assets/(liabilities) in £m					
Functional currency	Sterling	US Dollars	Canadian Dollars	Euro	Other	**Total**
Sterling	–	(0.9)	–	(2.6)	–	**(3.5)**
US Dollar	0.1	–	(0.6)	–	0.3	**(0.2)**
Euro	(1.5)	0.1	–	–	–	**(1.4)**
Mexican Peso	(0.1)	2.3	–	–	–	**2.2**
Chilean Peso	–	1.4	–	–	–	**1.4**
Danish Krone	(0.5)	(0.1)	–	–	–	**(0.6)**
Polish Zloty	(0.8)	0.1	–	–	–	**(0.7)**
Czech Koruna	0.6	–	–	–	–	**0.6**
Other	–	–	–	–	(0.1)	**(0.1)**
Total	(2.2)	2.9	(0.6)	(2.6)	0.2	**(2.3)**

	2003 Foreign currency monetary assets/(liabilities) in £m					
Functional currency	Sterling	US Dollars	Canadian Dollars	Euro	Other	Total
Sterling	–	(0.8)	–	–	0.1	(0.7)
US Dollar	–	–	(1.5)	–	0.1	(1.4)
Mexican Peso	(0.1)	1.6	–	–	–	1.5
Chilean Peso	–	0.8	–	–	–	0.8
Danish Krone	(0.3)	–	–	–	–	(0.3)
Polish Zloty	(0.8)	–	–	–	–	(0.8)
Other	0.1	0.1	–	–	–	0.2
Total	(1.1)	1.7	(1.5)	–	0.2	(0.7)

Included within a Mexican Peso operating company are US Dollar liquid resources of £2.4m (£1.5m) and within a Chilean Peso operating company are US Dollar current accounts of £1.1m (£nil). The remaining monetary assets and liabilities are primarily due to intercompany receivables and payables.

Borrowings

Group	**2004 £m**	2003 £m
Bank loans and overdrafts	**–**	–
Loan notes	**–**	–
Short term borrowings	**–**	–
One to two years:		
– By instalments	**0.1**	–
Two to five years:		
– By instalments	**0.1**	–
Borrowings due after one year	**0.2**	–
Total borrowings	**0.2**	–

a) Borrowings of £0.2m (£nil) attract no interest.

b) The loan is secured by a fixed charge over one of the Group's freehold farms in Kentucky, USA and over certain fixtures and fittings on that farm.

c) The Group has a total of £14m (£15m) in undrawn committed facilities at floating rates which will expire in August 2007. Of the total, £0.3m (£0.4m) is in the form of standby letter of credit.

d) The book value of financial assets and liabilities is not materially different from their fair value. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates.

e) The Group had no open hedge contracts at 30 June 2004 and 2003, nor during the year.

Further discussion of the Group's policy on the use of financial instruments is given in the Financial Director's Report on page 7 which forms part of these financial statements.

16 Creditors

a) Group

	2004 **£m**	2003 £m
Due within one year:		
Trade creditors	**6.9**	6.6
Taxation	**4.6**	7.5
Other creditors	**2.0**	1.5
Accruals and deferred income	**7.4**	9.4
Dividends payable	**1.9**	1.6
	22.8	26.6

b) Parent company creditors comprise amounts due to Group companies of £707.4m (£736.3m) and other creditors of £2.6m (£2.3m).

17 Provisions for liabilities and charges

Group	North American restructuring £m	Surplus properties £m	Post retirement benefits £m	Sale of businesses £m	Western Europe restructuring £m	Deferred taxes £m	**Total £m**
At 30 June 2003	–	5.7	7.2	2.4	0.1	0.1	**15.5**
Cash paid	(1.8)	(0.4)	(1.0)	(0.4)	(0.1)	–	**(3.7)**
Released to profit and loss account	–	–	–	–	–	(0.5)	**(0.5)**
Transferred from current tax creditor	–	–	–	–	–	0.4	**0.4**
Provided/(released) in year – exceptional	2.0	(2.5)	–	–	–	–	**(0.5)**
Unwind of discount	–	0.3	0.2	–	–	–	**0.5**
Exchange rate variation	–	–	(0.2)	(0.2)	–	–	**(0.4)**
At 30 June 2004	**0.2**	**3.1**	**6.2**	**1.8**	**–**	**–**	**11.3**

The provision for North American restructuring relates to the relocation of the Group's head office from the United States of America (USA) to the United Kingdom (UK) and to the relocation of Sygen's laboratory and SyAqua's research facility from California, USA to Kentucky, USA. This provision is expected to be paid out over the next year.

The surplus property provision represents the discounted future costs of properties not occupied by the Group. These costs are computed net of risk weighted rental income and, where necessary, dilapidation and letting expenses and will be paid out over the next 10 years.

Post retirement benefits include provisions for pensions amounting to £4.2m (£4.3m) relating to unfunded pension obligations to current and former senior executives of the Group calculated on the transfer value method. Payments will be made upon the retirement of the relevant executives. Post retirement health benefit obligations to former Dalgety executives amount to £1.0m (£1.3m). The balance of the provision relates to the Group's contractual obligation to pay administrative and management expenses of the Dalgety Pension Fund over the next two years. These provisions are expected to be utilised over several years.

The sale of business provision relates to contractual guarantees for environmental due diligence relating to the sale of the Oklahoma businesses. This provision is expected to be paid out over the next year.

The provision for Western European restructuring relates to the closure of a regional office and farms announced during 2000 which was completed within the last year.

18 Share capital

	Authorised		Issued	
	2004	2003	**2004**	2003
	£	£	**£**	£
Ordinary shares of 10p each (authorised shares: 387,500,000; issued shares: 295,252,580)	**38,750,000**	38,750,000	**29,525,258**	29,376,217

a) Issued share capital

During the year ended 30 June 2004, 1,490,413 ordinary shares of 10p each were issued. Of these 1,490,413 ordinary shares, 49,027 were issued for £18,590 following the exercise of share options and 1,441,386 were issued to senior executives in accordance with the terms of the Long Term Incentive Plan (LTIP). No cash consideration was received in respect of the allotment of shares to the executive directors.

b) Share options and appreciation rights outstanding at 30 June 2004 are as follows:

	Shares
Global employee share option and share appreciation rights plan (exercisable at a price of 69.00p between 2003 and 2009)	**918,000**
Senior executive share option and share appreciation rights plan (exercisable at prices ranging from 37.00p to 191.14p between 2004 and 2014)	**14,782,948**
	15,700,948

Share options and appreciation rights outstanding at 30 June 2003 are as follows:

	Shares
Global employee share option and share appreciation rights plan (exercisable at a price of 69.00p between 2003 and 2009)	1,074,000
Senior executive share option and share appreciation rights plan (exercisable at prices ranging from 37.00p to 191.14p between 2003 and 2013)	12,470,936
	13,544,936

Share appreciation rights will be settled in cash.

19 Movement on reserves

Group	Share premium account £m	Revaluation reserve £m	Other £m	Profit and loss account £m
At 30 June 2003	1.9	0.7	(287.8)	304.7
LTIP share allotment	0.3	–	–	–
Retained profit	–	–	–	6.6
Exchange rate variation	–	–	–	(5.7)
At 30 June 2004	**2.2**	**0.7**	**(287.8)**	**305.6**

Parent company	Share premium account £m	Merger reserve £m	Profit and loss account £m
At 30 June 2003	1.9	170.6	–
LTIP share allotment	0.3	–	–
Retained profit – note c	–	–	0.1
Exchange rate variation	–	–	1.0
At 30 June 2004	**2.2**	**170.6**	**1.1**

a) Other reserves include goodwill written off on acquisitions of £28.8m (£28.8m).

b) Group translation loss on the net investment in foreign subsidiaries was £5.7m (£2.3m). The net investments include equity investments and loans made to foreign subsidiaries intended to be long term in nature.

c) The parent company has elected under Section 230 of the Companies Act 1985 not to present a separate profit and loss account. In 2004, the amount dealt with in the Group profit and loss account relates to dividends and a release of interest on interest bearing loans with PIC Fyfield Limited for £0.1m (£0.1m).

20 Reconciliation of operating profit to net cash inflow from operating activities

	2004 £m	2003 £m
Group operating profit	**2.9**	9.3
Depreciation and amortisation	**6.3**	6.1
Net (profit)/loss on disposal of fixed assets	**(1.0)**	0.2
Provisions paid	**(3.7)**	(2.8)
Provisions charged not paid	**2.0**	–
(Increase)/decrease in stocks	**(0.8)**	0.1
Decrease/(increase) in debtors	**5.1**	(8.2)
Increase/(decrease) in creditors	**0.6**	(2.3)
Net cash inflow from operating activities	**11.4**	2.4

21 Acquisitions

In October 2003, the Group acquired 100% of the shares of Aquatec in Brazil for £7.2m in cash. An additional £0.2m was paid in associated transaction costs. The assets acquired related to tangible fixed assets that had a provisional fair value of £1.7m. Goodwill arising of £5.7m has been included in intangible fixed assets and is being amortised over 15 years. There is contingent consideration that has not been recognised of £1.1m, based on the achievement of post acquisition performance of the business, which would be paid in November 2004. The impact on turnover reported for the period was £1.8m. The impact on group operating profit for the period was £0.5m.

In September 2003, the Group acquired the assets of Cotswold Swine Genetics of North America for £1.7m in cash. An additional £0.1m was paid in associated transaction costs. The assets acquired related to tangible fixed assets and had a provisional fair value of £0.6m. Goodwill arising of £1.2m has been included in intangible fixed assets and is being amortised over 15 years. The impact on turnover reported for the period was £1.4m. The impact on group operating profit for the period was £(0.3)m.

In October 2002, the Group acquired the trademarks and assets of Super Shrimp in Mexico for £2.9m in cash. An additional £0.3m was paid in associated transaction costs. The assets acquired related to tangible fixed assets and had a provisional fair value of £1.4m. Goodwill arising of £1.7m has been debited to intangible fixed assets and is being amortised over 15 years. The impact on turnover reported for the period was £3.7m. The impact on group operating profit for the period was £0.5m.

22 Analysis of net cash

	1 July 2003 £m	Cash flow £m	Exchange £m	**30 June 2004 £m**
Cash	7.9	2.0	–	**9.9**
Liquid resources	15.7	(6.4)	(1.4)	**7.9**
	23.6	(4.4)	(1.4)	**17.8**
Borrowing due				
– After one year	–	(0.2)	–	**(0.2)**
	23.6	(4.6)	(1.4)	**17.6**

Liquid resources include commercial paper and term deposits which mature within one year of acquisition.

23 Reconciliation of net cash flow to movement in net cash

	2004 £m	2003 £m
Increase/(decrease) in cash in the year	**2.0**	(2.5)
Cash flow from change in borrowings	**(0.2)**	6.3
Cash flow from change in liquid resources	**(6.4)**	(9.2)
Change in net cash resulting from cash flows	**(4.6)**	(5.4)
Translation differences	**(1.4)**	(1.1)
Movement in cash in the year	**(6.0)**	(6.5)
Net cash at beginning of year	**23.6**	30.1
Net cash at end of the year	**17.6**	23.6

24 Post retirement benefits

The Group operates a number of defined contribution and defined benefit pension schemes throughout its businesses.

a) The pension cost for defined contribution schemes, which represents contributions payable by the Group, amounted to £0.5m (£0.6m). Included in creditors is £0.2m (£0.2m) in respect of contributions to the schemes.

b) The pension cost for unfunded defined benefit schemes amounted to £0.2m (£0.1m). Based on the methods and assumptions as set out in SSAP 24, the scheme liabilities amount to £4.0m (£4.3m). This amount is included in provisions. The principal assumptions used to calculate the scheme liabilities were that the discount rate would be 5.42% per annum, that pay increases would average 3% per annum, and that the annual increase in inflation and pensions in payment would be 1.49% per annum. Based on the methods and assumptions as set out in FRS 17, the scheme liabilities amount to £4.3m.

c) The cost of unfunded post retirement health benefits amounted to a credit of £(0.2)m (£1.2m). Based on the methods and assumptions as set out in SSAP 24, the scheme liabilities amount to £1.0m (£1.3m). This amount is included in provisions. The principal assumptions used to calculate the plan liabilities were that the discount rate would be 8.5% and that the long term rate of medical expense inflation would be 6% per annum. Based on the methods and assumptions as set out in FRS 17, the scheme liabilities amount to £1.4m.

d) The pension cost for funded defined benefit schemes amounted to £0.3m (£0.3m) and is assessed in accordance with the advice of qualified independent actuaries. Included in creditors is £0.1m provision in respect of the schemes.

The most significant scheme is the Dalgety Pension Fund, a defined benefit type scheme for employees in the UK, the assets of which are held separately from the assets of the Group and are administered by Trustees and managed professionally.

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

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

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

For the purposes of determining the Company's pension cost in respect of the Fund, the principal actuarial assumptions adopted in the valuation as at 31 March 2003, using the projected unit method, were that investment returns on existing assets would be 7.5% per annum before retirement and 4.9% per annum after retirement, that pay increases would average 3.5% per annum, and that the annual increase in pensions in payment would be 2.5% per annum. On this basis, the residual uninsured liabilities were calculated to be £7.4m at 31 March 2003. The value of the market value of the remaining assets of £7.0m represents approximately 95% of these liabilities. Based on these assumptions, and allowing for the amortisation of the deficit over the average remaining service of current employees, the actuary has calculated that the Company's pension cost is £0.3m (£0.3m).

The FRS 17 disclosures below incorporate the aggregate of all the Group's funded defined benefit schemes including the Dalgety Pension Fund and the National Pig Development Company Limited Retirement Benefits Scheme. The disclosures relating to the Dalgety Pension Fund have been based on the most recent actuarial valuation at 31 March 2003, updated by Watson Wyatt LLP to take account of the requirements of FRS 17 in order to assess the liabiliities of the scheme at 30 June 2004. The Dalgety Pension Fund actuaries have calculated that after offsetting the value of the annuity policy and excluding the element of surplus under the control of the Trustees, the market value of the remaining assets as at 30 June 2004 was £8.0m. New employees are no longer able to join the Dalgety Pension Fund, and so under the projected unit method the current service cost will increase as the members approach retirement.

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

Financial rate assumptions	**2004**	2003	2002
Discount	**5.7%**	5.5%	5.7%
Inflation	**2.7%**	2.5%	2.5%
Pension increases	**2.7%**	2.5%	2.5%
Salary increases	**3.7%**	4.0%	4.0%

	2004		2003		2002	
Scheme assets and expected rate of return	**£m**	**Expected rate of return**	£m	Expected rate of return	£m	Expected rate of return
Bonds	**37.0**	**5.3%**	38.1	4.8%	35.1	5.2%
Equity	**8.9**	**8.3%**	7.8	8.3%	13.5	8.1%
Other assets	**1.1**	**4.5%**	1.5	3.8%	0.6	4.0%
Total assets	**47.0**		47.4		49.2	

Balance sheet reconciliation	**2004 £m**	2003 £m	2002 £m
Total assets	**47.0**	47.4	49.2
Actuarial liabilities	**(13.1)**	(12.5)	(11.0)
Surplus	**33.9**	34.9	38.2
Irrecoverable surplus under Trustee control	**(36.7)**	(38.3)	(37.4)
Deferred tax asset/(liability)	**0.9**	1.0	(0.2)
Net pension (liability)/asset	**(1.9)**	(2.4)	0.6

24 Post retirement benefits continued

Analysis of amount charged to operating profit in respect of defined benefit schemes	**2004 £m**	2003 £m
Current service cost	**0.5**	0.5

Analysis of amounts credited to other finance income	**2004 £m**	2003 £m
Expected return on assets in the pension scheme	**0.8**	0.9
Interest on pension scheme liabilities	**(0.6)**	(0.6)
Net profit	**0.2**	0.3

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	**2004 £m**	2003 £m
Experience gains and losses arising on the scheme liabilities	**(0.2)**	0.5
Gain/(loss) on change of financial and demographic assumptions	**0.5**	(0.5)
Actual return less expected return on pension scheme assets	**2.7**	1.7
Actuarial profit recognised in statement of total recognised gains and losses	**3.0**	1.7

Analysis of movements in surplus during the year	**2004 £m**	2003 £m
Surplus at the beginning of year	**34.9**	38.2
Contributions	**0.3**	0.3
Distribution of surplus by the Trustees	**(4.0)**	(5.1)
Actuarial profit in the STRGL	**3.0**	1.7
Current service cost	**(0.5)**	(0.5)
Other finance income	**0.2**	0.3
Surplus at the end of year	**33.9**	34.9

History of experience gains and losses	**2004**	2003	2002
Experience gains and losses on the scheme liabilities:			
Amount £m	**(0.2)**	0.5	0.9
Percentage of scheme liabilities at end of year	**1.5%**	4.0%	8.2%
Difference between the actual and expected return on scheme assets:			
Amount £m	**2.7**	1.7	(2.0)
Percentage of scheme assets at end of year	**5.7%**	3.6%	4.1%
Total actuarial profit recognised in the STRGL:			
Amount £m	**3.0**	1.7	1.2
Percentage of scheme liabilities at end of year	**22.9%**	13.6%	10.9%

25 Financial commitments and contingent liabilities

Financial commitments

a) Capital expenditure commitments contracted for but not provided were £0.9m (£0.1m).

b) At 30 June, the Group had annual commitments under non-cancellable operating leases expiring:

	2004		2003	
	Land & buildings £m	**Other £m**	Land & buildings £m	Other £m
Within one year	**0.8**	**0.8**	0.6	0.8
Two to five years	**1.4**	**0.4**	1.3	0.4
After five years	**2.2**	**–**	1.3	–
	4.4	**1.2**	3.2	1.2

c) In the ordinary course of business, Group companies are committed to forward purchases and sales of materials, payments of rent for property and other routine transactions. No loss is expected to arise as a result of these commitments except for the net anticipated loss on property leases which are surplus to requirements which has been provided for within the provision for surplus properties.

Contingent liabilities

In October 2001, one of the Group's insurance companies declared insolvency. This company was insuring a number of contingent liabilities relating to the sale of businesses in prior years. Having obtained legal advice and on the basis of the information available, the directors believe that the current provision made represents their best estimate of the outcome of the claims and associated costs, although due to the nature of the claims, actual settlements may differ from this estimate.

The Group in the ordinary course of business is also subject to other various claims and assessments. Outstanding claims include a bilateral contractual dispute with a former customer, dating back to March 2000. The former customer is claiming damages for alleged breach of contract. The directors are of the opinion that the claim is unfounded and the matter can be settled, without a material adverse affect on the Group's financial position.

The directors have reviewed these matters and based on the information currently available, made provisions based on the best estimate of any potential liabilities. However, due to the nature of the claims, actual settlements may differ from current best estimates.

26 Principal subsidiaries

The undermentioned subsidiaries were those whose activities principally affected the consolidated net assets or results of the Group:

Operations - Pig breeding business
Pig Improvement Company UK Limited
PIC USA, Inc (USA)
PIC-Canada Limited (Canada)
Pig Improvement Company Mexico S.A. de C.V. (Mexico)
Pig Improvement Company Deutschland GmbH (Germany)
PIC Andina SA (Chile)
PIC Espana SA (Spain)
PIC (Zhangjiagang) Limited (China)
PIC Do Brazil Enpreendimentos (Brazil)

Operations - Shrimp breeding business
SyAqua USA, Inc. (USA)
SyAqua Mexico S. de R.L. de C.V. (Mexico)
SyAqua Aquatec Industrial Pecuaria Ltda (Brazil)

Corporate
PIC Fyfield Limited (formerly Dalgety PLC)
Sygen Inc (USA)
SyAqua Limited

All subsidiaries, except PIC Fyfield Limited, are indirect subsidiaries of the Company. All subsidiaries are wholly owned, and unless otherwise indicated, each company is incorporated and operates in the UK.

A complete list of subsidiary companies of the Group will be filed with the Annual Return.

27 Related party transactions

Transactions with joint ventures were as follows:

	2004 £m	2003 £m
Sales to joint ventures	**3.7**	1.7
Purchases from joint ventures	**–**	–

At 30 June 2004, the Company had outstanding debtors with joint ventures amounting to £0.4m (£nil).

Five year summary 2000 – 2004

	2004 **£m**	2003 £m	2002 £m	2001 £m	2000 £m
Turnover					
Continuing businesses	**126**	130	165	175	140
Acquisition	**3**	3	–	–	–
	129	133	165	175	140
Operating profit/(loss)					
Continuing businesses before exceptional items:					
Pig breeding business	**15**	15	25	21	7
Shrimp breeding business	**–**	–	–	–	–
Corporate costs	**(9)**	(11)	(13)	(12)	(10)
Acquisition	**–**	1	–	–	–
Exceptional items:					
Fundamental restructuring including sale and closure of businesses	**2**	(4)	(1)	(1)	2
Reorganisation	**(2)**	–	–	–	(5)
Tax liability provision release	**–**	–	–	–	1
Captive insurance company provision release	**–**	–	–	–	1
Litigation	**–**	–	–	–	1
Lost profits reimbursed from insurers	**–**	4	–	–	–
Insurance gain on the disposal of fixed assets	**–**	1	–	–	–
Net interest receivable	**–**	1	2	2	1
Profit/(loss) before taxation	**6**	7	13	10	(2)
Tax	**3**	4	(2)	13	(1)
Profit/(loss) after taxation	**9**	11	11	23	(3)
Balance sheet					
Fixed assets					
Intangible assets	**8**	3	2	2	–
Tangible assets	**29**	28	31	35	36
Investments	**3**	3	4	5	5
	40	34	37	42	41
Net current assets	**21**	30	21	13	1
Total assets less current liabilities	**61**	64	58	55	42
Creditors – amounts falling due after more than one year	**–**	–	(2)	(2)	(15)
Provisions for liabilities and charges	**(11)**	(15)	(15)	(17)	(21)
	50	49	41	36	6
Called up share capital	**29**	29	29	29	29
Reserves	**21**	20	12	7	(23)
Equity shareholders' funds	**50**	49	41	36	6
Total net cash included above	**18**	24	30	27	18
Dividends per ordinary share:					
– basic	**0.65p**	0.55p	0.50p	–	–
Earnings/(loss) per ordinary share:					
– basic	**2.9p**	3.9p	3.7p	7.9p	(1.0)p
– adjusted (note a)	**1.4p**	2.6p	2.8p	0.3p	(2.3)p

Notes

a) Adjusted earnings/(loss) per share are calculated excluding all exceptional items (together with the related tax effects) for the purpose of providing a measure of the underlying performance of the Group's operations.

b) 2001 figures have been restated to reflect a reclassification of certain amounts as turnover that were previously recorded as other operating income to more appropriately reflect their nature.

c) 2001 figures have been restated to reflect the application of FRS 19.

Shareholder information

Analysis of ordinary shareholdings at 30 June 2004

	Number of holdings	Shares held	% of total shares
By category of shareholder			
Individuals	15,306	20,688,818	7.01
Banks, nominees and other corporate bodies	861	272,838,543	92.40
Insurance companies	9	930,524	0.32
Investment companies and pension funds	18	794,695	0.27
	16,194	295,252,580	100.00
By size of holding			
1–500	7,641	1,614,939	0.55
501–1,000	3,493	2,616,449	0.89
1,001–5,000	4,115	8,372,327	2.83
5,001–20,000	619	5,807,165	1.97
20,001–50,000	109	3,573,519	1.21
50,001–100,000	57	4,217,791	1.43
100,001–200,000	43	6,117,457	2.07
200,001 and over	117	262,932,933	89.05
	16,194	295,252,580	100.00

Financial calendar

This information should only be taken as a guide:

Annual General Meeting	3 November 2004
Record Date to be eligible for 2004 Final Dividend	29 October 2004
Payment of 2004 Final Dividend	26 November 2004
Publication of 2005 Interim Results	9 February 2005
Publication of 2005 Preliminary Results	7 September 2005
2005 Report & Accounts published	October 2005

Electronic communication

Shareholders wishing to receive communications from the Company by email should register online at www.computershare.com/register/uk and follow these instructions (you will need to enter your Shareholder Reference Number (located on your share certificate), surname and postcode):

1. Select 'Sygen International plc' from list of companies;
2. At Shareholder Selection, key in your Holder Account Number and Postcode;
3. Agree to the Terms and Conditions;
4. At Communication Details, select the delivery method and key in your email address.

It is important that you read the Terms and Conditions carefully as they set out the basis on which electronic communications shall be sent to you.

Once registered, you will need to ensure that the Registrar is informed of any change of email address by visiting the same website. The Company is required to make certain information from its register of members available for public inspection. Email addresses do not form part of that information and shareholders may be confident that the information provided will not be made publicly available or used by the Company for any purpose other than communicating with you as shareholders.

Share dealing services

Two share dealing services have been established to provide shareholders with simple ways of buying and selling Sygen ordinary shares.

Postal - this service has been established with the Company's Brokers, Cazenove & Co Limited. Transactions will be dealt with upon receipt of duly completed instruction forms. The commission is 1% subject to a minimum charge of £10 (plus stamp duty of 0.5% on purchases). Further details and forms can be obtained from Cazenove & Co Limited, Share Schemes Department, 20 Moorgate, London EC2R 6DA; telephone: +44 (0)20 7155 5155.

Telephone - this service has been established with the Company's Registrars, Computershare Investor Services PLC. There are no forms to complete and the share price at which you deal will generally be confirmed to you whilst you are on the telephone. The commission is 1% subject to a minimum charge of £15 (plus stamp duty of 0.5% on purchases). The service is available from 8:00am to 4:30pm, Monday to Friday excluding bank holidays, on telephone number +44 (0)870 703 0084. Please ensure you have your Shareholder Reference Number (located on your share certificate) when making the call. Detailed terms and conditions are available on request - please telephone +44 (0)870 702 0000.

This is not a recommendation to buy, sell or hold Sygen shares. If you are unsure of what action to take, you should contact a financial advisor authorised under the Financial Services and Markets Act 2000.

In so far as this statement constitutes a financial promotion for the share dealing services provided by Cazenove & Co Limited and Computershare Investor Services, it has been approved by Cazenove & Co Limited and Computershare Investor Services PLC for the purpose of Section 21 (2) (b) of the Financial Services and Markets Act 2000 only. Both companies are regulated by the Financial Services Authority.

Where this has been received in a country where the provision of such share dealing services would be contrary to local laws or regulations, this should be treated as information only.

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http://www-uk.computershare.com

Auditors

PricewaterhouseCoopers LLP
31 Great George Street, Bristol BS1 5QD

Notice of annual general meeting

Notice is hereby given that the seventh Annual General Meeting of Sygen International plc will be held at The Insurance Hall, 20 Aldermanbury, London EC2V 7HY on Wednesday, 3 November 2004 at 2:00 p.m. for the following purposes:

As Ordinary Business

1 To receive the accounts and reports of the directors and auditors for the year ended 30 June 2004.

2 To declare a final dividend for the year ended 30 June 2004.

3 To receive the directors' remuneration report for the year ended 30 June 2004.

4 To re-elect B F Baldock as a director retiring by rotation (B F Baldock is a member of the Remuneration and Audit Committees).

5 To re-elect J W Adams as a director retiring by rotation.

6 To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to determine their remuneration.

As Special Business

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

7 THAT the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £9,000,000 provided that this authority shall expire at the conclusion of the next Annual General Meeting after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

To consider and if thought fit, pass the following resolutions as special resolutions:

8 THAT subject to the passing of Resolution 7 the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) as if Section 89(1) of the said Act did not apply thereto, provided that this authority shall be limited to:

(1) the allotment of equity securities in connection with a rights issue or a scrip dividend alternative in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or requirements of any recognised regulatory body or stock exchange in, any territory), and

(2) the allotment (otherwise than pursuant to sub-paragraph (1) above) of equity securities up to an aggregate nominal value of £1,476,000. This power shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months from the date hereof, whichever is the earlier, 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 Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

9 THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of its ordinary shares of 10 pence each provided that:

(1) the minimum price that may be paid for any share is 10 pence and the maximum price that may be paid for any share is an amount equal to 105% of the average of the middle market quotations for a share as derived from the Official List of the London Stock Exchange for the five business days immediately preceding the day on which such share is contracted to be purchased;

(2) the maximum number of shares that may be acquired under this authority is 29,500,000 (representing approximately 10% of the issued ordinary share capital of the Company);

(3) this authority shall expire at the earlier of the conclusion of the next Annual General Meeting and 15 months from the date hereof, and

(4) the Company may before such expiry under (3) above enter into a contract to purchase such ordinary shares which would or might be executed wholly or partly after such expiry.

By Order of the Board

D Lee
Company Secretary
5 October 2004

Notes:

1 Only ordinary shareholders are entitled to attend and vote at the meeting. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), ordinary shareholders must be entered on the Company's Register of Members by the close of business on 1 November 2004.

2 Any shareholder may appoint a proxy, who need not be a member, to attend and, on a poll, to vote instead of the shareholder. Shareholders submitting a proxy are not precluded from attending the meeting and voting if they wish to do so. A form of proxy is enclosed. Shareholders may also register proxy votes electronically by logging on to the Registrar's website www.computershare.com/proxy.

3 Shareholders attending the meeting acknowledge that they are expressly requesting and willing to receive any communications (including communications relating to the Company's shares) made at the meeting.

4 The following documents are available for inspection from the date of this notice until the date of the meeting at the Company's Registered Office. They will also be available for inspection on the date of the meeting, at the place of the meeting from 1:30 p.m. until its conclusion:
(a) copies of Contracts of Service of any director with the Company;
(b) the Register of Directors' Share Interests.

Design consultants, Tor Pettersen & Partners Ltd. Printed in England by the colourhouse.