nourishing the world

Genus plc Annual Report 2012

Our Vision

Pioneering animal genetic improvement to help nourish the world.

Genus is a world leader in creating advances to animal breeding and genetic improvement by applying biotechnology. We sell added value products for livestock farming and food producers. Our technology is applicable across all livestock species and is currently commercialised by Genus in the dairy, beef and pork food production sectors.

We play a key role in the world's agricultural economy. We do this by providing innovative solutions to our global farmer and food producer customers to meet the challenge of growing global demand for milk, pork and beef from an increasing world population when there are decreasing resources available for food production.

Genus' worldwide sales are made in 70 countries under the trademarks 'ABS' (dairy and beef cattle) and 'PIC' (pigs) and comprise semen and breeding animals with superior genetics to those animals currently in production. Genus' customers' animals produce offspring with greater production efficiency, and quality, and use these to supply the global dairy and meat supply chain.

The Group's competitive edge has been created from the ownership and control of proprietary lines of breeding animals and the biotechnology used to improve them. We combine this with a global supply chain, technical service and sales and distribution network.

With headquarters in Basingstoke, UK, Genus companies operate in 30 countries on six continents, with research laboratories located in Madison, Wisconsin, USA.

Our Values

Five principles and attributes guide everything we do. They are integral to our role as a company that helps to meet a basic human requirement: nourishment.

customer-centric

results-driven

pioneering

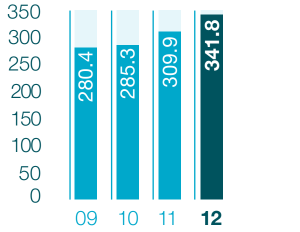
people-focused

responsible

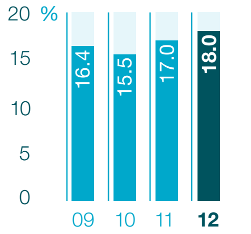
SEE PAGE 10 FOR MORE ON OUR VALUES

Key Performance Indicators page 22

REVENUE (£MILLION)
2012 PERFORMANCE: £341.8m



RETURN ON CAPITAL EMPLOYED
2012 PERFORMANCE: 18%



Our Business Model page 12


Chief Executive's Report page 08


Financial and Operational Review page 24

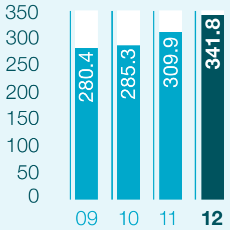

Our People page 34


Our Strategy page 14

For more information visit:
www.genusplc.com

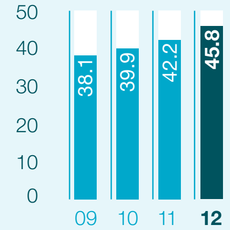
2012 Highlights

REVENUE
(£MILLION)



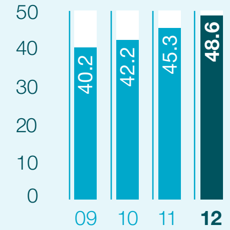
£341.8m

ADJUSTED OPERATING PROFIT
(£MILLION)



£45.8m

ADJUSTED OPERATING PROFIT INCLUDING JVs
(£MILLION)

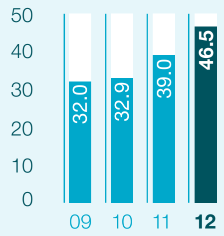


£48.6m

BUSINESS

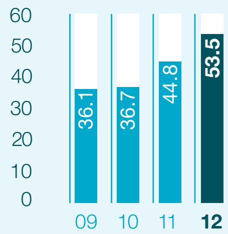
- Record results with strong growth in revenue and adjusted profits;
- Adjusted operating profit including joint ventures up 7% to £48.6m
  – Bovine volumes up 8% and porcine volumes up 7%
  – Strong performances in Asia, North America and Latin America
  – Continued investment in research and development; up 13% to £28.7m;
- Adjusted profit before tax up 19% to £46.5m and earnings per share up 19% to 53.5 pence;
- Statutory profit before tax up 33% to £54.4m, benefiting additionally from a higher increase in the net IAS 41 valuation movement of biological assets;
- Strong cash generation: £14.5m cash inflow reduced net debt to £56.4m; and
- Significant strategic progress achieved under new CEO
  – New strategy for growth developed
  – Organisation structure aligned to new strategy
  – Progress on strategy execution, including announcement of first porcine joint venture in China.

ADJUSTED PROFIT BEFORE TAX (£MILLION)



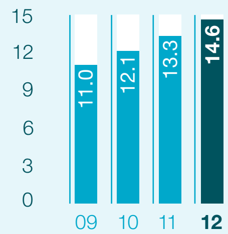
£46.5m

ADJUSTED BASIC EPS (PENCE)



53.5p

DIVIDEND PER SHARE (PENCE)



14.6p

FINANCIAL

Adjusted results Year ended 30 June	Actual currency 2012 £m	 2011 £m	 Movement %	Constant currency** Movement %
Revenue	**341.8**	309.9	10	12
Operating profit*	**45.8**	42.2	9	10
Operating profit inc JVs*	**48.6**	45.3	7	9
Profit before tax*	**46.5**	39.0	19	22
Basic earnings per share (p)*	**53.5**	44.8	19	22

Statutory results Year ended 30 June	2012 £m	2011 £m	%
Revenue	**341.8**	309.9	10
Operating profit	**54.2**	44.8	21
Profit before tax	**54.4**	40.8	33
Earnings per share (p)	**65.9**	49.0	34
Dividend per share (p)	**14.6**	13.3	10

* Adjusted operating profit, adjusted profit before tax and adjusted basic earnings per share are before net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items. These are the measures used by the Board to monitor underlying performance.

** Constant currency percentage movements are calculated by restating 2012 results at the exchange rates applied in 2011.

"In this, my first year as CEO at Genus, I am pleased to report very good progress both in financial and strategic terms.

Once again, the Group achieved record results, with operating profits up 7% and pre-tax profits up 19%.

In addition, we have developed a new vision and strategy. With the investments we are making in R & D, the BRIC countries and core competencies, we believe this strategy will enable Genus to continue to make progress in the year ahead and will see an improving rate of growth from 2014 onwards."

KARIM BITAR
CHIEF EXECUTIVE

Genus at a Glance

Genus applies biotechnology to advance the science of animal breeding. As the world leader in improving porcine and bovine stock, we play a crucial role in the global agricultural economy. The progeny of our robust and highly productive pigs and cattle enable Genus customers – farmers and food producers in 70 countries – to meet growing demand for meat and milk despite tightening constraints on resources available for food production.

We sell and distribute our products and services in over 70 countries.

RESEARCH AND DEVELOPMENT

Continuing market leadership depends on innovation and investment. Genus is committed to both; and both are driven by customer needs.

Our research programme is aimed at developing proprietary technologies in areas such as gender skew, sexed semen and disease resilience that ultimately help to increase our customers' efficiency whether their business focus is in milk, beef or pork production. Equally important is our work on leveraging and accelerating the use of genomics, leading to valuable genetic improvements. The output of our programme leads to better quality product for our customers.

Central to our research and development ('R & D') programme is a dedicated team of over 50 scientists and skilled technicians (over half of whom have PhDs). Genus also has a successful track record of working in partnership with universities, consortia and others.

PRODUCTS

Genus breeds the world's best pigs and bulls. This involves scientifically selecting livestock that will produce offspring aimed at increasing value for our global farmer and food producer customers.

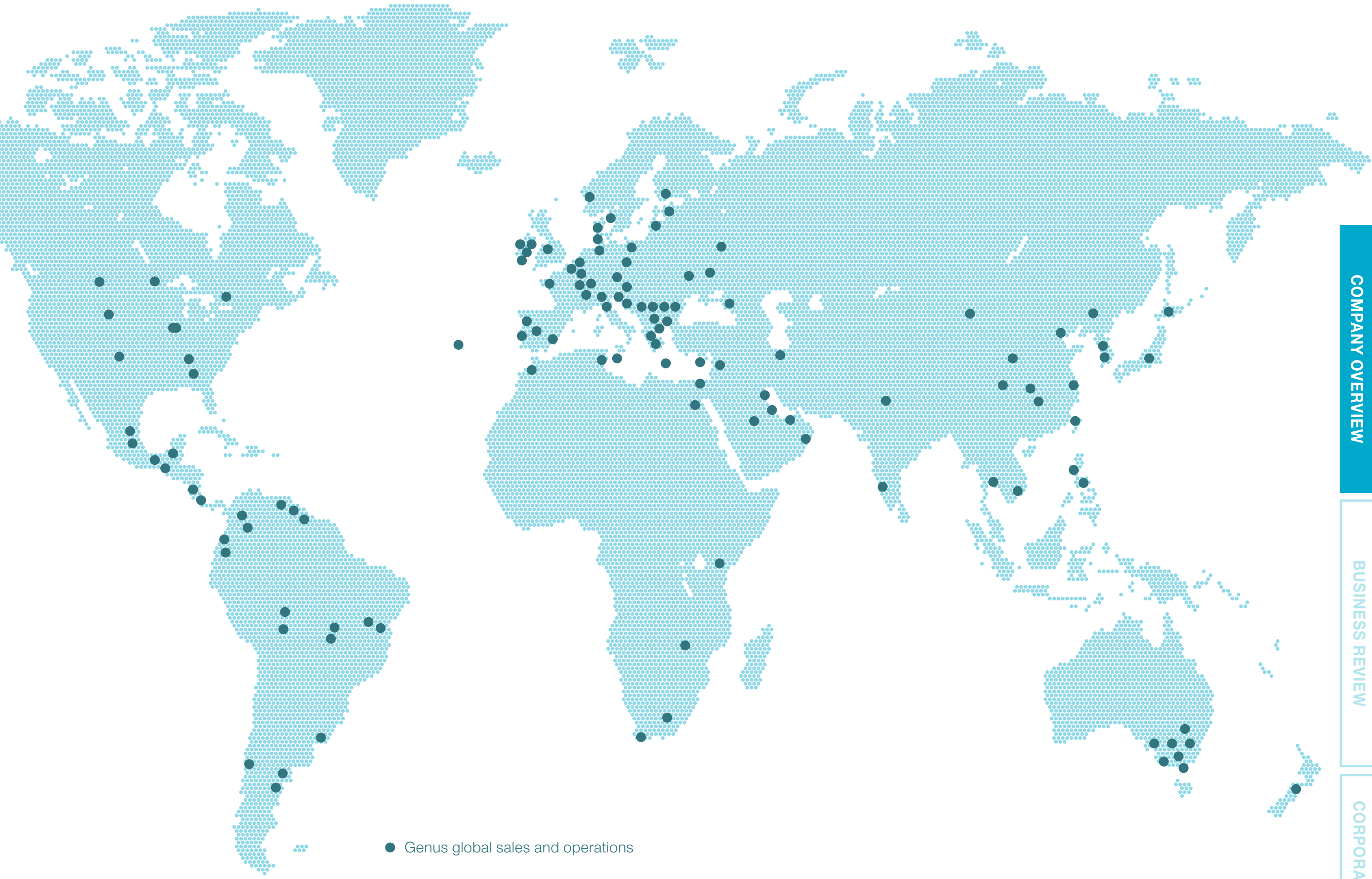
In the porcine market, it means selling disease-resistant boars and sows that will produce quality and efficient offspring.

In the dairy and artificial insemination ('AI') beef markets, our primary product is bull semen. Artificial insemination from semen straws produces high quality cattle; enabling our customers to improve their herds and so become more efficient.

MARKETS

Genus is the leader in each of its three markets of porcine, dairy and beef and animal genetics. In the porcine market, we have a 25% share, more than double our nearest competitor. Genus has a leading position of 8% of global sales in dairy and 25% of the market in artificial insemination for beef.

Our regional sales and distribution network extends to 30 countries. Our products and services are sold to customers in 70 countries across six continents. Throughout, we are strengthening our market focus and, where necessary, tailoring the Company's business model to better serve specific markets and segments.



WORKING WITH OUR CUSTOMERS TO CREATE VALUE

Building long-term relationships
We develop strategic partnerships with our customers by aligning our objectives with theirs. For example, in Genus PIC, one of the focuses of our porcine genetics is improving the economics of pork production for our customers. Our royalty model then enables us to share in the value we have helped to create.

Focus on excellent service
To maximise the potential of our genetics offering, we support our customers with technical services in important areas like nutrition, reproduction, health management and genetics. In dairy, our global Genetic Management System ('GMS') programme helps customers through sire selection to get the progeny that matches their herd aspirations.

Increasing demand for our products and growth potential
We are extending our global leadership by increasing business with existing customers, exploring new geographies and gaining market share from competitors. The opportunities are immense, since the current use of advanced genetics in pigs, dairy cattle and beef cattle is currently at levels of approximately 40%, 60% and 10% respectively.

Our competitive environment
Unlike the majority of Genus competitors, many of which operate under traditional cooperative systems, Genus as a listed company, is unique. Our business model and multi-species approach enables us to commit higher levels of resources to delivering value to customers and shareholders alike.

R & D focus
R & D is one of the main pillars of our business strategy. Genus continues to pioneer the most advanced technologies in order to accelerate genetic improvement and deliver continuous value to customers.

Product lines
Customer needs determine the wide range of Genus products. For example, in dairy our breeding programmes take into account differing market requirements for milk and cheese production. Similarly in pig production, systems vary across markets to suit the tastes and preferences of consumers around the world. Genus' genetic improvement programmes provide products and services that suit them all.

Markets served
Genus has direct presence in 30 countries and we sell to customers in 40 more through agents. North America and Europe account for 70% of our profits. The remainder come from our fast growing businesses in Latin America and Asia; over the next five years we expect these businesses will contribute close to 40% of Genus profits.

Chairman's Statement
Bob Lawson

The last year has been one of enormous progress on a number of fronts, with one of the highlights being the successful transition to a new leadership team and structure.

significant progress

Genus' results for the year ended 30 June 2012 show record profits.

I am pleased to report a year of significant progress for the Group.

In my Chairman's Statement last year, I reported on the appointment of Karim Bitar as the Group's new Chief Executive from 30 September 2011. Nearly a year on, Karim has brought a new energy to Genus. He and his management team have made excellent progress in refreshing the Group strategy and putting in place the necessary building blocks to ensure its achievement. At the same time, the Group's performance has also been fully in line with the Board's expectations, with growth in adjusted pre-tax profits for the year of 19%.

RESULTS

Genus' results for the year ended 30 June 2012 show record profits. On revenues up 10%, adjusted operating profit rose 9% to £45.8m, with improved profits in all four key geographies. There were particularly strong performances in Asia and across the Americas. Adjusted profit before tax increased by 19% to £46.5m and earnings per share by 19% to 53.5p, benefiting from the growth in operating profits and significantly lower interest costs.

As discussed in the Financial and Operating Review on page 24, the statutory results show a significantly higher operating profit of £54.2m, an increase of 21% on last year. Similarly, the statutory profit before tax of £54.4m is 33% up on last year. These results are struck after non-recurring exceptional items and certain non-cash items, particularly the net IAS 41 valuation movement in biological assets. In this respect, in the year, we reported a small net credit of £0.9m in respect of exceptional items. This includes a credit in relation to the carrying value of our pure line porcine animals following a revision to the basis of valuation, and an increase in the provision relating to the Milk Pension Fund in which we are a participating employer. Also the credit reported under IAS 41 was significantly higher this year compared to the previous year. The nature and volatility of these items do not reflect the underlying performance of the business. It is for this reason that we report externally and use internally adjusted profits to measure performance.

Along with the improved profits, we have also once again demonstrated the cash generative nature of the Group's operations. The cash inflow for the year was £14.5m and net debt consequently reduced to £56.4m.

The Board is recommending a final dividend of 10.1 pence per share. This, together with the interim dividend of 4.5 pence per share, would result in a dividend for the full year of 14.6 pence per share, an increase of 10% over last year's dividend.

DIVIDEND

During the year, the Board introduced for the first time an interim dividend that was paid in March 2012. The Board is recommending a final dividend of 10.1 pence per share. This, together with the interim dividend of 4.5 pence per share, would result in a dividend for the full year of 14.6 pence per share, an increase of 10% over last year's dividend.

Subject to approval at the Company's Annual General Meeting, to be held on 8 November 2012, the final dividend will be paid on 23 November 2012 to shareholders on the register at the close of business on 9 November 2012.

STRATEGY

World population growth and increasing urbanisation continue apace and demand for animal protein is growing. As a result, pressure for improved agricultural efficiencies is continuing to increase. This is creating enormous opportunities for Genus. Inevitably, the challenge for Karim, as our new Chief Executive, has been to review and decide how we should take advantage of these opportunities.

On his arrival last September, Karim initiated a thorough strategic review. We announced the outcome of this process – a new vision and a new Group strategy – at the beginning of May 2012.

The vision is to focus with absolute clarity on our core activity of improving animal genetics on a global basis. The new strategy has reconfirmed the significant growth opportunities available in our chosen sectors of dairy, porcine and beef animal genetics markets, particularly in the BRIC countries (Brazil, Russia, India and China). We have developed thorough plans to capture these growth opportunities for Genus. An in-depth review of the new strategy is set out in the Chief Executive's Review and on pages 14 to 19 of this report. Here, I would particularly highlight three key elements of the new strategy. Firstly, Genus will increase focus on the needs of its customers and adopt a more effective marketplace orientation. Secondly, our R & D programme will become even more tightly concentrated on key projects aligned to meeting these customer needs. Finally, we will increase our emphasis on ensuring that Genus has the right resources and competencies, from people through to supply chain, in place to deliver on the strategy.

With this in mind, at the beginning of July 2012 we implemented a new organisational structure which aligns with the new strategy. At the highest level, each sector of our business will be addressed by a global team with R & D providing innovation and support. Further details of our new organisational structure are contained in Karim's review in this report.

PEOPLE

In a group that spans operations in 30 countries and sells into over 70, it is inevitable that our people are the driving force behind our success. During the last year I have had the opportunity to visit Genus' businesses from the USA to China and meet many of these people. I have been impressed by the enthusiasm and professionalism of the teams that I have met. On behalf of the Board and you, our shareholders, I would like to thank all of Genus' employees for their hard work and support over the last year in helping deliver yet another record year of profits for the Group.

IN SUMMARY

The last year has been one of enormous progress on a number of fronts, with one of the highlights being the successful transition to a new leadership team and structure under Karim. The Board and I are confident that the right foundations are in place for the Group to continue to take advantage of the long-term growth opportunities available in the global animal genetics market.

BOB LAWSON
CHAIRMAN
3 SEPTEMBER 2012

Chief Executive's Report
Karim Bitar

With a new vision, strategy and organisational structure now in place, we have made good progress in defining how Genus will seize the opportunity.

seizing the

We believe strongly in the philosophy of delivery through people.

This is my first Chief Executive's Report since I joined Genus last September. One of the key factors that attracted me to the Company was my belief that there was a significant opportunity for Genus in the world of animal genetic improvement. A year into the role, I am as convinced as ever. In fact, the scale of the opportunity is larger and more exciting than I first thought.

More importantly, with a new vision, strategy and organisational structure now in place, we have made good progress in defining how Genus will seize the opportunity. We have also created a set of values that guide the Company in how we will operate in delivering on the new strategy.

At the same time, we have been conscious of the need to continue driving operational performance in line with expectations. Record results for the year to 30 June 2012 demonstrate that we have achieved this.

GROUP PERFORMANCE

In a year in which market conditions were generally favourable for Genus' customers, revenue for the year ended 30 June 2012 of £341.8m was up 10%. Growth in volumes was the primary driver. Porcine volumes were up 7% and bovine volumes up 8%. Growth was particularly strong in Asia, Latin America and the porcine business in North America.

Adjusted operating profit increased by 9% to £45.8m. We achieved double digit growth in profits in North America, Latin America and in Asia. In North America, the porcine business performed particularly well, with royalty income up 10%. Latin America benefited from good volume growth in both bovine and porcine. Volumes also grew strongly in Asia. This, together with a buoyant market in the first half of the year, resulted in a 41% increase in Asian profits.

STRATEGY

During the past year, we undertook a thorough review of the Group's strategy. This involved an extensive analysis of our business; examining the scale of the opportunity for Genus and developing the strategy to seize that opportunity and the way in which we should be structured to deliver it. Over 60 senior managers in the Group were actively involved in this process.

As part of the process, we established a new vision for the Group: 'Pioneering animal genetic improvement to help nourish the world'. The vision confirms our intention to focus on our core strengths in animal genetic improvement on a global basis.

The strategy we developed to deliver on this vision is designed to take advantage of the very significant growth opportunities in the animal genetics markets; particularly in our existing dairy, porcine and beef animal genetics markets, and especially in the BRIC countries (Brazil, Russia, India and China). To seize these opportunities, Genus will increasingly focus on the needs of its customers and adopt a stronger marketplace orientation.

Important drivers in this strategy will be:

- **Accelerating Genus' product lead over competitors:**
  - The R & D team now reports directly to me and will focus on quickening the pace of genetic improvement and ensuring that products meet specific customer requirements.

- **Targeting key markets and segments:**
  - We will place particular emphasis on continuing to grow in those large markets and key segments in which the Group currently operates, as well as in newer markets offering strong growth potential such as the BRIC countries.
- **Tailoring the business model:**
  - We will ensure that our product and service offering meets the specific requirements of the target market/segment and that we implement best practice in areas such as value capture across the Group.
- **Strengthening core competencies:**
  - We will place renewed emphasis on strengthening core competencies including marketing, key account management, product development, supply chain and technical services.

Our prime focus will be on our existing markets of porcine, dairy and beef animal genetics but we will also continue to explore opportunities in other species where we believe we can add value.

As part of the strategy, we have also reviewed the way Genus is structured. As a result, we implemented changes to the organisational structure at the beginning of July 2012 to align the business with our customers and increase our marketplace orientation.

The new structure involves three business units; Genus PIC, Genus ABS and Genus Asia (covering the porcine and dairy/AI beef business in that region). All three units report directly to me. Genus PIC and Genus ABS will focus on meeting the unique needs of our pork customers and our dairy and AI beef customers respectively and ensure consistent implementation of best practices. Genus Asia is a separate business unit which will drive growth in this fast-growing and increasingly important region. In achieving this, Genus Asia will collaborate closely with Genus PIC and Genus ABS, especially with their global supply chain, marketing and technical service teams.

In addition, R & D will continue to report to me to ensure continued high focus on this critical area. Working with me, the heads of these business units and the head of R & D together with the heads of the key support functions – Finance, HR and Legal/Company Secretariat – will now form the Genus Executive Leadership Team ('GELT'). Its task is to lead the business and implement the strategy going forward.

Finally, as part of the strategy review, we have redefined the values by which we will operate as a business. More details of the values and strategy are set out on pages 10 to 11 and 14 to 19 respectively in this report.

The Group will amend its segmental analysis of results in the year ahead to align it to the new organisation structure. Details of the results for the year to 30 June 2012 in this new format are available on the Genus website.

Having established the new strategy, we are now focused on its execution. A key part of the strategy is to take advantage of the strong growth opportunities in the BRIC countries. In the porcine market in China we envisage the creation of joint ventures with leading integrated pork producers, who will utilise a significant proportion of the breeding animals produced by the joint venture to build their own pig production system. We announced in July 2012 the first such joint venture with BeSun, a leading integrated pork producer in the Shaanxi Province. We are also in discussions with other potential partners for such joint ventures.

OUR PEOPLE

We believe strongly in the philosophy of delivery through people. As a result, during the year we established a new global human resources function and appointed Catherine Glickman as Group Human Resources ('HR') Director. Catherine joined us from a 20-year career at Tesco, one of the five largest global retailers with over 500,000 employees in 14 countries, where she was the Head of HR. Under her direction, we now have an extensive programme under way to ensure we have the right people in place to deliver on our ambitions.

OUTLOOK

Market conditions remained generally favourable for Genus and its customers in the year just ended. However, towards the end of the period, markets became more challenging. This was in large part due to increased feed costs in North America caused by drought conditions and by weakening global commodity dairy prices. These conditions are likely to impact a number of our customers in the year ahead. Although this may lead to some slowing in demand, we believe the strength of Genus' business model will enable the Group to continue to make progress in the year ahead.

Furthermore, with the new strategy and investments in R & D, the BRIC countries and core competencies to support delivery of the strategy, we believe this strategy will enable Genus to continue to make progress in the year ahead and will see an improving rate of growth from 2014 onwards.

KARIM BITAR
CHIEF EXECUTIVE
3 SEPTEMBER 2012

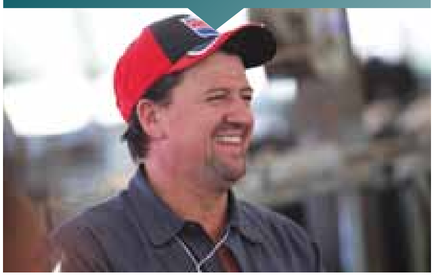
Our Values

Five principles and attributes guide everything we do. Our values are integral to our role as a company that helps to meet a basic human requirement: nourishment.

We held 40 focus groups around the world with Genus staff at all levels that consistently confirmed the five values that guide everything that we do.

KARIM BITAR
CHIEF EXECUTIVE

customer-centric

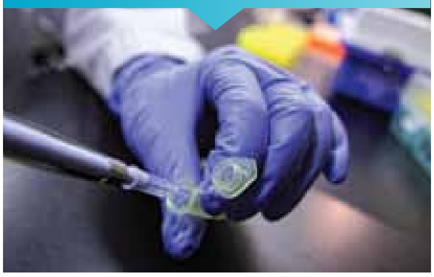


We are one team, dedicated to helping customers thrive. We anticipate their needs and help them seize opportunities, acting as partners to improve quality, efficiency and output. If we're not adding value to our customers, we stop and think again.

results-driven

We are proactive, determined to be the best we can and exceed expectations. We redefine standards for ourselves, our customers and our industry. Every one of us takes pride in delivering the highest level of performance. If something can be improved, we find a simpler, better way to do it.

pioneering



We are an innovative, forward-thinking company. We have the courage and confidence to explore new ideas and the energy and enthusiasm to deliver them. We are creative, tenacious and resourceful in every area of our work.

people-focused

We are a business rooted in science but built around our people. We inspire, challenge and support everyone to perform, develop and grow. We treat others with respect and we invite views and feedback to help us improve.

responsible

We are ethical to our core. We feel a deep sense of responsibility to our customers, colleagues, animals, communities and shareholders. We are honest, reliable and trustworthy. We mean what we say and do what we say.

Our Business Model

Genus is a world leader in the application of biotechnology to achieve animal genetic improvement, thereby improving dairy, beef and pork quality and affordability. A strong focus on customers is at our core; be it in the R & D programme that develops and enhances our market leading products; our global sales and distribution network; or our technical services that ensure customers have the right products and support to enable them to capture the full value potential of the products supplied.

enterprising

VALUE CHAIN

World demand for improved farming productivity

Developing differentiated products

Global sales and distribution

Technical services

By making it our business to understand customer needs, Genus consistently strives to provide outstanding products and services that improve milk, pork and beef production.

WORLD DEMAND FOR IMPROVED FARMING PRODUCTIVITY

The world population is growing and urbanisation is accelerating in most developing countries, especially in Brazil, Russia, India and China ('BRIC'). This is leading to increased demand for food such as milk, pork and beef. Meeting this demand with limited resources requires improved farming productivity. Genetics play a key role in achieving the necessary productivity improvements. Genus' world leading position means that it is well placed to improve the quality, safety and affordability of milk, beef and pork.

DEVELOPING DIFFERENTIATED PRODUCTS

Successful R & D starts from the customer's perspective. By making it our business to understand customer needs, Genus consistently strives to provide outstanding products and services that improve milk, pork and beef production.

In porcine, we base our core genetic improvement in two nucleus farms, located in Canada and the US. We combine quantitative sciences with leading edge biotechnology, whilst at the same time adopting a no walls approach to considering and introducing external genes where they can add to our portfolio and meet the needs of our customers.

Our dairy and beef product development programme is designed to create elite bulls whose characteristics meet our customers' needs. Our world-class bulls derive from a range of progeny-testing and young-sire programmes that Genus conducts in the US, UK, Brazil, Australia and Italy.

In the beef artificial insemination ('AI') sector, the main imperative is to coordinate the different elements of the beef value chain. There is enormous scope for driving value in this way by reducing the high level of variation in the cost of production, mainly driven by feed efficiency. At Genus, we are therefore adapting our genetic selection programme to capture this opportunity and deliver a higher value to the beef chain.

GLOBAL SALES AND DISTRIBUTION

Genus sells and distributes most of its products through 30 subsidiary companies across the globe. In a number of other countries, sales are made through distributors.

In porcine genetics, Genus PIC is the most recognised brand in delivering pigs that combine economical production costs with the best carcass value. In order to capitalise on the value our animals create for our customers, whilst minimising the impact of volatility in pig

The strong customer orientation, geographic spread of our business activities and the application of our royalty model in porcine all contribute to a robustness of performance even when our customers experience more difficult agricultural markets.

- Improved productivity
- Shareholder return

prices that we experience, we outsource the multiplication of animals either to third party pig producers or customers. In addition, much of our business is under royalty contracts. In such contracts, breeding animals are sold to customers at or close to our cost to produce. In return, customers commit to pay a royalty fee on each of the offspring produced. This use of third party multipliers and customers' own multiplication under royalty contracts to disseminate genetics reduces volatility in performance and therefore produces a more robust and consistent profit stream and mitigates the impact on Genus of cycles during which profitability is tested by price reductions or increases in input cost. Over 99% of the Group's multiplication requirements are outsourced and 44% of porcine sales are made under royalty contract.

By leveraging our third party multipliers in local markets, we are able to distribute our improved genes into our customers' systems in more than 70 countries.

In dairy and beef, Genus ABS leverages both its sales and distribution networks directly with in-house employees, independent representatives or distributors to efficiently reach and serve our customers. We take care to ensure we understand what our customer expects and that we deliver a product and service that meets these expectations. For example, traditional dairy farmers rely on Genus products that provide consistent results in an industry where high conception rates are critical for success.

In the developing countries there is an increased demand for milk that is accelerating the degree of technology used in dairy farming. In these markets, the products we supply have to meet two main goals: to enhance cow herd productivity, with more milk per animal per year, and to expand the cow inventory.

TECHNICAL SERVICES

Our sales and distribution efforts are supported by our experienced technical service teams. Ensuring our products meet the expectations of our customers is critical for success. Our global technical services teams not only ensure the product is right but also assist and advise our customers how to achieve the best results. This creates a winning situation for both us and our customers and serves to enhance customer loyalty.

GENUS CORE COMPETENCIES

Key enablers that set us apart:

- **Marketing and sales**
  Speed to market with fresh, relevant products enables Genus to meet, and anticipate, customer needs. Our ability to learn and adapt keeps us in the vanguard. So does a distinctive sales, distribution and technical service infrastructure managed by a skilled and motivated workforce. Strong customer segmentation and adherence to global best practice strengthens our offering.

- **Research and development**
  Genus R & D is closely aligned to current and future customer requirements. The result: leadership in next-generation proprietary technology platforms based on in-depth in-house research as well as fruitful collaborations with leading external technology partners. All of this is driven by the Genus R & D philosophy of 'discovery without walls'.

- **Supply chain**
  Genus understands the importance of accelerating genetic improvement by increasing the pace of transferring the best genes to our customers' systems. Our efficient processes ensure seamless and cost-appropriate product delivery.

- **Technical services**
  Genus carefully tailors service and staffing levels to each of our customer segments to best meet its needs in maximising sustainable milk, pork or beef production. Our highly skilled global technical services team help our customers to achieve best results with our products. This involves working closely with customers on areas that include genetics, production, health, nutrition services and farm management.

- **People development**
  With a team of talented people who are passionate about their work, at Genus we are committed to making a positive difference for customers. This means ongoing skills development and strengthening compensation and recognition schemes to attract and retain the right people for our business. We strive to create a meritocratic and performance driven culture where people leadership is highly valued.

Our Strategy

Genus has developed a robust strategy to capture the very significant growth opportunities in the animal genetics market, particularly in the BRIC countries. To achieve this, Genus will increasingly focus on customer needs and adopt a stronger market place orientation. The detailed strategies to support this call for continuing commitment to R & D and focus on key markets and segments while strengthening key competencies.

We have developed a robust strategy built around a stronger market place orientation to ensure we capture the opportunities in global animal genetics.

Genus' new strategy focuses on 4 key elements

1. Increasing genetic control and product differentiation
Increasing our control over genetics to help us create differentiated products for customers

2. Targeting key markets and segments
Expanding into emerging markets and targeted customer groups, whilst strengthening our position in core markets

3. Tailoring the business model
Shaping our product and service around the needs of specific markets and customer segments. Delivering the right product, right level of service, at the right time

4. Strengthening the core competencies
Making sure we have the right skills and systems in place across critical areas of our business

STRATEGIC FRAMEWORK

We have built our **vision** for Genus on a firm foundation.

We are focused on providing animal genetic improvement on a global basis and we already have leading global market shares in each of our three current business sectors, pork, dairy and beef. There are very significant opportunities to grow in these three areas and beyond.

Our **strategy** provides the collective actions that determine how we will capture these opportunities.

Guiding everything we do are our **values;** the fundamental beliefs that enable people to make the right choices when faced with difficult decisions.

The result is a **vision, strategy** and **values** that are unique to Genus; ones that will continue to set the Company apart from the competition and maintain our leadership in the years ahead.

1 Increasing genetic control and product differentiation

A top Genus priority is increasing control over the genetics we market and ensuring our products maintain a lead over those of our competitors through increased product differentiation. The starting point is an obsessive focus on establishing our customers' requirements and then building a R & D programme and supply chain. This ensures our rapid ability to bring to market products and services that meet or exceed customer expectations.

To achieve this, we will explore through universities and external research organisations the latest developments in our chosen fields and will invest in proprietary technologies, where relevant. This includes the ability to breed resilience against the diseases that can impact commercial viability and productivity.

Equally important are our efforts to leverage and accelerate the use of genomics in our porcine and bovine breeding programmes. Such technologies are widening the gap between Genus and our competitors and emphasising differentiation. Through this process, our technological advances are producing animals that have increased value for our customers in terms of factors such as prolificacy and feed conversion.

In addition, under the gender skew element of our research programme we are actively pursuing sexed semen R & D to deliver an improved and more efficient product offering.

2 Targeting key markets and segments

The success of Genus rests, in large part, on the Company's ability to target the right key markets and segments.

In the porcine part of our business, we are focusing on two links in the value chain: integrators, who produce, slaughter and brand their products; and the farrow-to-finish segment, which delivers stock to third parties for further processing. We are ensuring that we have the right products for each of these segments in each of the critical geographies.

In the dairy and AI beef business, we recognise and target the growth that is occurring in larger dairy customers who focus more on the scale economics of farming. We also seek continuing growth in the fast-expanding BRIC economies, while retaining strong links with reliable customers in places such as the US and Europe. There, steady business will help fund our expansion elsewhere.

3 Tailoring the business model

As we focus on target markets and segments, we recognise that every geographic market or customer segment has its differences – and Genus remains sensitive to them.

For example, in the US, emphasis is on pigs that produce good bacon, while Spain and France prefer leaner meat. For the Chinese, good flavour prevails. Through our porcine development programme, we have the ability to tailor our product offering and better meet the specific requirements of these differing markets.

Our emphasis extends beyond the products we offer to factors such as the level and type of service we provide. We are establishing global technical service teams both in our porcine and in our dairy and AI beef businesses. These teams will ensure we offer the right service at the right time to ensure we exceed customer expectations.

In our porcine business we evaluate carefully when is the right time to use the royalty model and when to continue with direct sales. And in dairy and AI beef, we will continue to evaluate when to operate an owned business and when to use distributors.

4 Strengthening core competencies

To implement our strategy, we are strengthening each of the five following core competencies that set Genus apart: (i) marketing and sales (ii) product & development (iii) supply chain (iv) technical services and (v) people development.

This involves gearing up our key account management on a global basis to offer the improved service our large enterprise customers expect. We are also sharpening our focus on product development through proprietary technologies.

The strengthening of our world-class supply chain in our porcine and dairy and AI beef businesses is also a major priority. On the technical side, we are increasingly providing the sort of service that allows customers to extract the full potential of our products. To ensure we achieve this consistently throughout our business, we are establishing global technical service teams.

And, throughout Genus, we are enhancing the skills and expertise of our people through training and recruitment. We are also using our global presence to transfer people and skills well established in developed markets into the teams we are building in the developing markets.

THE RESULT

Our strategy envisages a higher level of capital investment to support the planned growth; however, we expect such investment to remain modest in the context of the Group as a whole. We are also planning increased investment in our core competencies and people to ensure we are well placed to execute on our growth plans.

As a result of the planned investment, we expect the delivery of our plans to enable the Group to achieve an improving rate of growth from 2014 onwards.

Our Strategy in Practice
Porcine

At Genus PIC we are expanding our presence with the world's largest integrated pork producers. This involves a full understanding of varying customer needs and a passionate commitment to delivering the best products to meet them.

We are establishing a global technical service team that will assist in ensuring we deliver the best product and service tailored to specific customers and markets.

BILL CHRISTIANSON
CHIEF OPERATING OFFICER, GENUS PIC

To succeed on a global basis, we are making every effort to attract the most talented team.

The porcine business, like any other, has cycles during which profitability, particularly for our customers, is tested by a reduction of prices or increase on input cost. At such times, it is imperative to drive better results through more resilient business models.

Genus PIC understands customer economics and uses genetics to deliver better, more efficient pigs with greater carcass value.

1 Increasing genetic control and product differentiation

WHAT WE PLAN TO DO IN 2013

- We will continue investing in proprietary technologies that accelerate genetic progress and increase the value we deliver to our customers.
- Imputation in genomics will be used to further improve our product differentiation. Our genomics work to date shows impressive results in economically relevant traits, with accuracy of breeding values increasing by 71% for litter size, and by 58% for pig mortality.
- We will start a two-year global programme to reduce the dissemination lag (the time it takes to get the latest genetics to the market) in the most relevant markets and at our customers' systems worldwide. Our target is to reduce the lag by one full year.

2 Targeting key markets and segments

WHAT WE PLAN TO DO IN 2013

- With presence in more than 30 countries, we will continue solidifying our leading position in most markets across the Americas, especially the US. We will expand our presence in Brazil, Russia, Germany, Spain and China.
- Leveraging Genus' strengths in the Americas will enable us to build success in the world's largest integrated and production systems.

3 Tailoring the business model

WHAT WE PLAN TO DO IN 2013

- Improving our understanding of the different needs of our customer segments will enable us to continuously tailor our products and services and exceed customer expectations.
- We are establishing a global technical service team that will assist in ensuring we deliver the best product and service tailored to specific customers and markets. This will include our fast growing business in China.
- Large integrated customers have enthusiastically adopted our royalty model for cost effectively improving the performance of their pig production systems. We will continue expanding this model, already well established throughout our customer base in North America, by extending it to other geographies to the benefit of customers and Genus alike.

4 Strengthening core competencies

WHAT WE PLAN TO DO IN 2013

- Our technical service group will continue to realise the full potential of our genetics.
- Genus PIC will continue to attract and retain the best talent in the industry.

Dairy and AI Beef

Genus ABS leads the world in dairy and AI beef semen genetics. The Company has a strong and successful development programme and unrivalled global coverage.

We are fully committed to deliver the best genetics of the industry.

RICARDO CAMPOS
CHIEF OPERATING OFFICER, GENUS ABS

By acting locally, Genus ABS leverages strengths in people and technology with the highest standards of innovation and service that transcend national borders.

In some countries, we are seeing an accelerated growth in the scale of dairy farming. This offers exciting opportunities to achieve efficiency gains as well as the benefits of specialisation.

1 Increasing genetic control and product differentiation

WHAT WE PLAN TO DO IN 2013

- We are fully committed to deliver the best genetics of the industry. The application of our new technologies will drive a step change in our customers' farms.
- We expect to sustain the leadership of our product line and to continue meeting demand for the highest ranked bulls in the industry.

2 Targeting key markets and segments

WHAT WE PLAN TO DO IN 2013

- Genus ABS will expand presence in developing markets, with the BRIC economies and Argentina offering the most promising opportunities.
- At the same time we will sustain our successes in very competitive countries such as Mexico, Italy, France and the UK.
- We will continue to recognise and accommodate the differing needs of traditional farmers and large dairy systems, with a particular focus on ensuring we capture the growth in the latter through targeted product and service offerings.
- In North America, we will focus our efforts in the large enterprise segment.

3 Tailoring the business model

WHAT WE PLAN TO DO IN 2013

- We acknowledge the differences among customer segments and will tailor our product offers accordingly. This will involve ongoing refinement of our range as well as timely deliveries in required volumes.
- We will establish a global technical service team, leveraging off our successful experience in markets such as Mexico, to bring a better all round offering to key customers.
- We will establish a global marketing team that will facilitate further improved coordination between customer needs and product development.
- We will seize the opportunity to support the coordination of the supply chain with ever-better products and people dedicated to making a positive change in what remains a very traditional industry.

4 Strengthening core competencies

WHAT WE PLAN TO DO IN 2013

- We are putting increasing emphasis on further developing skills in key account management, technical service, product development and the supply chain.

Our Strategy in Practice
Asia

The world's largest continent, extending across 30% of the globe's land mass is home to 3.9 billion people, or 60% of the world's population. And that population is growing, as are incomes and appetites. For Genus, the opportunities are unrivalled.

We are well established but will continue to pursue growth in a number of Asian markets.

JERRY THOMPSON
CHIEF OPERATING OFFICER, GENUS ASIA

China alone accounts for almost 50% of the pigs in the world. India has 15% of the dairy cows. And Russia, which spans Europe and Asia, is one of the globe's largest importers of all animal protein.

Food availability, safety and quality are critical objectives for each of these countries, with self-sufficiency in animal protein production featuring as an important element of their national plans. Genus Asia is becoming an increasingly significant feature in those plans, building our business in pork, dairy and beef.

CASE STUDY –
GROWING OUR PORCINE BUSINESS IN CHINA

In China's pork business, we are looking into joint ventures with large food companies that are vertically integrating upstream. We are also considering alliances with feed companies that are moving downstream into production and later bringing their pork to the market.

Our recently-signed joint venture ('JV') agreement with BeSun, a leading company in the Chinese pork market, expands Genus' porcine business in China and is in line with our new corporate strategy. Genus will become a 49% partner in the JV through a cash investment of approximately £8.7m. The JV will own a recently completed state-of-the-art nucleus farm. We will provide, over the next nine months, pure line porcine stock from Genus PIC's global high-health pyramid and we will manage the farm. This arrangement will safeguard the Company's intellectual property and form a framework for a royalty revenue model similar to those in operation in other key porcine geographies.

The JV will produce grandparent sows, with the output from the farm being used proportionally by the JV partners. Once in full operation, the herd will underpin production of 10 million slaughter pigs per year.

1 Increasing genetic control and product differentiation

WHAT WE PLAN TO DO IN 2013

- We will work to develop a differentiated product pipeline for key countries such as Russia, India and China. In porcine, this will be through our global product development programme. In dairy, we will ensure the product from our local studs is tailored to the individual market requirements.
- We will work to ensure that the latest genetics are available in specific markets, through more rapid dissemination.

2 Targeting key markets and segments

WHAT WE PLAN TO DO IN 2013

- We are well established but will continue to pursue growth in a number of Asian markets. Genus is placing particular emphasis on China, Russia and India.

3 Tailoring the business model

WHAT WE PLAN TO DO IN 2013

- In China, we will continue to pursue joint venture opportunities with large food companies that are integrating vertically in pork production, such as the recently agreed joint venture with BeSun.
- In dairy, we will expand our distribution in countries such as China to target large accounts. In India we will continue the development of production and distribution channels to serve this more fragmented market.
- Our focus on large customers will be leveraged through the targeted use of specialist technical services, calling on the global team where appropriate to ensure we bring our world leading expertise to our key customers in Asia.

4 Strengthening core competencies

WHAT WE PLAN TO DO IN 2013

- We will leverage the knowledge and experience of the Genus Group global teams, including internal staff transfer and assignments.
- We are rapidly building our teams in China, Russia and India to ensure we have the right resources in place to support our ambitious growth plans. This includes putting emphasis on further developing skills in key account management and technical service.

Research and Development

For Genus, R & D is crucial for growing our businesses and honing the Company's competitive edge. The focus is on meeting, and anticipating, customer needs and aligning technical advances to business strategy in the areas of porcine, dairy and beef.

The quality of Genus science is one of the Company's great differentiators.

DR DENNY FUNK
CHIEF SCIENTIFIC OFFICER

Just as Genus today is reaping the benefits of technologies developed a decade ago, in five to ten years' time, today's R & D efforts will enable us to maintain Genus' leadership in every aspect of our operations. We will continue to accelerate speed to market through close involvement with Genus marketing, sales and technical service groups and, of course, our customers.

Our research programme is focused on three core platforms:

1 Disease resilience

- We understand the impact of major disease outbreaks in the animal world, including foot and mouth, BSE, swine fever and Porcine Reproductive and Respiratory Syndrome. Genus is working on research projects to deliver animals that are more robust or less affected by diseases of this kind.

2 Gender skewing

- There is an already established market for sexed semen that relies on third party technology. We are actively pursuing sexed semen R & D to deliver an improved and more efficient product offering.
- Sexed semen offers even greater potential value in countries like India. There, demand for milk is growing at 4% per year. Our aim is to double the number of heifers available for replacement or herd expansion, while minimising the number of male calf births.

3 Genomic selection

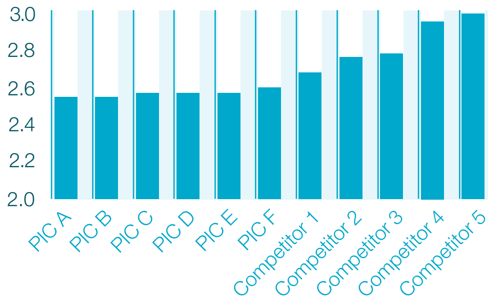
- One of the most important tools in our core genetic improvement programme, genomic selection, enables the identification of genetic markers, that can lead to significant breed improvements. This results in an increase in the frequency of identifying elite individuals to use in breeding programmes.
- Over a decade of development in this area has reduced costs and widened application to a much bigger proportion of the breeding population.

GENUS PRODUCT ADVANTAGE

The quality of Genus science is one of the Company's great differentiators. To determine precisely how R & D sets us apart from the competition, we regularly benchmark our performance. For example, in porcine, feed costs represent about 75% of the cost of production. At Genus, we regularly collect feed efficiency differences from head-to-head trials in the marketplace. Genus PIC's products consistently rank first compared to competitor products.

We continuously benchmark our value against our competitors.

FEED CONVERSION RATIO

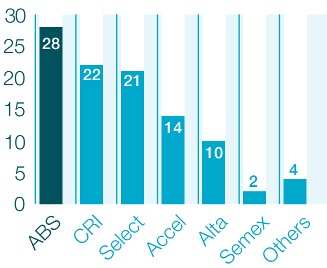


Source: Genus 2010 product validation summary

Similarly, in dairy, Genus ABS has the most bulls at the top of the US TPI rankings. And while the number of Genus top bulls is a sign of success, so is 'strike rate'. Ours is the best in the industry.

In dairy we have delivered product leadership.

TOP 100 HOLSTEIN BULLS FOR TOTAL PERFORMANCE INDEX ('TPI'), APRIL 2012



Market Overview

Growth in demand is greatest in developing countries, with China, amongst other developing countries, at an inflection point in pork and milk consumption and production. The demand is primarily driven by an increase in urbanisation and economic growth.

Income growth is fastest in countries with large populations, and this is driving demand growth for food.

GLOBAL TRENDS

Demand for animal protein is outstripping supply and the world has shifted from an era of structural surplus to structural shortage of grain to sustain the growth in animal protein. This is leading to a period of higher meat prices. With limited and more expensive input resources, animal production has to increase yield by a better and higher use of genetics and other key technologies.

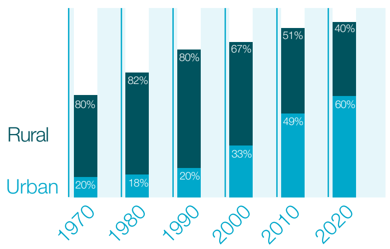
Within these macro trends, milk, beef and dairy prices and feed costs fluctuate according to short-term demand and other factors such as weather.

MEETING INCREASING DEMAND

Whilst grain prices have been volatile due to weather fluctuations from year to year, the underlying trend in recent years has been for grain prices to rise because of higher demand and the additional use of grain as an energy source to help reduce reliance on hydrocarbons. Ethanol now demands about 40% of the US corn production – which is one third of the world's total. Before the year 2000, ethanol demanded less than 10% of the US corn production. Since then, corn prices have more than doubled from a range of $2.50–$4.00 per bushel to a new level of $5.00–$8.00.

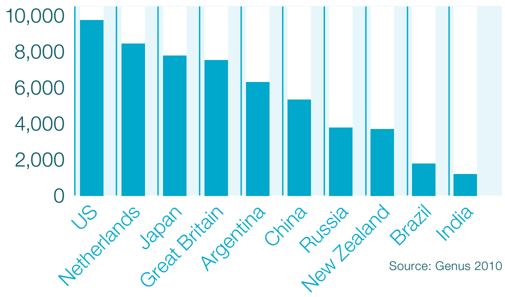
Given such market constraints, one of the key solutions is to increase yield through technologies such as improved genetics. There is enormous scope for this, with variations of more than 100% in productivity when comparing pork or milk yield across different countries. Other factors that contribute to productivity rises include access to greater use of advanced nutrition and better production practices.

CHINA'S URBAN GROWTH
1970–2020 (estimated)



Source: Data is from National Bureau of Statistics and Ministry of Public Security

MILK PRODUCED PER COW/YEAR (KG)



Source: Genus 2010

Inevitably, countries with local access to large volume of grains and/or grass will continue leading the cost of production and capture the export opportunity in milk, pork and beef. Therefore, the US and Brazil are likely to continue to lead in pork and beef exports. New Zealand, the US, Argentina and selected countries in EU will lead in whole milk powder, butter and cheese.

Income growth is fastest in countries with large populations, and this is driving demand growth for food. For instance China has the desire to be self-sufficient in the production of pork. The nation already accounts for almost 50% of the pigs in the world. This aim will generate a higher demand for grains, putting higher pressure on prices. Within the other factors that contribute to efficiency in animal production, genetics plays the most significant role in driving cheaper cost of production and better quality of proteins. Genus will have a significant role in helping to redress this imbalance.

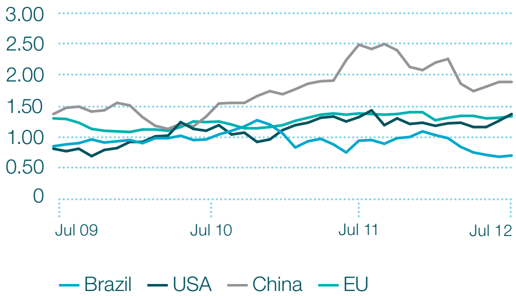
PORCINE

Pork consumption is growing annually in a range of 1.5–2.5% and China accounts for 80–90% of that growth in the last decade. The US accounts for over 35% of the world's exports, and keeps growing, with competitive production cost unsurpassed. As a result there is a correlation between China and US market prices. We had higher prices in the first half of our fiscal year but during the second half (Jan–June), pork prices fell back in most export and import markets.

The promotion of vertically integrated food systems is likely to continue and is driving strong demand for porcine genetics.

This trend was attributable to an increase in production in China, the US and Brazil. The exception was the EU. It was particularly noticeable in China, where production is less efficient and pork prices are high and volatile due to disease-related supply disruptions.

INTERNATIONAL PORK PRICES
PIG CARCASS (£ PER KG)



Source: China Swine, CIRCA, CME and IEA

Within the EU, new standards in sow housing are likely to cause a market readjustment. While some countries, including the UK, Denmark and the Netherlands, already comply with the new regulations, in others, such as Spain and Poland, the transformation is more expensive. This is likely to mean a decline in pork production of as much as 5%.

More significant is the transformation in China, which represents about half of world pork production and consumption. There, with urbanisation up to 50% that translates into higher disposable income, demand for pork is growing; pork is the preferred protein source. To encourage increased supply to meet demand, the government is supporting the development of large integrated pork producers to replace traditional small farmsteads. Large scale pig producers now account for 37% of pigs to market; three years ago they represented only 25% of the total market. The promotion of vertically integrated food systems is likely to continue and is driving strong demand for porcine genetics.

DAIRY AND AI BEEF

International dairy prices have risen over recent years from the lows experienced in 2008 and remained at relatively high but stable levels over much of 2011 and into early 2012. Much of the strength in the global dairy markets is attributed to a combination of strong demand in the Russian Federation and South East Asia, and constrained supplies from New Zealand and Australia. Imports of milk powders to China have soared, fuelled by rising income but also food safety concerns, in the aftermath of the milk adulteration incidents. The global dairy sector is entering a decade of relatively high prices, continuing strong demand, but also higher production costs and possibly continued market variability.

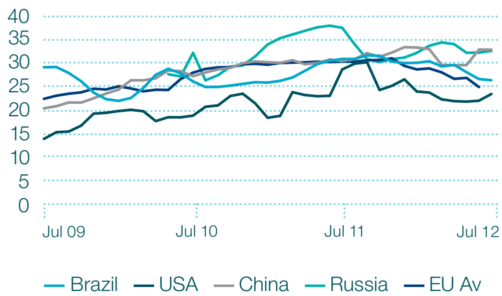
During 2012, dairy prices have declined over the last six months to a level last seen in

October 2009. Over-production has cut prices of commodity dairy products including cheese, butter and whole milk powder.

The decline in China has been less dramatic, since the country is still importing large product volumes to fill growing demand for milk and its derivatives.

As occurs with other commodities, lower prices and higher input cost are driving supply adjustments of milk production in the short term. Global milk prices are expected to recover during 2013 and continue the upward trend seen over the last four years that is primarily explained by an increased demand from importing countries like China and Russia.

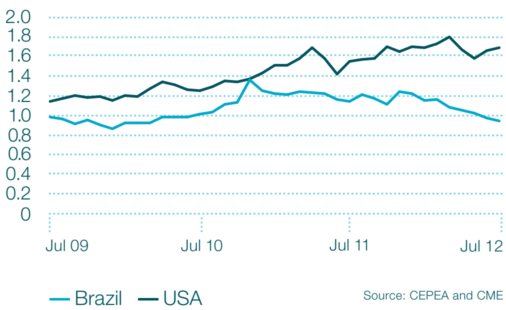
INTERNATIONAL DAIRY PRICES
(PENCE PER LITRE)



Source: CEPEA, China MOA, CME, Dairy Co and Russian Ministry of Agriculture

Cattle prices have declined in Brazil over the last six months, a trend likely to change by late 2012 when Brazil's short-term production increase comes to an end. Prices in the US are expected to remain firm, supported by the impact of the hot weather and drought conditions in much of the US.

INTERNATIONAL CATTLE PRICES
LIVE CATTLE (£ PER KG)



Source: CEPEA and CME

Key Performance Indicators

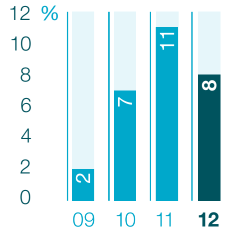
Our clear objectives are to deliver organic growth in both our species, to drive operating profitability from that growth and to generate cash. We apply key performance indicators to monitor and measure our progress against each of these objectives.

We measure our business by reference to indicators in two main areas:

- **performance; and**
- **financial strength.**

PERFORMANCE MEASURES

BOVINE SALES VOLUME GROWTH
2012 PERFORMANCE: 8%



WHY WE MEASURE

To track the underlying performance of the business by reference to a common unit of measure used consistently around the world.

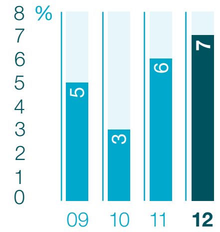
DEFINITION

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

PERFORMANCE

Volumes grew 8% to 15.7m doses. The driver for this was strong growth in volumes in Latin America and Asia, with particular expansion in China. The growth includes semen produced locally from production facilities that we established in India and China last year. Semen volumes supplied from global studs increased by 4%.

PORCINE SALES VOLUME GROWTH
2012 PERFORMANCE: 7%



WHY WE MEASURE

To track the underlying performance of the business by reference to a common unit of measure used consistently around the world.

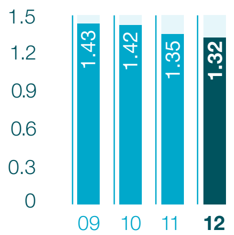
DEFINITION

The change in the volume of animals on which we receive revenue, whether through direct sales or royalty contracts. In order to ensure we have a consistent unit of measurement the volume is based on market pig equivalents i.e. slaughter animals that contain our genetics.

PERFORMANCE

After last year's return to growth that followed the agricultural recession, volume growth has continued into FY12 with growth of 7%. Customer confidence was apparent throughout the year with strong evidence of royalty customers updating their genetics regularly, particularly in North America. Performance in Asia, and especially China, continued the strong growth seen throughout last year.

OPERATING PROFIT PER DOSE OF SEMEN
2012 PERFORMANCE: £1.32



WHY WE MEASURE

To monitor the profitability of the business by species unit.

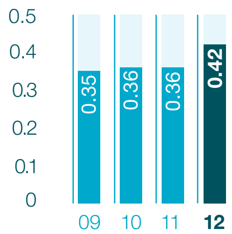
DEFINITION

Net operating profit of dairy and AI beef expressed per dose of semen delivered.

PERFORMANCE

FY12 saw a small reduction in unit profitability. Average selling prices fell overall on prior year due to the stronger growth in volumes of the lower cost, locally sourced product in Russia, India and China. In addition, product development costs associated with expanded bull development programme were higher.

OPERATING PROFIT PER MARKET PIG EQUIVALENT ('MPE')
2012 PERFORMANCE: £0.42



WHY WE MEASURE

To monitor the net, fully allocated profitability of the business by species unit.

DEFINITION

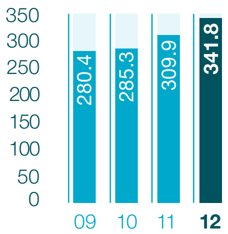
Net porcine operating profit expressed per MPE.

PERFORMANCE

Profit per MPE increased on FY11 as product improvements, additional value programmes such as CBVPlus and CBVMax, and the continued switch to the more robust royalty model increased porcine profitability.

PERFORMANCE MEASURES

REVENUE (£MILLION)
2012 PERFORMANCE: £341.8m



WHY WE MEASURE

To track the underlying performance of the business geographically.

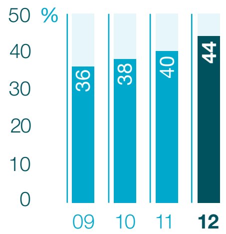
DEFINITION

Sales of products and services analysed by region. The change in revenues is also shown on an underlying constant basis, to indicate underlying sales trends.

PERFORMANCE

Revenues grew by 10% in actual currency and 12% in constant currency, with strong growth in the developing markets. In Asia sales were up 36%, with growth of 12% in Latin America, balancing the adverse impact of exchange experienced during the last quarter. Mature North American markets had respectable growth levels, especially in porcine.

PORCINE REVENUE: % ROYALTY
2012 PERFORMANCE: 44%



WHY WE MEASURE

To monitor the success of the fundamental strategy to transition porcine customers to the royalty model.

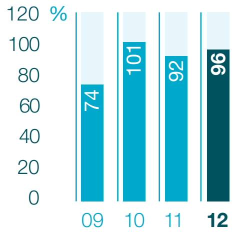
DEFINITION

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

PERFORMANCE

The proportion of porcine revenue contributed by the royalty model grew to 44% in FY12. This was a significant increase on the prior year and demonstrates the traction in converting customers in the developing markets to the royalty model. Also, customer confidence in the developed markets returned, with increased genetic uptake into royalty contracts in North America.

CASH CONVERSION
2012 PERFORMANCE: 96%



WHY WE MEASURE

To monitor the Group's performance at converting profits into cash through working capital management disciplines.

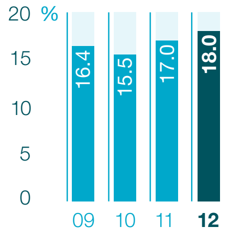
DEFINITION

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

PERFORMANCE

The business continued to target reduction in net debt through disciplined working capital management and cash conversion improved in spite of ongoing investment. FY12 experienced continued investment in the bull programme, to meet future demands identified in the strategy review, and investment in production and product development facilities. Genus is also required to pay deficit repair contributions into its defined benefit pension schemes.

RETURN ON CAPITAL EMPLOYED
2012 PERFORMANCE: 18%



WHY WE MEASURE

To ensure we invest wisely and achieve rates of return for the Group in excess of our cost of capital.

DEFINITION

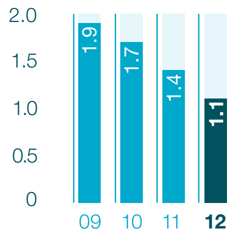
Return on capital employed ('ROCE') is defined as adjusted operating profit expressed as a percentage of historical (non IAS 41 adjusted) gross assets.

PERFORMANCE

ROCE increased from 17% last year to 18% for the year to 30 June 2012. The historical cost asset base stabilised after the significant investments made two years ago, with more modest investment in infrastructure being made this year. Investment in the bull programme and development spend was offset by lower levels of inventory holdings and amortisation of intangible assets.

FINANCIAL STRENGTH MEASURE

NET DEBT TO EBITDA
2012 PERFORMANCE: 1.1



WHY WE MEASURE

To ensure an appropriate level of financial gearing and generation of sufficient cash profits to service debts.

DEFINITION

The ratio of net debt (being gross debt including finance lease obligations less cash held), to earnings (excluding JV income) before interest, tax, depreciation and amortisation.

PERFORMANCE

The ratio reduced during the year from 1.4 to 1.1, reflecting the business' improved profitability, focus on cash generation and the reduction in net debt from £67.9m to £56.4m.

Financial and Operational Review
Financial Review

We achieved record results with revenues up 10% to £341.8m and adjusted profit before tax up 19% to £46.5m.

Adjusted basic earnings per share rose by 19% to 53.5 pence (2011: 44.8 pence). The increase was in line with the improvement in profit before tax.

JOHN WORBY
GROUP FINANCE DIRECTOR

ADJUSTED PERFORMANCE

	Actual currency			Constant currency
	2012 £m	2011 £m	Movement %	Movement %
Adjusted operating profit	**45.8**	42.2	9	10
Share of JV profits*	**2.8**	3.1		
Adjusted operating profit inc JV	**48.6**	45.3	7	9
Net finance costs	**(2.1)**	(6.3)		
Adjusted profit before tax	**46.5**	39.0	19	22

* Excludes net IAS 41 valuation movement in biological assets and taxation.

The results for the year ended 30 June 2012 show that Genus has continued to make good progress. We achieved record results with revenues up 10% to £341.8m and adjusted profit before tax up 19% to £46.5m. As in previous years, we continue to use adjusted operating profit and adjusted profit before tax as the prime measures of financial performance, particularly in monitoring underlying performance.

The following non-cash or non-recurring items are excluded from adjusted operating profit:

- net IAS 41 valuation movement in biological assets;
- amortisation of acquired intangible assets;
- share-based payment expense; and
- exceptional items.

REVENUE

Revenue increased by 10% from £309.9m to £341.8m. Revenue grew across the Group's activities, with porcine revenues up 14% and dairy and AI beef revenues up 6%. Growth was particularly strong in developing markets with Latin America revenues up 12% and Asia up over 30%.

ADJUSTED PROFIT BEFORE TAX

Adjusted operating profit, including joint ventures, increased by 7% to £48.6m (2011: £45.3m) and adjusted profit before tax increased by 19% to £46.5m (2011: £39.0m). The percentage improvement in operating profit and profit before tax, at constant exchange rates, was 9% and 22% respectively.

Operating profits increased in all four regions. Profit growth was strongest in Asia, where significant volume growth and a buoyant market in porcine, especially in China, led to a 41% increase in profits to £10.4m. In North America, profits increased by 12% to £39.5m, driven by increased volumes in porcine and higher margins in both porcine and dairy and AI beef. Latin American profits also increased by 20% to £16.2m. In the more mature European market, profits improved to £18.9m, an increase of 3%.

R & D costs were 13% higher including increased investment in research activities, particularly in relation to genomic evaluation work. Central costs were also higher, reflecting investment in the establishment of an enhanced Group HR function and a dedicated strategy unit in support of the new Genus strategy.

A more detailed review of operating profit performance by region is set out on pages 28 to 30.

It is also relevant to look at the Group's performance by species, particularly in light of the change in structure introduced in July 2012 to align the organisational structure with the new strategy.

In this respect, both porcine and dairy and AI beef increased revenues and profits. Porcine revenues grew by 14%, with royalty income up 10% to £57.6m. Underlying volumes were up 7%. Margins improved as a result of initiatives such as the CBVPlus and CBVMax programmes in North America whereby we deliver improved value to our customers through using higher quality boars. The increased volumes and improved margins led to a 19% increase in porcine profits.

PERFORMANCE BY SPECIES

	Actual currency 2012 £m	Actual currency 2011 £m	Actual currency Movement %	Constant currency Movement %
REVENUE				
Dairy & AI beef	**165.1**	155.1	6	7
Porcine	**165.5**	145.7	14	15
Research & development	**11.2**	9.1		
	341.8	309.9		
ADJUSTED OPERATING PROFIT INC JV				
Dairy & AI beef	**20.8**	19.7	6	8
Porcine	**43.6**	36.6	19	20
Central costs & research	**(15.8)**	(11.0)		
	48.6	45.3		

Dairy and AI beef revenues increased by 6%. Volumes increased by 8%, with growth strongest in China, India and Russia. In these countries, we saw a benefit from increased sales of lower priced locally produced semen as well as continuing growth in sales of imported semen. Sales volumes of semen from our global studs, which represent over 82% of semen sales, increased by 4% and average selling prices improved by 3%. The resultant improvement in margins was partly offset by the higher costs of the increased bull development programme to support future volume growth. Overall, profits increased by 6%.

EXCHANGE RATES

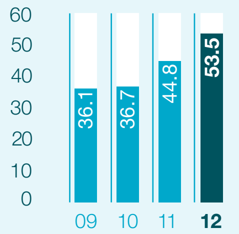
The Group's products and services are sold to customers in 70 countries across six continents. Consequently, our results are subject to variation based on the translation of profits at different exchange rates. As in previous years, we have shown changes in performance on a constant exchange rate basis to illustrate underlying business performance.

In the year ended 30 June 2012, the Group's adjusted operating profits were reduced by £0.9m. This was due to a modest strengthening of Sterling against currencies such as the Brazilian Real and Mexican Peso in the last quarter of the year. This had the impact of reducing the growth in adjusted operating profits for the Group from 9% to 7%.

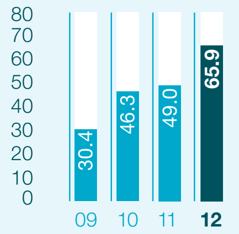
The key average and year-end exchange rates used to translate the results for the year were:

	Average 2012	Average 2011	Closing 2012	Closing 2011
US Dollar/£	**1.59**	1.60	**1.57**	1.61
Euro/£	**1.19**	1.16	**1.24**	1.11
Brazilian Real/£	**2.86**	2.65	**3.17**	2.51
Mexican Peso/£	**20.90**	19.47	**21.06**	18.83

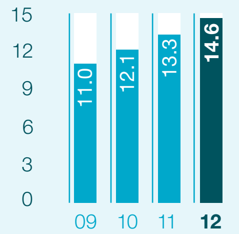
ADJUSTED BASIC EPS (PENCE)



STATUTORY BASIC EPS (PENCE)



DIVIDEND PER SHARE (PENCE)



FINANCE COSTS

Net finance costs reduced by £4.2m to £2.1m (2011: £6.3m). Approximately £2.0m of this reduction arose from the benefits of the Group's refinancing in March 2011. The remainder was due to a combination of reduced net borrowings, lower interest on pension liabilities and a reduced average interest rate; the latter was due to the fixed rate swaps entered into at the time of the Sygen acquisition maturing.

Following the increased pension deficit at 30 June 2012, including the additional one-off pension provision made, the interest cost on pension liabilities will be higher in the year ahead.

EXCEPTIONAL ITEMS

There was a £0.9m (2011: £1.2m) net exceptional credit this year. This comprises three elements:

1. A restructuring charge of £2.0m principally relating to refocusing the European porcine business on larger integrated customers;
2. A provision of £20.1m (2011: £nil) for potential additional pension costs in respect of the multi-employer Milk Pension Fund ('MPF'). The triennial valuation of the MPF at March 2012 is expected to show an increased deficit particularly following recent reductions in gilt yields. In light of this, and the difficulty certain other employers may experience in fulfilling their obligations to the scheme, the Group concluded that it was necessary to make a provision for its potential joint and several obligations in connection with the MPF scheme. The provision relates to potential future cash payments that may arise over a number of years as a result of the possibility of certain employers in the MPF being unable to meet increased deficit repair contributions. These potential costs are additional to the pension liabilities in respect of Genus' past and present employees in the now closed MPF. They arise because of Genus' joint and several liability with the other employers for the obligations of the MPF; and
3. An exceptional credit of £23.0m as a result of a change in the basis of calculating the value of the Group's porcine pure line breeding animals under IAS 41. This change has increased the carrying value of biological assets under IAS 41 but has no cash impact. Further details are given in note 15 to the Financial Statements.

STATUTORY PROFIT BEFORE TAX

Operating profit on a statutory basis was £54.2m compared with £44.8m last year. The statutory profit before tax was £54.4m (2011: £40.8m). These statutory results benefit from the impact of the exceptional items discussed above combined with a higher underlying net fair value credit on biological assets under IAS 41 of £15.8m (2011: £9.8m). As noted above, the performance as measured by adjusted operating profit including joint ventures showed growth of 7%, and adjusted profit before tax showed growth of 19%. The Board believes these adjusted profit measures provide a better measure of the Group's underlying performance.

TAXATION

The effective rate of tax for the year, based on adjusted profit before tax, was virtually unchanged at 31.0% (2011: 31.5%).

The effective rate remains higher than the UK corporate tax rate. This is due to the mix of overseas profits, particularly the proportion of profits generated in North America, where the tax rate is approximately 39%.

EARNINGS PER SHARE

Adjusted basic earnings per share rose by 19% to 53.5 pence (2011: 44.8 pence). The increase was in line with the improvement in profit before tax.

Basic earnings per share on a statutory basis were 65.9 pence per share (2011: 49.0 pence).

DIVIDEND

The Board is recommending to shareholders a final dividend of 10.1 pence per ordinary share. Taking into account the interim dividend of 4.5 pence per share paid in March 2012, this will result in a total dividend for the year of 14.6 pence per ordinary share, representing an increase of 10% for the year as a whole. Subject to shareholder approval at Genus' forthcoming Annual General Meeting, this dividend will be paid on 23 November 2012 to shareholders on the register at the close of business on 9 November 2012.

Dividend cover remains strong, with the dividend covered 3.7 times by adjusted earnings (2011: 3.4 times).

BIOLOGICAL ASSETS

A feature of the Group's net assets is a substantial investment in biological assets, which are required by IAS 41 to be held at fair value. At 30 June 2012, the carrying value of biological assets was £282.2m (2011: £238.8m) as set out in the table below:

	2012 £m	2011 £m
Non-current assets	**223.0**	187.0
Current assets	**36.8**	27.3
Inventory	**22.4**	24.5
	282.2	238.8
Represented by:		
Porcine	**107.6**	74.6
Dairy & AI beef	**174.6**	164.2
	282.2	238.8

The Group had a strong cash flow performance with a £14.5m cash inflow despite increased capital investment.

The increase in the overall carrying value of biological assets includes a £33.0m increase in the carrying value of porcine biological assets; £23.0m of this increase relates to a reassessment in the method of calculation of the value of pure line animals in the Group's two nucleus farms, valuing the herds as entities and using discounted cash flows from the herds' saleable product. This better reflects the true value of these animals. The remaining increase is due principally to the higher number of animals held in the Group's farms, particularly those in China, to meet customer needs. The carrying value of biological assets related to dairy and AI beef has increased by £10.4m mainly due to an increase in the value of the bulls in the development programme.

CASH FLOW AND NET DEBT

	2012 £m	2011 £m
Cash generated by operations	**43.9**	39.2
Interest, tax and dividends	**(22.0)**	(18.3)
Capital investments	**(9.1)**	(4.8)
Other	**1.7**	0.9
Net cash inflow before swap settlement	**14.5**	17.0
US Dollar swap settlement	**–**	(7.0)
	14.5	10.0

The Group had a strong cash flow performance, with a net cash inflow for the year of £14.5m (2011: £10.0m). This was notwithstanding increased capital investment and higher tax payments as a result of the Group's growing profits.

Capital investment in the year increased to £9.1m (2011: £4.8m). This includes expenditure in expanding the Group's dairy and AI beef production facilities in Canada and additional spend in porcine on product development facilities in North America and a production farm in China.

We reduced net debt from £67.9m to £56.4m at 30 June 2012.

The Group's financial position and ratios remained strong and there is substantial headroom under our £132m borrowing facilities. Interest cover, based on net interest excluding interest on pension liabilities, improved to 17.7 times (2011: 7.9 times) and the ratio of net debt to EBITDA as calculated under our financing facilities reduced from 1.4 to 1.1.

RETIREMENT BENEFIT OBLIGATIONS

The Group's retirement benefit obligations at 30 June 2012, calculated in accordance with IAS 39, were £67.3m (2011: £23.6m) before tax and £51.0m (2011: £17.5m) net of related deferred tax. The significant increase in obligations in the year arose from an increase in the deficit in the MPF, a multi-employer defined benefit scheme, together with an additional provision of £20.1m. The total deficit of the MPF scheme, calculated in accordance with IAS 19 at 30 June 2012, increased from £39m to £102m. This was due to the impact of lower bond yields and only modest investment returns in the year. Genus' estimated share of this deficit increased from £14.3m to £57.2m. This is after taking into account the £20.1m exceptional provision made in connection with the Group's potential joint and several liabilities under the scheme. We consider this exceptional provision to be necessary in light of the higher underlying deficit and the likely difficulty of certain other employers in the MPF being able to meet their obligations.

During the year, annual deficit contributions payable in respect of the Group's defined benefit scheme amounted to £1.9m. A triennial actuarial valuation of the MPF as at 31 March 2012 is under way. We expect this valuation to result in higher deficit contributions in the future.

Financial and Operational Review
Review of Operations continued

Market conditions provided reasonable profitability for Genus customers throughout most of the year.

Our North American porcine production multiplication network was expanded by 9%.

NORTH AMERICA

	Actual currency			Constant currency
	2012 £m	2011 £m	Movement %	Movement %
Revenue	**121.5**	114.5	6	5
Adjusted operating profit	**39.5**	35.3	12	11
Adjusted operating margin	**33%**	31%		

Revenues rose by 6% to £121.5m and operating profit increased by 12%. The porcine business performed strongly, with more modest progress in dairy and AI beef.

Market conditions provided reasonable profitability for Genus customers throughout most of the year. During the last quarter, however, market conditions became more difficult for some customers due to increased feed costs and declining milk prices.

In porcine, we continued to gain market share, which improved to 36% as volumes grew by 4%. Sales of animals under royalty contracts were also higher. This will lead to further increases in royalty income in the years ahead. In addition, we continued to implement successfully our CBVPlus and CBVMax programmes whereby we deliver improved value to our customers through using boars of higher genetic merit. This, along with price increases, has enabled us to improve margins whilst at the same time providing better service to customers. Our North American porcine production multiplication network was expanded by 9%. This will provide the necessary supply to continue the expansion of our business in North America and provide an increased number of animals for export to Genus customers in other countries. In particular, this supported our growth in the Latin America and Asian regions.

In May 2012, Genus PIC celebrated its 50th anniversary in conjunction with the annual PIC Symposium. Over 500 key customers representing 22 countries were in attendance.

The dairy and AI beef business had a more difficult year; hot weather at the beginning of the year and lower milk prices towards year-end had an impact on the demand for dairy semen. This was most notable in the large dairy enterprise sector. Beef sales were more encouraging and rose modestly. Overall, however, volumes were down 2%. More effective sales management enabled a small improvement in average selling prices. This, together with continuing tight management of costs, resulted in a small improvement in dairy and AI profits.

LATIN AMERICA

	Actual currency 2012 £m	2011 £m	Movement %	Constant currency Movement %
Revenue	**52.5**	47.0	12	23
Adjusted operating profit exc JV	**16.2**	13.5	20	26
Adjusted operating profit inc JV	**18.2**	16.3	12	18
Adjusted operating margin exc JV	**31%**	29%		

The performance across Latin America benefited from improved customer services.

Latin America achieved another year of strong growth. Revenue increased 12% to £52.5m and operating profit (excluding joint ventures) grew 20% to £16.2m. A disappointing performance in our Brazilian joint venture caused by weak pig prices in Brazil held back growth in operating profit including joint ventures to 12%.

Volumes in porcine grew by 16%. We continued to focus on converting customers to royalty contracts. Consequently, royalty income grew 34%. Our business in Chile performed well, benefiting from increased volumes and improved margins due to the superior performance of our animals in customers' herds.

Our joint venture in Brazil had a difficult year, with lower pig prices caused by the temporary closure of the export market to Russia. As a result, our share of profits was lower.

Progress continues in converting more Brazilian customers towards the royalty model.

In dairy and AI beef, volumes grew by 11% in markets that generally remained favourable. Mexico was the exception, due to weak milk prices. Chile and Argentina had a particularly good year, with strong volume growth and improved prices. The new business in Colombia, that opened in February 2011, has made good progress.

The performance across Latin America benefited from improved customer services. In beef, the fixed AI programme continued to grow. In dairy, customer support services were enhanced through an increased level of dairy technical services support made available to our key customers.

EUROPE

	Actual currency 2012 £m	2011 £m	Movement %	Constant currency Movement %
Revenue	**117.3**	113.3	4	4
Adjusted operating profit	**18.9**	18.4	3	4
Adjusted operating margin	**16%**	16%		

Volumes grew by 6%, aided by an increased emphasis in a number of markets on our reproductive management services.

Revenue in Europe increased by 4% and operating profits increased by 3%.

Our porcine business in Europe continued to improve in a difficult market. Market conditions for European pig farmers remained challenging. Short-term profitability for farmers has improved as a result of higher pig prices. However, with the likely need for many producers to invest in order to comply with the European welfare legislation that becomes effective in 2013, demand has been weak. Consequently, volumes in the porcine business in Europe were down 3%. Firmer pig prices together with cost reductions helped to improve margins.

During the year, we commenced the implementation of a restructuring of the European porcine business to sharpen the focus on larger integrated pork producers and to reduce our exposure to directly owned farming activities. We implemented cost reductions in Germany, the benefits of which started to become apparent in business performance towards the end of the year. Another milestone was the recent appointment of a new senior executive with considerable industry experience to lead our European porcine operations.

Demand for dairy and beef semen has been reasonable, with European milk prices higher than the comparable prior period for most of the year albeit there was a modest fall towards year-end. Volumes grew by 6%, aided by an increased emphasis in a number of markets on our reproductive management services ('RMS').

In the important UK market, we increased market share. We contained the impact of cost increases in fuel and other areas by replacing a large proportion of the fleet with more fuel efficient and lower CO_2 emitting vehicles. We also implemented the latest fuel efficiency monitoring technology. In Italy, we achieved benefits through an improved local bull line up and increased emphasis on RMS. During the year, we acquired our small Polish distributor, which will enable us to accelerate expansion of our presence in the large Polish dairy market. Elsewhere in our distributor markets, we saw good volume progress in Hungary and Saudi Arabia. However, volumes in Turkey were affected by a difficult market. Promar, our agricultural consulting business, continued to perform well, winning new contracts in the year.

Financial and Operational Review
Review of Operations continued

The Asian region achieved an excellent performance, with strong growth broadly across the region and in both the porcine and dairy and AI beef businesses.

ASIA

	Actual currency			Constant currency
	2012 £m	2011 £m	Movement %	Movement %
Revenue	**48.9**	35.9	36	40
Adjusted operating profit exc JV	**10.4**	7.4	41	39
Adjusted operating profit inc JV	**11.1**	7.7	44	43
Adjusted operating margin exc JV	**21%**	21%		

The Asian region achieved an excellent performance, with strong growth broadly across the region and in both the porcine and dairy and AI beef businesses. Revenues increased by 36% and operating profits (including joint ventures) by over 40% to £11.1m.

In porcine, volumes grew strongly by 33%. In Russia, we strengthened further our position in a number of key accounts with new stockings. This included a number of animals provided directly from our US operations. Similarly, volumes grew in the Philippines, despite more difficult market conditions there for part of the year. In both countries, we have continued to convert customers to the royalty model, which now accounts for over 40% and 20% respectively of volumes in these two countries. In China, where to date we have not operated the royalty model, direct sales grew. Profitability in China also benefited from buoyant market conditions in the first half of the year. We also achieved higher volumes elsewhere, including a large multiplication and nucleus farm stocking in South Korea.

In China, we are realigning our production to be more in line with the new strategy that focuses on large integrated pork producers. This strategy envisages entering into joint ventures with such customers and less reliance on direct sales from our own local production of breeding animals. We announced the first such joint venture, involving a large 4,250-sow nucleus farm with an existing customer, BeSun, shortly after the year-end. We are also progressing discussions regarding potential joint ventures with other integrated producers.

During the year, milk prices were stable in China and steadily increased in most of our other key dairy markets in Asia. This, combined with growing demand, resulted in the volume of semen sold by our dairy and AI beef business increasing by 24%. Semen produced locally from studs in China, India and Russia (which started production in August 2011) was the key driver of the high level of growth. Increased volumes of imported semen from Genus global studs supplemented this growth. During the year, we received approval to open a warehouse for imported semen in India. This will enable us to improve further availability and service to our customers. Our business in Australia performed well, with volumes up 8% and firmer prices as farms recovered from the drought of the previous year.

Across our business in Asia, and particularly in China, we have strengthened the management and supporting technical service teams. This will ensure the business is well placed to achieve our planned growth in the years ahead.

RESEARCH AND DEVELOPMENT

	Actual currency 2012 £m	2011 £m	Movement %	Constant currency Movement %
Research & development costs	**28.7**	25.3	13	14

Genus continues to invest ahead of the rate of inflation in R & D to ensure that our products meet customer needs and put us ahead of our competitors.

Genus continues to invest ahead of the rate of inflation in R & D to ensure that our products meet customer needs and put us ahead of our competitors. During the year, the costs of our R & D increased by 13% to £28.7m. Porcine product development costs rose principally as a result of higher feed costs, net of increased slaughter revenue, as part of running the two nucleus farms in North America. Dairy and beef product development costs were higher due to the additional costs associated with the increased size of the bull development programme, which is crucial to providing capacity for anticipated growth. We also invested more heavily on research activities targeted on programmes devoted to genomic evaluation, gender skew and disease resistance.

PORCINE PRODUCT DEVELOPMENT

During the year, we completed the implementation of genome wide selection in our breeding programme using our extensive proprietary database of over 14 million performance records and genomics software developed in house. We now have a database of over 20,000 animals that have been genotyped for 60,000 genomic regions across all chromosomes of the pig. In addition, we have completed the development of imputation programmes that will allow us to use this information to genotype an even larger number of animals going forward at a much lower cost per animal. This will allow us to increase the accuracy of selection based on estimated breeding values within our programme.

As feed costs continue to rise, feed efficiency remains an important trait. With programmes such as our cross-bred trials and the increased use of specialist feeders to record feed usage, PIC continues to deliver the most feed-efficient animals in the industry.

DAIRY AND AI BEEF PRODUCT DEVELOPMENT

Throughout the past year, ABS bulls continued to perform well in the national rankings of the countries where we progeny-test bulls. In the US, ABS averaged 30 bulls in the internationally important top 100 TPI rankings across all three sire summaries in the year. The UK had similar results while Italy contributed with some key bulls during the year that drove additional volume and improved prices.

We continued to supply differentiated genetics into Russia, China, and India. Bulls shipped to our new stud in Russia produced their first saleable units in September 2011. During the year, we shipped a total of 29 dairy and six beef bulls to our partners in China, where we now have a population of 64 dairy bulls and 14 beef bulls. In India, we shipped embryos produced in Canada from elite Holstein pedigrees to our partner's stud. We expect the first calves from these imported embryos will be born in the Autumn of 2012.

RESEARCH AND DEVELOPMENT

We refocused and enhanced Genus research activities during the year to place increased emphasis on our three key research programmes: genomic evaluation, gender skew and disease resistance. We continue to make progress in these areas, although our initiative to develop a proprietary sexed semen product is progressing but taking longer than originally anticipated. We have extended key sexed semen supply contracts to ensure continuity of supply in this growing segment of our dairy and AI beef business.

Principal Risks and Uncertainties

Genus operates a structured and embedded risk management system that identifies, evaluates and prioritises risks and uncertainties and actively reviews control and mitigation activities.

WHAT WE DID IN 2012

During 2012, following consultation with the Genus Executive Leadership Team and the Audit Committee, we reviewed our risk management system. Key elements now include:

- oversight by the Head of Internal Audit and Risk;
- regular meetings and workshops to identify and discuss key risks and mitigations with senior Group management;
- three times a year review of the corporate risk register in terms of completeness and accuracy at a meeting of the Genus Executive Leadership Team;
- Audit Committee discussion of the latest corporate risk register and the risk management system at each of its regular meetings, with subsequent reports to the Board; and
- targeted Board review of selected specific risks contained in the corporate risk register.

WHAT WE PLAN TO DO IN 2013

During 2013, we intend to continue to operate the improved risk management system as agreed with the Genus Executive Leadership Team and the Audit Committee. Further refinements will include:

- Group-wide reviews of selected specific risks identified on the corporate risk register; and
- presentations to the Audit Committee or Board by senior operational and financial management covering specific risk areas.

RISK MANAGEMENT FRAMEWORK

THE BOARD

- Has overall responsibility for the Group's risk management and internal control systems
- Sets strategic objectives
- Monitors the nature and extent of risk exposure against risk appetite for our principal risks
- Provides direction on the importance of risk management and risk management culture

GENUS EXECUTIVE LEADERSHIP TEAM

- Identifies, addresses and mitigates risks Group-wide
- Monitors risk management process and internal controls

AUDIT COMMITTEE

- Supports the Board in monitoring risk exposure against risk appetite
- Reviews the effectiveness of our risk management system

INTERNAL AUDIT

- Oversees the risk management process and provides guidance on risk management matters
- Engages with senior management to review risks and mitigating actions

RISK	RISK DESCRIPTION	MITIGATING ACTIONS
MARKETS		
Intellectual property protection	• Genus-developed porcine genetic material could become freely available to third parties	• Strict contractual restrictions imposed on counterparties to limit use of genetic material within pure lines • Careful selection of multipliers and joint venture partners (including in emerging markets) to ensure trustworthiness • Ability to undertake genetic testing of animals to determine genetic origin
Agricultural recession and commodity pricing	• Impact of fluctuations in agricultural markets on customer profitability and demand • Increase in operating costs owing to commodity pricing volatility	• Geographic diversity of businesses • Use of the porcine royalty model • Hedging transactions to fix pricing of inputs and outputs where appropriate
Emerging markets	• Fail to appropriately develop business in emerging markets	• Experienced management team blending local and expatriate executives • Asia established as a separate business unit reporting directly to CEO • High level of Board oversight • Dedicated development, technical services and veterinary staff within emerging markets • Adoption of joint venture business model in appropriate regions

RISK	RISK DESCRIPTION	MITIGATING ACTIONS
DISEASE AND ENVIRONMENT		
Bio-security	‣ Loss of key livestock owing to disease outbreak	‣ Formal bio-security standards featuring movement controls, veterinary inspection, and independent bio-security reviews ‣ No over-reliance on single production sites with key facilities placed in different countries
Continuity of supply	‣ Loss of ability to move animals and semen or semen freely (including across borders) owing to, for example, disease outbreak, environmental incident, or international trade sanctions	‣ Formal bio-security standards featuring movement controls, veterinary inspection, and independent bio-security reviews ‣ Care taken to avoid over-reliance on single production sites with key facilities placed in different countries
Environmental pollution incident	‣ Environmental incident on porcine development facility	‣ High standards of facility development and operation ‣ Independent assessment of operational compliance
Business continuity	‣ Unavailability of key research, production or administrative site ‣ Failure of IT system	‣ Business Continuity Plans in place for key locations ‣ Testing programme established ‣ Care taken to avoid over-reliance on single production sites with key facilities placed in different countries ‣ Formal IT Disaster Recovery Plans in place with testing programme ‣ Property Damage and Business Interruption insurance cover
HR		
Human resources	‣ Fail to attract or retain skills and experience within executive, management and employee cohorts	‣ Executive pay levels recently reviewed by external consultants ‣ Regular scrutiny of senior management performance and remuneration at Remuneration Committee ‣ Recent appointment of dedicated experienced Group-wide HR Director ‣ Development of people and talent plans
RESEARCH AND DEVELOPMENT		
Product development and competitive edge	‣ Development programme fails to produce best genetics for customers ‣ Increased competition in developed and emerging markets drives down market share and margins	‣ Formal communication process to ensure development is aligned with customer requirements ‣ Dedicated product development team ‣ Focus on key account management ‣ Use of porcine royalty model ‣ Offering technical services and support to customers ‣ Benchmarking of performance ‣ High density of bulls in Top 100 listings
Commercialisation of research	‣ Fail to focus research initiatives on commercially important areas ‣ Fail to lead on future 'game-changing' technology	‣ Regular oversight of research by R & D Portfolio Management Team and executive management ‣ Continuing appropriate budget allocated to research and development
FINANCE		
Pensions	‣ Exposure to costs associated with failure of third party member of joint and several pension scheme ‣ Exposure to costs as a result of external factors impacting size of pension deficit (e.g. mortality rates, investment values etc.)	‣ Agreement of appropriate actuarial valuations and deficit recovery plans with pension fund trustees ‣ Review of investment strategy ‣ Closure of pension funds to future service ‣ Monitoring of joint and several liability in the Milk Pension Fund ‣ Third-party review of pension arrangements undertaken

Our People

We are creating high-calibre teams dedicated to every aspect of our business. As a company rooted in science but built around people, we are able to deliver on our strategy and maintain our leading market position around the world.

Our focus in 2012 has been on establishing an enhanced Group HR function.

CATHERINE GLICKMAN
GROUP HUMAN RESOURCES DIRECTOR

OUR PEOPLE
Our values, developed by our people, demonstrate how unique our people are.

STRIVING FOR EXCELLENCE
A high performance culture starts at the top. In the last year, we have focused on developing a compelling vision, based on values that capture the spirit of the business. These delineate a clear strategy, in which every one of the 2,400 staff can see the part that he or she plays. All of this has created a true global team.

This high performance culture, dedicated to innovation and customer service, is self-perpetuating. It attracts, rewards and retains teams who delight in creating products that exceed customer expectations and delivering profitable and sustainable growth.

PERFORMANCE MANAGEMENT – INVESTMENT IN PEOPLE
A refreshed and consistent approach to performance management is uniting the top 500 managers, underpinned with a new online resource. The approach focuses on metrics that measure customer loyalty, people development, product and service improvements and financial performance. We timed its launch in July, so we can set high quality objectives for the financial year ahead. GELT has set the example, with their objectives published to the business, and each of the 500 will now set their objectives based on the cascade.

Work on behaviours and two core competencies – key account management and technical service, together with talent development, will be a major focus in 2013.

KEEPING IN CONTACT
In January 2012 we launched a new Group intranet site 'Helix', our internal communications tool. Named by Genus employees, Helix is already succeeding in communicating Group strategy, spreading best practice and updating our people on business progress. In addition to serving as central location for storing key documents, training sessions and annual conference presentations, Helix supports the 'one team' principle that is helping to shape our future.

Helix is increasingly seen as the source of information on Genus, and is becoming a key tool to network knowledge around the Group.

DEVELOPING AND RECRUITING TALENT
Genus is committed to recognising, developing and recruiting new talent across the businesses. This is strengthening our teams and providing the high levels of support and innovation that our customers have come to expect.

Our focus in 2012 has been on establishing an enhanced Group HR function, with a remit to specifically focus on developing and recruiting the talent to support the growth envisaged in the strategy. To achieve this we recruited Catherine Glickman, who became Group HR Director in January. From our own talent pool we appointed Ricardo Campos to head up Genus ABS, drawing on his vast experience in the cattle industry and knowledge of Latin America. We also promoted Dr Denny Funk, a world-class geneticist, to serve as Head of Research & Development. We have strengthened the Group with high quality recruits into our PIC product development teams and key account teams, as well as into our developing businesses in China and India.

DEVELOPING THE PIONEERS OF THE FUTURE
Creating the environment in which innovation is recognised and rewarded is integral to our future success as the pioneer of animal genetic improvement. Research in the last year has shown that personal development and growth are very important to staff that value learning and are highly qualified. Genus University, our online training and development centre, is becoming increasingly important in training the current and future staff throughout the Group. We know that it helps to retain, motivate and develop staff at every level. Last year, 1,378 of our people benefited from Genus University training, taking a total of over 4,000 courses.

Creating the environment in which innovation is recognised and rewarded is integral to our future success as the pioneer of animal genetic improvement.

Seizing the Opportunity

To bring life and immediacy to our new vision, values and strategy, Genus brought together the top 60 managers for the Group's first Global Leadership Conference in June 2012. The theme was 'seizing the opportunity' and the venue was, appropriately, one of our most exciting markets: China.

The three-day meeting outside Beijing provided an opportunity for Genus leaders to shape the future of the Company. In addition to an agenda that focused on strategic alignment, marketplace orientation and the importance of people leadership, the conference provided a new level of support for the Genus in-country team. It also enabled participants to develop a deeper understanding of local customer needs.

Conference feedback confirms that Genus leaders understand and are committed to delivering the strategy in their businesses. They recognise that execution will be key in realising Genus' potential. Participants are now sharing and cascading the messages to their teams, aligning every part of the business behind our strategy.

The curriculum is very broad, including customer-focused genomics, cross-breeding management systems, fertility fundamentals, one-to-one customer services success, communication across cultures and change management for employees.

Other programmes are also progressing, with emphasis on graduates in Genus Asia. In the Philippines, for example, we launched an enhanced six-month management training module in September 2011. It is helping to equip participants with swine production knowledge and skills, update them on best practice and prepare them for leadership roles. Based on the success of this endeavour, we have now launched a specially adapted version of the course in China, with nine graduates with higher degrees as the first participants.

PIC – 50th Birthday

- Founded in 1962 at the White Hart pub in Wallingford, UK, PIC has grown from a small group of pig farmers to an international leader in porcine genetics.
- Through the decades, PIC has worked diligently to bring the advantages of superior swine health, genetics and production efficiency to countries around the globe.
- With our 50 years of experience in pig improvement, PIC is ready, willing and able to help pork producers everywhere make the most of their operations.

Corporate Social Responsibility

Genus does essential work, advancing the frontiers of biotechnology. It is equally essential that we work responsibly, wherever we do business.

We are committed to the highest standards of corporate and individual behaviour.

IAN FARRELLY
GROUP COMPANY SECRETARY & GENERAL COUNSEL

SUSTAINABILITY IN WORLD AGRICULTURE

Genus plays a key role in the world's agricultural economy. Our unique position in the supply of superior natural animal genetics enables farmers and food producers on six continents to ensure the supply of quality products with increasing output at improved production efficiencies. With an ever-increasing world population and decreasing resources available for food production, Genus meets a social and economic need in the efficient production of quality foods.

In doing so, we are committed to the highest standards of corporate and individual behaviour. This involves careful thought about the economic, social and environmental impacts of the Group's activities, wherever Genus operates. By acting with the highest standards of business conduct, Genus earns the trust of customers, shareholders, colleagues, suppliers, regulators and the communities in which we operate. Maintaining these standards is vital to the continued success and development of the Group.

All companies in the Genus Group follow procedures that comply with local laws and regulations. In many cases, our procedures and practices exceed local requirements. The Genus Board has overall responsibility for corporate responsibility, regularly assessing the needs of Genus' stakeholders and delegating day-to-day management of corporate responsibility issues to GELT in conjunction with regional management.

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

THE ENVIRONMENT

Concern for the environment is an essential part of our business operations. Therefore we minimise environmental risk by effectively managing the Group's activities. Genus is committed to conducting business in ways that are sensitive to the environmental needs of the communities in which we operate. Our locations integrate environmental management into their operational systems and procedures. Monitoring and reporting on environmental performance is an integral part of the Group's operations and a key element of the Group's risk management programme.

Genus operates an active policy of environmental compliance. This involves assessing environmental risks associated with existing and new facilities and establishing controls to ensure that any risks remain at an acceptable level. Employees at our facilities receive a high level of training in environmental compliance matters. Comprehensive environmental protocols are in operation at our facilities that are subject to independent checks.

OUR EMPLOYEES

Genus places considerable value on employee involvement and commitment. Our staff play a vital role in building a sustainable business and their skills, qualities and well-being underpin the Company's success. Details of the Genus approach to its employees can be found in the Our People section of this report on pages 34 to 35.

HEALTH AND SAFETY

Genus is committed to providing safe working environments wherever we operate. We also proactively monitor compliance with local regulations. This commitment is supported by a comprehensive training regime for the Group's employees. Genus has developed best practice farm and animal handling protocols that we deploy at all farm locations. These deal with the potential dangers of working with livestock and operating equipment and the provision of a safe working environment.

The monitoring and reporting on the Group's health and safety performance are an integral part of the Group's operations and key to the Group's risk management programme.

Maintaining a consistently safe and healthy workplace for our people requires effective management. Under the supervision of the Global Health & Safety Officer and regional health and safety teams, Genus operates a proactive network of health and safety personnel in our global facilities that share knowledge and experience with the aim of cross-fertilising best practice and ensuring consistently high standards of safety across the Group. The Global Health & Safety Officer is responsible for monitoring and reporting adherence by the Company to the Group's health and safety protocols and global health and safety staff regularly inspect the Company's sites.

Genus has developed best practice farm and animal handling protocols that we deploy at all farm locations.

GOOD CORPORATE CITIZENSHIP

Nourishing the world

Between 1950 and 2012, the world's population grew from 2.6 billion to over 7 billion, 82% of whom live in developing economies. More people will accelerate the growth of urbanisation to encompass 70% of the population. Increasing demand for high-quality food, coupled with finite land, water and energy resources, is forcing farmers to seek new ways of improving their productivity. Genus plays an increasingly important social and economic role in this crowded new world, enabling our global customers to produce quality foods efficiently and to meet the increasing demands of sustainable agriculture.

Animal welfare

Our animals are our business. Genus is committed to providing the highest level of care and treatment for our herds, which rely on us for a safe and comfortable environment. Therefore, we make certain that Genus employees responsible for animal handling are appropriately trained and qualified. Our facilities are designed and are maintained to ensure best practice in animal husbandry. Fully qualified inspectors provide regular health assessments. All of this is in line with the Genus Animal Welfare Code of Conduct.

Using a recently introduced global Health & Safety Management System, the Group has been able to track, monitor and evaluate health and safety incidences and trends worldwide and to communicate learnings from any incidences at a particular location to all facilities via the global health and safety network. Adopting an increasingly standardised approach to health and safety management has meant the Group's total recordable case incidence rate has decreased by 1.5 cases to 0.65 cases per 100 full-time workers in the 2012 financial year as compared to the 2011 financial year and a 4% reduction in the number of incidents in the year compared to the prior year.

OUR STAKEHOLDER RELATIONSHIPS

CUSTOMERS

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

SUPPLIERS

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

OUR COMMUNITY

As a responsible member of the communities in which we operate, Genus actively encourages the Group's operating companies to engage positively with the local community in their areas.

Board of Directors

Top row, left to right:

Bob Lawson
John Worby
Mike Buzzacott
Ian Farrelly

Bottom row, left to right:

Karim Bitar
Nigel Turner
Professor Barry Furr

BOB LAWSON (67)
NON-EXECUTIVE CHAIRMAN

Appointed to the Board: November 2010

Experience: Bob Lawson was appointed Chairman of the Board and the Nomination Committee in November 2010. He is Non-Executive Chairman of Barratt Developments plc. He is also a Director of The Federation of Groundwork Trusts. His career has spanned several UK and continental groups including, ten years as Chief Executive of Electrocomponents plc leading its successful expansion into new international markets, and three years as Managing Director of Vitec Group plc.

Committee memberships: Chairman of the Nomination Committee and member of the Remuneration Committee.

KARIM BITAR (47)
CHIEF EXECUTIVE

Appointed to the Board: September 2011

Experience: Karim Bitar joined the Board in September 2011. He worked for over 15 years with Eli Lilly and Company and was President of Lilly Europe, Canada and Australia before joining Genus. An ex-McKinsey & Company consultant, who worked across Asia and in Europe, he has also held management roles at Johnson & Johnson and the Dow Chemical Company.

Committee memberships:
Member of the Nomination Committee.

JOHN WORBY (61)
GROUP FINANCE DIRECTOR

Appointed to the Board: September 2004

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

NIGEL TURNER (63)
SENIOR NON-EXECUTIVE DIRECTOR

Appointed to the Board: January 2008

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

Committee memberships: Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.

MIKE BUZZACOTT (64)
NON-EXECUTIVE DIRECTOR

Appointed to the Board: May 2009

Experience: Mike Buzzacott is a qualified accountant. He joined the Board in May 2009 and is Chairman of the Audit Committee. He spent 34 years at BP prior to his retirement in 2004, holding a number of international roles including Finance & Control Director Asia Pacific, CFO BP Nutrition and Group Vice President Petrochemicals. He is currently a Non-Executive Director of Scapa Plc. He retired as a Non-Executive Director of Croda plc in August 2011 and was formerly a Non-Executive Director of Rexam plc and Chairman of Biofuels plc.

Committee memberships: Chairman of the Audit Committee and member of the Remuneration and Nomination Committees.

PROFESSOR BARRY FURR (68)
NON-EXECUTIVE DIRECTOR

Appointed to the Board: December 2006

Experience: Professor Furr retired as Chief Scientist and Head of Project Evaluation for AstraZeneca plc in 2005 after 34 years of service. He is a Non-Executive Director of the Medicines and Healthcare Products Regulatory Agency and the American Pharmaceutical company GTx Inc. He was awarded an OBE in 2000 for his services to cancer drug discovery. He joined the Board in December 2006 and acts as Scientific Advisor to Genus' Research & Development Portfolio Management Team, which replaced the Science Committee with effect from 1 July 2012. He is the author of more than 160 papers on reproductive endocrinology and antihormones.

Committee memberships: Member of the Audit, Remuneration and Nomination Committees.

IAN FARRELLY (43)
GROUP COMPANY SECRETARY & GENERAL COUNSEL

Appointed: June 2006

Experience: Ian Farrelly is a solicitor and joined Genus in June 2006 from Microgen plc where he was Group General Counsel. Previously he was Group Solicitor & Company Secretary of Diagonal plc and Solicitor to Hays plc.

Genus Executive Leadership Team

Left to right:
Ian Farrelly
Dr Denny Funk
Jerry Thompson
John Worby
Karim Bitar
Catherine Glickman
Ricardo Campos
Bill Christianson

Following the appointment of Karim Bitar in September 2011, members of the Genus Executive Leadership Team ('GELT') have been specially chosen for their individual and collective strengths, expertise and experience. GELT exists to help deliver the Genus strategy and reinforce the Company values that underpin our business.

GELT RESPONSIBILITIES

GELT's first task was to determine the Company's vision and values, described in the Company Overview.

An ongoing role is to ensure organisational alignment, engagement and efficient execution throughout the Group. Inevitably, this also involves making crucial personnel, operational and commercial decisions. Equally important is GELT's stewardship of the Genus reputation.

More widely, GELT is ensuring that Genus delivers on several fronts:

- **corporate strategy** – primary responsibility for developing and implementing the Company's strategy alongside operational excellence, through embedding and strengthening key capabilities;
- **operations management** – driving organisational profits and results; ensuring core processes are reliable and efficient; annually reviewing R & D plans; managing risk, including risk mitigation; managing the Genus balanced scorecard, including customer equity metrics;
- **people** – promoting and ensuring talent management and people development throughout the organisation; and
- **resources** – including corporate procurement and investments.

DIVISIONAL STRUCTURE

The new structure based on business units rather than the previous geographical split, with focus on our developing markets in Asia, provides for the best delivery of the following key elements:

- insight-driven research;
- strategic marketing;
- strong product development;
- sales and technical services;
- optimised supply chain; and
- developing markets.

Members of GELT are as follows:

KARIM BITAR
CHIEF EXECUTIVE

JOHN WORBY
GROUP FINANCE DIRECTOR

IAN FARRELLY
GROUP COMPANY SECRETARY & GENERAL COUNSEL

See pages 38 to 39 for Karim's, John's and Ian's biographies.

DR DENNY FUNK
CHIEF SCIENTIFIC OFFICER

Denny has a strong genetics background, with a PhD in animal breeding from Iowa State University. He joined Genus in 1995 and prior to his role as Chief Scientific Officer, held various positions in research, product development and production. Prior to joining Genus, he was an Associate Professor with tenure at the University of Wisconsin, Madison for seven years following five years with the US Holstein Association.

JERRY THOMPSON
CHIEF OPERATING OFFICER, GENUS ASIA

Jerry graduated with a BSc Hons in Agriculture from Seale Hayne College, Devon and has worked for PIC and subsequently Genus for almost 20 years. After two years in the UK business he moved to Eastern Europe where he has held a number of roles including Key Account Manager in Siberia, Managing Director for PIC Romania and for the Central and Eastern European PIC business. In 2008, Jerry moved to the position of Regional Director for PIC Europe. He became Regional Director for the Russia and Asia Pacific Region based in Shanghai in 2010 before being appointed into his current role on 1 July 2012.

BILL CHRISTIANSON
CHIEF OPERATING OFFICER, GENUS PIC

Bill has doctorates in Veterinary Medicine and in Philosophy from the University of Minnesota. He joined Genus in 1993. Before his current appointment in July of this year, he held various operational roles within Genus, including serving as General Manager of the PIC North America business in 2007 and as Chief Operating Officer of the Americas from March 2010.

RICARDO CAMPOS
CHIEF OPERATING OFFICER, GENUS ABS

Ricardo has degrees in Business Administration, Agribusiness Administration and Management from the SNA Agribusiness School, Santiago, Chile. Having joined Genus in 2004 from an ABS distributor that was purchased by the Group, he was instrumental in establishing ABS businesses in Chile, Argentina, Uruguay and Colombia – all of which enabled the Latin America business to achieve double-digit growth. Subsequent roles included leadership of the genetic business in the Caribbean and Marketing Specialist for non-genetic products and Genus Latin America Managing Director. Ricardo was appointed to his present position on 1 July 2012.

CATHERINE GLICKMAN
GROUP HUMAN RESOURCES DIRECTOR

Catherine joined Genus in January 2012 in the newly created role of Group HR Director. For the previous 20 years, she worked for Tesco plc in a variety of positions. For the last four years she was Group HR Director, where she focused on talent development, succession and leadership development. She held HR Director roles supporting the international rollout of Tesco into Asia, Central Europe and the States, and led HR for the UK Stores during a period of major expansion. Prior to Tesco, she worked in HR for Somerfield plc and Boots plc. Catherine holds a degree in English Language and Literature from Durham University and is a member of the Institute of Personnel and Development.

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the Financial Statements and Auditors' Report, for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the global application of quantitative genetics and biotechnology to animal breeding in porcine and dairy/artificial insemination ('AI') beef sectors.

The principal subsidiary and associated undertakings are listed in note 36 to the Financial Statements.

BUSINESS REVIEW

A review of the business of the Group during the financial year ended 30 June 2012, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group can be found within the Company Overview and Business Review on pages 2 to 37.

The Company Overview and Business Review also includes details of expected future developments in the business of the Group, an indication of its activities in the field of research and development and details of the key performance indicators used by management, together with details of the Company's approach to corporate responsibility. The Company Overview and Business Review also contain a description of treasury policies and financial instruments used by the Group, which should be read in conjunction with note 25 to the Financial Statements.

DIVIDENDS

The Directors recommend an increase in the final dividend for the year ended 30 June 2012 of 10% to 10.1 pence per ordinary share.

Subject to shareholder approval at the Company's Annual General Meeting to be held on 8 November 2012, this dividend will be paid on 23 November 2012 to ordinary shareholders on the register on 9 November 2012 and, together with the interim dividend of 4.5 pence paid on 30 March 2012, makes a total dividend of 14.6 pence for the year (2011: 13.3 pence).

DIRECTORS

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

Bob Lawson	– Non-Executive Chairman
Karim Bitar	– Chief Executive (appointed 1 September 2011)*
John Worby	– Group Finance Director
Nigel Turner	– Senior Non-Executive Director
Mike Buzzacott	– Non-Executive Director
Barry Furr	– Non-Executive Director

* On 25 May 2011, the Company announced the retirement of Richard Wood with effect from 30 September 2011 and the appointment of Karim Bitar as a Director with effect from 1 September 2011 and as Chief Executive of the Company with effect from 30 September 2011.

In compliance with the UK Corporate Governance Code, all Directors will offer themselves for annual re-election at the next Annual General Meeting.

The Board considers that all Directors make an effective and valuable contribution to the Board and demonstrate commitment to their respective roles. Biographical details on the Directors of the Company can be found on pages 38 and 39.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Acts and related legislation. The articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Matters Reserved for the Board, copies of which are available on request, and the Corporate Governance Statement on pages 47 to 51.

DIRECTORS' INTERESTS

The Directors who held office at 30 June 2012 had the following interests in the shares of the Company:

	At 30 June 2012 Number	At 30 June 2011 Number
Bob Lawson	**5,150**	5,150
Karim Bitar	**17,551**	–
John Worby	**10,000**	10,000
Nigel Turner	**15,000**	15,000
Mike Buzzacott	**3,000**	3,000
Barry Furr	**8,000**	8,000
Total	**58,701**	41,150

No changes took place in the interests of Directors between 30 June 2012 and the date of this report.

DIRECTORS' SHARE OPTIONS AND SHARE AWARDS

Details of Directors' share options and share awards are provided in the Directors' Remuneration Report on pages 64 to 66.

SUPPLIER PAYMENT POLICY

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and ensure that the Company abides by the terms of payment. Trade creditors of the Group at 30 June 2012 were equivalent to 26 days' purchases (2011: 25 days), based on the average daily amount invoiced by suppliers during the year.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the Group made no charitable donations (2011: £6,150).

CAPITAL STRUCTURE

Details of the Company's authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 30. The Company has one class of ordinary share. Each share carries the right to one vote at general meetings of the Company. There are no specific restrictions either on the size of a holding or on the transfer of shares, which are both governed by the provisions of the Company's Articles of Association and prevailing legislation. Details of the Company's employee share schemes are set out in note 29. In connection with these schemes, the Genus plc Employee Benefit Trust holds shares in the Company from time to time and abstains from voting in respect of any such shares held. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

SUBSTANTIAL SHAREHOLDINGS

As at 30 August 2012, the following material interests in the Company's issued ordinary share capital were held: Lansdowne Partners 12.67%, NFU Mutual 7.80%, Baillie Gifford & Co 7.21%, Standard Life Investments 5.48%, M&G Investments 5.37% and Legal & General Investment Management 3.83%. No other person has notified an interest in the ordinary shares of the Company which is required to be disclosed to the Company.

AUTHORITY TO ACQUIRE THE COMPANY'S OWN SHARES

At the end of the year, the Directors had authority, under the shareholders' resolutions of 10 November 2011, until the earlier of 18 months after the passing of such resolutions or the conclusion of the Company's next Annual General Meeting, to buy back shares on the open market to a limit of £599,330 in nominal value, representing 10% of the Company's issued share capital as at the date of the resolution at a price between 10 pence (exclusive of expenses) and 105% of the average of the middle market quotation for ordinary shares in the Company for the five business days prior to the date of purchase (exclusive of expenses). No shares were bought back by the Company in the period since 11 November 2011 and the date of this report.

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement is set out on pages 47 to 51 and forms part of this Directors' Report.

CORPORATE SOCIAL RESPONSIBILITY

Details of the Company's approach to corporate social responsibility are contained in the Corporate Social Responsibility section of the Business Review on page 36.

ORDINARY AND SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

At the Annual General Meeting to be held on 8 November 2012 resolutions 1 to 11 are termed ordinary business, while resolutions 12 to 15 will be special business. The ordinary business includes:

- approval of the Company's audited Financial Statements and Directors' and Auditors' Reports for the year ended 30 June 2012 (resolution 1)
- approval of the Directors' Remuneration Report for the year ended 30 June 2012 (resolution 2)
- declaration of a final dividend of 10.1 pence per ordinary share (resolution 3)
- re-election of Directors in compliance with the UK Corporate Governance Code (resolutions 4 to 9)
- re-appointment of the Company's auditors and the agreement of their remuneration (resolution 10)
- grant of authority to the Directors to allot authorised and unissued ordinary shares up to an aggregate nominal amount of £1,569,374 without having to obtain prior approval from shareholders on each occasion (resolution 11)

The special business covers the following matters:

- an amendment to the rules of the Genus plc 2004 Performance Share Plan (the 'PSP') (resolution 12)
- partial disapplication of pre-emption rights attaching to the Company's shares (resolution 13)
- renewal of the Company's authority to buy back the Company's shares (resolution 14)
- the ability to convene general meetings (other than Annual General Meetings) on 14 days' notice (resolution 15)

The resolutions are set out in the Notice of Annual General Meeting on pages 124 to 127.

The passing of resolution 11, as an ordinary resolution, will permit the Directors for a period expiring at the conclusion of the Company's next Annual General Meeting to allot shares up to a maximum aggregate nominal amount of £1,569,374 being 15,693,749 ordinary shares of 10 pence each representing 26% of the issued ordinary share capital of the Company as at 30 June 2012. The Directors do not have an intention to exercise this authority at the present time. The Company currently holds no shares in treasury.

The passing of resolution 12, as an ordinary resolution, will enable the Company to provide the Directors with the opportunity to earn an upper quartile total remuneration quantum, subject to the delivery of very demanding performance targets. The performance targets have been set in light of the Company's above-market, long-term growth aspirations which were identified as part of the comprehensive strategic review undertaken by the Company. Specifically, the Remuneration Committee of the Company is proposing to amend the PSP to increase the aggregate market value of shares over which an individual may receive an award of shares in any one financial year from 125% of salary to 200% of salary. All other aspects of the PSP will remain unchanged.

The Remuneration Committee has consulted with the Company's major shareholders on the proposed amendment to the PSP.

The following information is intended to provide further background for shareholders but is not subject to shareholder approval. Further details in respect of the award policy that is anticipated to operate in the current financial year for the Executive Directors are set out on pages 60 and 61.

With regard to the 2012–13 financial year, the Company intends to grant awards under the PSP with a market value of 125% of salary to the Chief Executive Officer and 100% of salary to the Group Finance Director, subject to the adjusted earnings per share growth targets described below, measured over three financial years ending 30 June 2015. This range of targets is consistent with those that operated for the awards granted during the year under review.

Per annum growth in adjusted EPS*	% of additional award vesting**	Per annum growth in adjusted EPS*	% of additional award vesting**
<RPI +4%	Nil	RPI +7%	60%
RPI +4%	30%	RPI +8%	70%
RPI +5%	40%	RPI +9%	80%
RPI +6%	50%	RPI +10%	90%
		RPI +11%	100%

* Growth in adjusted EPS over the three-year performance period will be computed based on a simple average annual growth rate.
** A linear scale will be applied when performance falls between the bands.

The above range of targets is considered appropriate to continue to provide a clear incentive to deliver on our long established growth trajectory.

More demanding performance targets are intended to apply to the portion of the 2012 awards which is granted in excess of the Executive Directors' awards described above, with both Executive Directors to receive additional awards of 75% of salary. In other words, for the 2012–13 financial year, it is intended that, subject to receiving shareholder approval for the increase to the individual limit, the Chief Executive will be granted a total award of 200% of salary and the Group Finance Director will be granted a total award of 175% of salary.

The performance targets to apply to the additional 75% of salary awards are considered to be aligned with the higher and, in part, aspirational long-term growth rates that have been identified during the recent strategic review. Their delivery is expected to require accelerated growth in a number of areas (e.g. accelerating the pace of genetic improvements, operating a more tailored business model and further expansion in the large markets of Brazil, Russia, India and China). However, it is considered appropriate to provide an incentive to align executives with delivery of the revised long-term strategy.

The targets set out below for the additional awards of 75% of salary therefore take due account of the conclusions of the strategic review and will be measured over three financial years ending 30 June 2015:

Per annum growth in adjusted EPS*	% of additional award vesting**	Per annum growth in adjusted EPS*	% of additional award vesting**
<RPI +9%	Nil	RPI +15%	64%
RPI + 9%	10%	RPI +16%	71%
RPI +10%	20%	RPI +17%	78%
RPI +11%	35%	RPI +18%	86%
RPI +12%	42%	RPI +19%	93%
RPI +13%	49%	RPI +20%	100%
RPI +14%	57%		

* Growth in adjusted EPS over the three-year performance period will be computed based on a simple average annual growth rate.
** A linear scale will be applied when performance falls between the bands.

In addition to the targets described above, the awards shall also be subject to an underpin that requires the Remuneration Committee to be satisfied that, in its opinion, the financial performance of the Company over the performance period fairly reflects the progress made by the Company against its strategic business targets. If this is not considered to be the case, the Remuneration Committee has the power to scale back the extent to which an award may vest.

The Remuneration Committee will review the ongoing appropriateness of the performance conditions prior to granting awards each year such that any revisions, in the reasonable opinion of the Remuneration Committee, do not result in a revised target that is any less challenging than those described above in light of the circumstances at the relevant time.

The passing of resolution 13, a special resolution, will permit the Directors for a period expiring at the conclusion of the Company's next Annual General Meeting to make issues of equity securities for cash by way of rights issue or similar pre-emptive offer. In addition, they may issue equity securities for cash on a non-pre-emptive basis, provided the shares so issued are limited to shares with a nominal value of £301,478 being 5% of the equity share capital in issue as at 30 June 2012.

Directors' Report continued

The passing of resolution 14, a special resolution, will permit the Directors, until the earlier of 18 months after its passing or the conclusion of the Company's next Annual General Meeting to buy back shares on the open market to a limit of £602,956 in nominal value, representing 10% of the Company's issued share capital as at 30 June 2012. The minimum price payable per share will be 10 pence (exclusive of expenses) and the maximum will be limited to 105% of the average of the middle market quotation for ordinary shares in the Company for the five business days prior to the date of purchase (exclusive of expenses).

The passing of resolution 15, a special resolution, will allow the Company to call a general meeting, other than an Annual General Meeting, on not less than 14 clear days' notice subject to certain conditions being satisfied as required by section 307A Companies Act 2006. The annual passing of this resolution will allow the Company to continue to call general meetings on 14 clear days' notice following the implementation of the Companies (Shareholders' Rights) Regulations 2009 that requires all general meetings of the Company to be held on 21 days' notice unless such a resolution is passed.

We recognise that many shareholders are unable to attend the Annual General Meeting in person, so, in a departure from previous years, all resolutions will be decided on a poll rather than a show of hands, so that all votes tendered, whether in person, by proxy or through the registered owner, are taken into account. A poll reflects the number of shares held by a shareholder, whether or not the shareholder is able to attend the Annual General Meeting. For the above reasons the Directors believe that a poll is a more democratic procedure and is in accordance with the best practice adopted by many other major companies. The results of the polls will be announced to the London Stock Exchange as soon as practicable following the conclusion of the Annual General Meeting and will also be published on the Company's website after the meeting. Shareholders attending the meeting in person will have the opportunity to ask questions on the Annual General Meeting resolutions and the Company's business.

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

GOING CONCERN

As described more fully in the Directors' Responsibilities Statement on page 67, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board of Directors continues to adopt the going concern basis in preparing the Financial Statements.

PROVISION OF INFORMATION TO THE COMPANY'S AUDITORS

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

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

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

APPOINTMENT OF AUDITORS

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

Belvedere House
Basing View
Basingstoke
RG21 4HG
By order of the Board

IAN FARRELLY
GROUP COMPANY SECRETARY & GENERAL COUNSEL
3 SEPTEMBER 2012

Corporate Governance Statement

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

Genus is committed to high standards of corporate governance and is accountable to the Company's shareholders for good corporate governance. Throughout the year ended 30 June 2012, the Company has been in compliance with the provisions of the UK Corporate Governance Code (the 'Code'), which is publicly available at www.frc.org.uk. This Statement, which forms part of the Directors' Report together with the Audit Committee Report and the Directors' Remuneration Report on pages 52 to 66, describe how the Company has applied the principles of corporate governance as set out in the Code.

THE WORKINGS OF THE BOARD AND ITS COMMITTEES

THE BOARD

The Board is responsible to shareholders for the proper management of the Group and currently comprises two Executive Directors, the Non-Executive Chairman and three other Non-Executive Directors. Biographies of the Directors appear on pages 38 and 39. The Board considers that the Directors have a range of experience and sufficient calibre to bring effective judgement to bear on issues of strategy, performance, resourcing and standards of conduct which are vital to the success of the Group. The Chairman and the Non-Executive Directors are considered independent.

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

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

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

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

The attendance of Directors at Board and Committee meetings during the year ended 30 June 2012 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee***
Chairman (Non-Executive)				
Bob Lawson	8 (8)	3*	2 (2)	0 (0)
Executive Directors				
Karim Bitar**	8 (8)	3*	2* (0)	0 (0)
Richard Wood**	1 (1)	1 (1)	1*	0 (0)
John Worby	8 (8)	3*	2*	n/a
Non-Executive Directors				
Nigel Turner	8 (8)	3 (3)	2 (2)	0 (0)
Mike Buzzacott	7 (8)	3 (3)	2 (2)	0 (0)
Barry Furr	6 (8)	2 (3)	2*	0 (0)

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

* Attendance by invitation.
** On 25 May 2011, the Company announced the retirement of Richard Wood with effect from 30 September 2011 and the appointment of Karim Bitar as a Director with effect from 1 September 2011 and as Chief Executive of the Company with effect from 30 September 2011.
*** The Nomination Committee met in the period since the end of the financial year and before the date of this report.

THE AUDIT COMMITTEE

The Audit Committee, comprising Mike Buzzacott (Chairman), Nigel Turner and Barry Furr, met three times in the period of this report and has formal terms of reference that are set out in writing and agreed by the Board.

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

The Audit Committee Report set out on pages 52 and 53 provides details of the role and activities of the Committee and its relationship with the internal and external auditors.

THE REMUNERATION COMMITTEE

The Remuneration Committee, comprising Nigel Turner (Chairman), Bob Lawson, Mike Buzzacott and Barry Furr, met twice in the period of this report to review the performance of the Executive Directors and the Genus Executive Leadership Team, and to recommend their remuneration and other benefit packages, including performance related bonus schemes, pension rights and share incentives. In accordance with the Company's Articles of Association, the Board as a whole sets the remuneration of the Non-Executives. The Remuneration Committee has terms of reference which are set out in writing and agreed by the Board. The Report of the Remuneration Committee which includes details of Directors' remuneration and Directors' interests in share awards is shown on pages 54 to 66.

THE NOMINATION COMMITTEE

The Nomination Committee, comprising Bob Lawson (Chairman), Nigel Turner, Mike Buzzacott, Barry Furr and Karim Bitar, is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. The Committee has written terms of reference covering the authority delegated to it by the Board. Its duties include reviewing regularly the structure, size and composition (including the skills, knowledge and experience required) of the Board and making recommendations to the Board with regard to any changes, giving full consideration to succession planning for Directors and other senior executives taking into account the challenges and opportunities facing the Company and identifying and nominating, for the approval of the Board, candidates on merit to fill Board vacancies as and when they arise with due regard for the benefits of diversity on the Board, including gender, it being acknowledged that the Committee's primary goal is to identify the most appropriate candidates to join the Board.

SCIENCE COMMITTEE

During the financial year the Board's Science Committee was chaired by Professor Barry Furr and had the responsibility of developing and recommending to the Board the Company's research and development strategy that would allow Genus to extend its leading position in livestock breeding by scientific innovation and monitoring progress of individual projects. The Committee met three times in the period. With effect from 1 July 2012, the Science Committee was dissolved and its responsibilities assumed by a Research & Development Project Management Team with Professor Barry Furr being retained as Scientific Advisor.

TERMS OF REFERENCE

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

BOARD PERFORMANCE EVALUATION

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

The performance evaluation exercise focused on matters such as the effectiveness, expertise and dynamics of the Board together with matters such as Board support, strategic and operational risk management and internal controls, succession planning and management of human resources, corporate governance and the effectiveness of the Board's Committees and individual Directors.

The evaluation exercise showed the Board and its Committees to be working well. Recommendations for improvement have been agreed and will be implemented in the current financial year. These have included 1) increasing the number of Board meetings to be held across the Group's global operations enabling the Board to gain a greater understanding of the geographic and operational opportunities; 2) continuing to increase the strategic element of Board meetings; and 3) continue the Board's greater focus on succession planning and people development.

The Board is satisfied that each Director has sufficient skills, knowledge and familiarity with the Company to fulfil their role; continues to contribute effectively and demonstrates commitment to their role. The Chairman ensures that the Directors continually update their skills and the knowledge and familiarity with the Company required to fulfil their role both on the Board and on Board Committees. The Company provides the necessary resources for developing and updating its Directors' knowledge and capabilities.

Under the direction of the Chairman, the Group Company Secretary & General Counsel's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. All Directors receive induction on joining the Board.

As part of their role as members of a unitary Board, Non-Executive Directors constructively challenge and help develop proposals on strategy. Non-Executive Directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of Executive Directors and have a prime role in appointing, and where necessary removing, Executive Directors, and in succession planning.

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

SHAREHOLDER RELATIONS

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

The Board takes the opportunity at the Annual General Meeting to meet and communicate with private and institutional investors and welcomes their involvement. The Company Overview and Business Review on pages 2 to 37 provide a detailed review of the Group's performance and future developments. Bob Lawson, Mike Buzzacott, Nigel Turner and Barry Furr will be available to answer questions as Chairmen of the Board and its Committees at the Annual General Meeting to be held on 8 November 2012.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has applied the Code by establishing a structured risk management system which identifies, evaluates and prioritises risks and uncertainties affecting the Group and actively reviews control and mitigation activities. The system applies on an ongoing basis to each business unit of the Group worldwide, divisional business reviews, the Genus Executive Leadership Team, the Company's Audit Committee and the Main Board. The Company's management structure is described further below. The Main Board has continued to enhance the Group's risk management system during the year by each of the regional businesses conducting facilitated risk management workshops, the results of which were reviewed by the Genus Executive Leadership Team, the Audit Committee and the Main Board. During the period, the Group's internal audit activities were the responsibility of an internal Head of Internal Audit and the internal audit activities were outsourced to Ernst & Young LLP and KPMG LLP who were tasked to audit specific key business risks identified by the Company's risk management system and agreed by the Board.

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

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

The key elements of the Group's internal control and risk management systems are as follows:

MANAGEMENT OF BUSINESS RISK

The Board is ultimately responsible for identifying the major business risks faced by the Group. The key risks identified as part of this process and the mitigating actions to control such risks are summarised on pages 32 and 33. The Board, the Genus Executive Leadership Team and their management teams are tasked with the responsibility for the ongoing identification, assessment, management, monitoring and reporting to risks that ensure the significant risks affecting the Company are properly identified and managed. Further enhancements were made in the Company's management of business risk in the year by the constructive use of Group-wide facilitated risk management workshops.

MANAGEMENT STRUCTURE

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

The Genus Executive Leadership Team, chaired by the Chief Executive and comprising the Group Finance Director, the Chief Operating Officers, the Chief Science Officer, the Group Company Secretary & General Counsel, the Group HR Director and other executives by invitation meets on a regular basis to review the Group's performance against its budget, long- and short-term strategies, risk management and other key business issues, indicators and activities. In addition, monthly business review meetings are held between each business unit and the Chief Executive, the Group Finance Director, the Group Company Secretary & General Counsel and the Group Financial Controller.

INFORMATION AND FINANCIAL REPORTING SYSTEMS

The Group's current planning and financial reporting procedures include detailed operational budgets for the year ahead together with the preparation of three-year strategic plans, which the Board reviews and approves. Performance is monitored and relevant action taken throughout the year through monthly reporting of financial results, key performance indicators and variances, updated full year forecasts and information on key business risk areas. The main features of internal control and risk management systems in relation to the process for preparing consolidated accounts are segregation of duties, a robust consolidation and reporting system, various levels of management review and reconciliation processes.

QUALITY AND INTEGRITY OF PERSONNEL

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

INVESTMENT APPRAISAL

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

APPROVAL

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

BOB LAWSON
CHAIRMAN
3 SEPTEMBER 2012

Audit Committee Report

MIKE BUZZACOTT
CHAIRMAN OF THE AUDIT COMMITTEE

SUMMARY OF THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee is appointed by the Board from the Non-Executive Directors of the Company. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the UK Corporate Governance Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval. The UK Corporate Governance Code requires that at least one member of the Committee should have recent and relevant financial experience and the Company fulfils this requirement. All members of the Committee are expected to be financially literate.

The principal responsibilities of the Audit Committee are:

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

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

MEETINGS

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

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

OVERVIEW OF THE ACTIONS TAKEN BY THE AUDIT COMMITTEE TO DISCHARGE ITS DUTIES

In the year ended 30 June 2012 and up to the date of this report the Audit Committee has:

- reviewed the Financial Statements in the 2012 Annual Report and the Financial Statements in the 2012 Interim Report. As part of this review the Committee received reports from management on significant issues affecting the Financial Statements, and reports from the external auditors on their audit of the Annual Report and Financial Statements and review of the Interim Report;
- considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and Financial Statements on this matter;
- reviewed and agreed the scope of the audit work to be undertaken by the external auditors;
- met with the external auditors, without management being present;
- agreed the fees to be paid to the external auditors for their audit of the 2012 Financial Statements and review of the Interim Report;
- reviewed the independence and performance of the external auditors;
- agreed a work programme for the Company's internal audit function;
- received reports from the Head of Internal Audit on the work undertaken by internal audit and management responses to proposals made in the audit reports issued by the function during the year;
- reviewed the performance of the internal audit function;
- met with the Head of Internal Audit, without management being present;
- reviewed its own effectiveness and terms of reference;
- reviewed the Group's tax strategy and the Group's pension arrangements;
- reviewed the Company's policy on the engagement of the external auditors to supply non-audit services; and
- reviewed the Group's whistle-blowing policy and bribery prevention procedures.

EXTERNAL AUDITORS

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

The Group's external auditors, Deloitte LLP, were first appointed as external auditor of the Company for the period ended 30 June 2006 following a formal tender process.

The Group's policy on non-audit services sets out services which the external auditors will and will not be allowed to provide to the Group, addressing both the nature of services and monetary thresholds requiring approval by the Group Finance Director and the Audit Committee Chairman. Deloitte LLP ('Deloitte') are retained for tax advisory and tax compliance services. Note 8 to the Financial Statements sets out the fees paid to Deloitte during the year for audit services, audit related services and non-audit services. The Audit Committee is satisfied that the use of Deloitte for such services does not impair their independence as the Group's external auditors. The Company's Non-Audit Services by Auditors Policy can be found on the Company's website www.genusplc.com.

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

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

As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee has recommended to the Board that the external auditors be reappointed for a further year. A new senior statutory audit partner was selected by the Company in 2011 due to the previous senior audit partner having held office for five years.

INTERNAL AUDIT FUNCTION

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the internal audit function in the context of the Group's overall risk management system. The Company's Head of Internal Audit is responsible for the overall management of internal audit. In fulfilling its responsibilities, the Committee has reviewed the following in the period:

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

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

OVERVIEW

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

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

APPROVAL

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

MIKE BUZZACOTT
CHAIRMAN OF THE AUDIT COMMITTEE
3 SEPTEMBER 2012

Directors' Remuneration Report

NIGEL TURNER
CHAIRMAN OF THE REMUNERATION COMMITTEE

LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

3 September 2012

Dear Shareholder

As highlighted in the Company Overview and Business Review, the year ended 30 June 2012 has been another year of progress which has seen substantial organic growth delivered at the same time as the completion of a strategic review of the business that identified the potential for an improved rate of growth from 2014 onwards.

With regards to the performance delivered during the year under review, the Group achieved year on year profit growth of 19%, a reduction in net debt of 17% and made substantial progress in terms of the delivery of certain key strategic milestones. As a result, bonuses were paid to the current Chief Executive and Group Finance Director at 77% of the salary earned respectively during the year under review. In current economic conditions, the level of performance achieved is considered by the Committee to be an excellent result.

With regards to our long-term performance, the 2009 Performance Share Plan awards, with performance measured over the three-year period ending 30 June 2012, will vest at 100%. This relates to annualised growth in adjusted EPS over the period of 10% above RPI which results in the maximum performance requirement having been achieved over the performance period and thus full vesting. Given the background of difficult economic conditions over the past three years, this is considered an exceptional result delivered by the executive management team.

The annual and long-term levels of performance delivered demonstrate the strength of our underlying business model and, subject to the continuing implementation of the conclusions of the strategic review, set a clear platform from which we will look to deliver improved longer-term growth rates. The results delivered also reflect the unique balance of skills we have in our executive team and the effective leadership provided by the Board.

To support the delivery of our revised strategy, we implemented a new organisational structure during the year and further strengthened our executive leadership team. As part of this process, and to ensure that we were offering a competitive total remuneration package that supports our clear focus on long-term growth, the Committee undertook a review of its remuneration policy during the year. In summary, the key revisions and points to note from the review included:

1. a revised annual bonus framework that includes a higher bonus opportunity for the Chief Executive but with deferral and clawback applying to both Executive Directors;
2. the introduction of an enhanced long-term incentive opportunity with tougher performance targets. Up to an additional 75% of salary annual award of performance shares is proposed (subject to shareholder approval at the AGM) but this will only vest in full for annual adjusted EPS growth well above the maximum targets set for historic awards; and
3. share ownership guidelines to be established for both Executive Directors.

The Committee believes that the amended remuneration policy better aligns the Executive Directors with the long-term performance of the Group and, therefore, shareholders' interests. In addition, deferral of part of annual bonus and share ownership guidelines will operate for the entire Genus Executive Leadership Team so that there is clear alignment of interests between the Executive Directors and the wider executive team.

In terms of risk, the Committee is comfortable that the current arrangements do not inadvertently encourage undue risk taking given the clear long-term focus in our policy. The operation of a performance share plan, in addition to requiring deferral of part of future annual bonus awards into the Company's shares, operating clawback provisions in the annual bonus arrangements and share ownership guidelines, ensures that executives are clearly aligned with the long-term objectives of the Company and its shareholders.

As a result, the Committee looks forward to your support of our remuneration policy at the 2012 Annual General Meeting.

Yours sincerely

NIGEL TURNER
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE REMUNERATION COMMITTEE

INTRODUCTION

This report has been prepared in accordance with the provisions of the Companies Act 2006 ('Companies Act') and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and also meets the relevant requirements of the Listing Rules of the Financial Services Authority. The report also describes how the Board has applied the principles relating to Directors' remuneration in the UK Corporate Governance Code. In accordance with the regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company to be held on 8 November 2012.

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

UNAUDITED INFORMATION

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee (the 'Committee') which is constituted in accordance with the recommendations of the UK Corporate Governance Code. The Committee makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for the Executive Directors and members of the wider Genus Executive Leadership Team. The full terms of reference of the Committee are available on the Company's website at www.genusplc.com.

The Committee comprises independent Non-Executive Directors Nigel Turner (Chairman), Mike Buzzacott and Barry Furr, and also the Company's Non-Executive Chairman, Bob Lawson, who was considered by the Board to be independent at the time of his appointment to the Board.

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

During the year to 30 June 2012 the Committee met twice and the following matters were covered:

- review of the market competitiveness of the remuneration policy and the remuneration arrangements for the Executive Directors and the Genus Executive Leadership Team;
- review of the salary levels for the Executive Directors and members of the Genus Executive Leadership Team;
- agreement of the terms of the 2011–2012 Executive Annual Bonus Plan and of the individual bonuses payable in light of the Group's and individual's performance;
- agreement of the individual long-term share incentive awards under the Company's 2004 Performance Share Plan and 2004 Executive Share Option Plan;
- review of the performance measures and targets to apply to these awards;
- testing of the performance conditions and approval of the vesting levels of long-term share incentive awards;
- approval of the Directors' Remuneration Report; and
- review of the current investor guidelines on executive remuneration.

In determining the Executive Directors' remuneration for the year, the Committee consulted the Chief Executive and the Group Human Resources Director about its proposals, although neither is involved with determining their own remuneration. The Committee also appointed New Bridge Street (an Aon Hewitt Limited company) to provide benchmarking advice on the remuneration packages applicable to the Executive Directors, members of the Genus Executive Leadership Team and the Non-Executive Directors. New Bridge Street is a member of the Remuneration Consultants Group and complies with its Code of Conduct. Aon Hewitt Limited did not provide other services to the Company during the year.

REMUNERATION POLICY

The Company's executive and senior management remuneration packages are designed to attract, motivate and retain individuals of the high calibre required to maintain the Group's position as a market leader and to reward them for enhancing value to shareholders.

The performance measurement of the Executive Directors and key members of Genus Executive Leadership Team and the determination of their annual remuneration packages is undertaken by the Committee.

The key principles that are applied when reviewing and setting remuneration include:

- offering a competitive level of total remuneration that enables the attraction, retention and motivation of the highest calibre individuals with an appropriate proportion linked to performance;
- ensuring that salaries are set at a market competitive level given the calibre and experience of each individual after taking due account of salary levels in appropriate external comparators, internal pay relativities and current pay and general conditions in the wider Group;
- supporting a high performance culture and align long-term rewards with shareholders' interests;
- maintaining an appropriate balance of fixed and performance related pay that rewards for the delivery of the Company's short- and longer-term objectives;
- to have short- and long-term performance targets that are specific, measurable and fully aligned with the Company's business objectives; and
- ensuring that the overall package reflects market practice, good corporate governance and does not inadvertently encourage undue risk taking.

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors and Genus Executive Leadership Team should be based on corporate and individual performance related targets that are challenging and support the Company's strategy and objectives. The policy is intended to create a strong link between business performance and reward and to generate value to shareholders, employees and the Company.

Subject to the modifications detailed below, it is intended that the above policy that applied during the year under review, will continue to operate in future years.

REMUNERATION POLICY REVIEW

In light of the conclusions of the Company's strategic review (described in detail on pages 14 to 19), a review of the Company's existing remuneration policy has taken place.

A key outcome of this review was that while the current remuneration policy and structure continues to remain appropriate in many respects, a number of changes should be implemented to better align the executives with (i) the higher growth potential identified for the Group during the strategy review from 2014 and (ii) developments in institutional investors' best practice guidance.

Accordingly, a number of changes are to be implemented to the remuneration policy that applied during the year under review for the current financial year. These are described in detail below but in summary the changes include:

- a reworking of the current annual bonus framework with a higher bonus opportunity for the Chief Executive but with deferral and clawback applying to both Executive Directors and other members of the Genus Executive Leadership Team;
- an enhanced long-term incentive opportunity but with tougher performance targets operating that are aligned with the conclusions of the strategic review; and
- 100% of salary share ownership guidelines to apply to both Executive Directors with share ownership guidelines also introduced for members of the Genus Executive Leadership Team at 100% of salary.

The above changes result in a substantially greater proportion of total remuneration being linked to the long-term performance of the Company. This is considered appropriate given the Company's focus on delivering above market levels of long-term growth and improving alignment between executives and shareholders in the Company's remuneration policy.

The changes will result in less annual bonus becoming payable in cash with the introduction of deferral of part of annual bonus into the Company's shares, share ownership guidelines applying to both Executive Directors and the operation of clawback provisions ensuring that remuneration policy should not result in undue risk taking.

RISK

The Committee's general approach to managing risk from a remuneration perspective includes annually reviewing performance metrics, targets, levels of awards and eligible participants to ensure they remain appropriate and do not inadvertently raise any environmental, social or governance issues. The Committee also considers how overall remuneration, in its entirety and as individual components, may influence an employee's attitude towards excessive caution or risk.

In assessing risk in the proposed 2012–13 remuneration policy, the range of metrics used in the Company's short- and long-term incentive plans, allied to the operation of deferral and clawback provisions in the annual bonus plan, and general weighting towards long-term performance overall, ensures that the current remuneration policy is not considered to encourage undue risk taking. The Committee also takes further comfort in this regard from the introduction of share ownership guidelines for both Executive Director positions.

OVERVIEW OF REMUNERATION FRAMEWORK FOR THE CURRENT EXECUTIVE DIRECTORS

Element	Purpose	Opportunity	Summary details
Salary	To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Company.	**2011–12** CEO – £500,000 FD – £300,000	Reviewed annually. Benchmarked against relevant market comparators as appropriate reflecting the size and nature of the role, individual performance, increases awarded to other employees, Company performance and broader economic conditions.
		2012–13 CEO – £516,500 FD – £310,000	The increases for 2012–13, at 3.3%, are broadly in line with those awarded to the workforce more generally.
Annual bonus	Incentivises achievement of annual objectives which support the short-term performance goals of the Company.	**2011–12 (% salary)** CEO – 100% FD – 100%	Bonus awards are subject to achievement against challenging profit (60%), net debt (20%) and personal objectives (20%). Bonus is earned based on achievement against a challenging sliding scale of targets set in respect of each performance measure. Payments under the annual bonus plan are subject to a clawback in the event of a material misstatement of the Company's financial results.
		2012–13 (% salary) CEO – 125% FD – 100%	From 2012–13, 25% of any bonus earned will be subject to a compulsory deferral into the Company's shares for a period of three years.
Long-term share incentives*	Performance Share Plan incentivises executives to achieve superior returns to shareholders over a three-year period, to retain key individuals and align interests with shareholders.	**2011–12 (% salary)** CEO – 125% FD – 100%	**2011–12** As detailed in last year's Directors' Remuneration Report, the CEO received an award under the Performance Share Plan at 125% of salary. The FD received an award at 100% of salary. Awards were subject to a challenging range of EPS growth targets (RPI + 4% to 11% p.a.).
		2012–13 (% salary) CEO – 200% FD – 175%	**2012–13** It is proposed that CEO and FD will receive the same level of award as for 2011–12, subject to the same performance targets. In addition, and subject to shareholder approval, a further award of up to 75% of salary is anticipated being granted but with tougher performance targets (RPI + 9% to 20% p.a.) linked to the outcomes of the strategic review undertaken during the year under review. The awards will also be subject to an underpin that enables the Committee to scale back (but not scale up) vesting if the Company's financial performance over the performance period is not considered reflective of the progress made against the Company's strategic business targets.
Share ownership guidelines	To provide alignment between executives and shareholders.	**2011–12 (% salary)** CEO – 100% FD – N/A	**2011–12** On appointment it was agreed with the CEO that he would retain half the after tax number of vested shares until such time as he achieved a shareholding of equal value to his base salary. He will also retain the entire after tax number of Restricted Shares that were granted to him shortly following his appointment (as disclosed in last year's Remuneration Report) as part of working towards satisfaction of the guideline.
		2012–13 (% salary) CEO – 100% of salary FD – 100% of salary	**2012–13** For the current financial year, a 100% of salary guideline is also to be introduced for the FD which, in respect of future Performance Share Plan awards, will require the retention of half the after tax number of vested shares until the guideline is achieved.

* The recruitment incentive granted to the Chief Executive following joining Genus has not been included in the above table since this related to the buy-out of long-term incentive awards forfeit on joining Genus. Full details were set out in last year's Directors' Remuneration Report with summary details on page 62 of this report.

The extent to which the performance conditions that apply to the performance related elements of the remuneration framework are met is assessed by the Committee, following sign off of the audited Annual Report and Accounts. This process ensures that incentive payments are made following independently audited results being known. Remuneration received in respect of each of these elements by the Executive Directors is shown on pages 58 to 61.

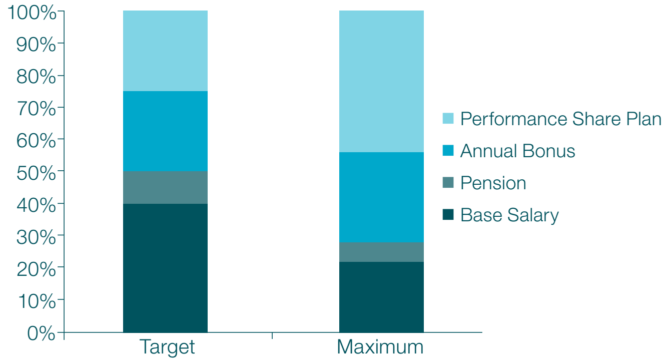
BALANCE BETWEEN FIXED AND VARIABLE PAY

Based on the remuneration structure that will apply in the Company's 2012–13 financial year, for achievement of target levels of performance, around 45% of total remuneration will be delivered from business performance related elements of our remuneration structure. Should the maximum performance targets be achieved, this proportion increases to over 75%.

The variable elements of remuneration are linked to the key financial and strategic measures of performance that are used internally to monitor the performance of the business and, in turn, are considered to underpin value creation for shareholders.

The following charts show the total remuneration packages for the Chief Executive (Karim Bitar) and the Group Finance Director (John Worby) split between fixed pay and pay at risk at both 'target' and 'maximum' levels of performance.

FIXED AND VARIABLE PAY: CHIEF EXECUTIVE (KARIM BITAR) AT TARGET AND MAXIMUM PERFORMANCE LEVELS



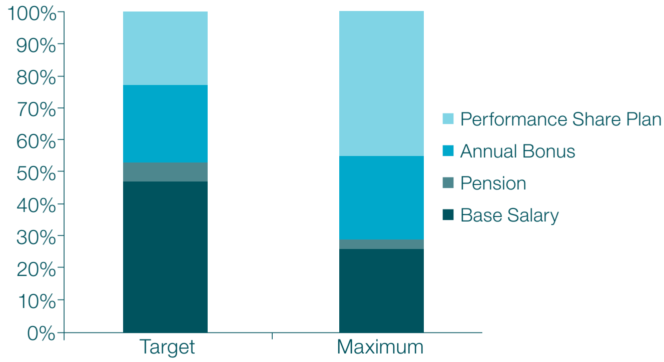
Assumptions:

Target: 50% of maximum annual bonus opportunity plus 50% vesting of the 2012–13 Performance Share Plan award based on the first 125% of salary awarded.

Maximum: maximum annual bonus award plus full vesting under the 2012–13 Performance Share Plan award (i.e. the entire 200% of salary award vests in full).

Performance Share Plan taken at the face value at grant for simplicity. Benefits are excluded.

FIXED AND VARIABLE PAY: GROUP FINANCE DIRECTOR (JOHN WORBY) AT TARGET AND MAXIMUM PERFORMANCE LEVELS



Assumptions:

Target: 50% of maximum 2012–13 annual bonus opportunity plus 50% vesting of the 2012–13 Performance Share Plan award based on the first 100% of salary awarded.

Maximum: maximum annual bonus award plus full vesting under the 2012–13 Performance Share Plan award (i.e. the entire 175% of salary award vests in full).

Performance Share Plan taken at the face value at grant for simplicity. Benefits are excluded.

BASE SALARY

The Executive Directors' basic salary levels are reviewed by the Committee prior to the beginning of each financial year, taking into account individual and corporate performance, an assessment of comparator companies, wider economic conditions and levels of increases applicable to other employees in the Company.

The current salary levels of the Executive Directors (with effect from 1 July 2012) are as follows:
- Karim Bitar: £516,500 (increased from £500,000 i.e. 3.3%)
- John Worby: £310,000 (increased from £300,000 i.e. 3.3%)

The increases made to both Executive Directors are broadly consistent with the cost of living adjustments made across the Group.

When setting pay the Committee considers relevant external benchmark data from time to time for comparable roles in companies of broadly similar size, international scope of operations and complexity. Given there are few direct comparator companies operating in the listed environment, the Committee considers general market data. The Committee is careful in its use of benchmark pay data (e.g. it does not target 'median' market positioning for each Executive Director each year) and takes into account a broad range of factors when setting pay (e.g. the experience, calibre and performance in post of the individual and salary increases across the Company).

ANNUAL BONUS

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. The maximum bonus and the proportion paid for on-target performance are considered in the light of market practice for companies of a similar size. For the year under review, the maximum bonus potential was set at a maximum of 100% of basic salary dependent on stretching targets relating to profit, net debt and challenging personal objectives. A maximum of 60% of the bonus opportunity is normally based on corporate performance as measured on adjusted profit, 20% of the bonus opportunity is normally based on the achievement of net debt targets and the remaining 20% of the bonus opportunity is normally based on the achievement of personal objectives. 50% of salary is normally payable for the achievement of on-target performance with a sliding scale of targets operating around the on-target performance level.

With regards to the current Chief Executive and Group Finance Director, for the year ended 30 June 2012, the Committee determined that 61% of the adjusted profit performance measure included in the annual bonus plan had been achieved (following growth of 19% in adjusted profit on the prior year's result which was above the on-target level of performance set) and that 100% of the net debt targets had been achieved (based on a 17% reduction in net debt which exceeded the maximum target set) and 100% of the short-term personal objectives had been met. With regards to the personal objectives for the Chief Executive, these included completion of a strategic review and early stage implementation of its conclusions, strengthening and developing the executive team and improving the Company's approach in relation to taking products to appropriate markets. For the Group Finance Director, his personal objectives included embedding a new financial reporting system in the business, effective management of the Group's tax rates and cash management within pre-set limits. The Committee considered these targets to have been achieved in full. This resulted in total bonuses becoming payable at 77% of salary based on the salary earned by each Executive Director during the year under review.

With regards to the former Chief Executive, who retired on 30 September 2011, the Committee determined that a pro rata bonus of £100,000 had been earned based on performance from 1 July 2011 to 30 September 2011.

Following the conclusions of the remuneration review noted earlier, the maximum annual bonus available under the annual bonus plan for the current financial year will be 125% of salary for the Chief Executive and 100% of salary for the Group Finance Director. This level of bonus opportunity was considered to be appropriate given the challenging nature of the targets set (with the level of performance required to be achieved for a payout to be earned at all levels well ahead of those set for the year under review), the results of a market analysis and after taking into account the calibre of the individuals.

Furthermore, for the current financial year, reflecting developments in institutional investors' best practice requirements, 25% of any bonus earned will be deferred by way of shares for a period of three years and vest subject to continued employment (other than in certain good leaver circumstances). Deferral will ensure there is a continued link between the achievement of short-term financial targets and the longer-term delivery of the Company's growth strategy. This reduces the amount of cash bonus that will be received by both Executive Directors against the previous policy. Annual bonuses will also be the subject of clawback provisions which will enable the Committee to clawback any element of bonuses that should not have been paid in the event of a material misstatement of the Company's annual results.

The performance metrics and weightings remain unchanged from the previous year. In terms of the range of targets set, the financial targets have been set as a sliding scale around budget with this year's budget set at a significant premium to last year's. Given last year's budget was a record high for the Company, and noting the growth premium in this year's budget vis-à-vis last year's, this year's financial targets are considered appropriately demanding.

Personal objectives are linked to the successful implementation of the strategic elements identified in the strategic review with the targets quantifiable and stretching. The achievement of these targets is central to unlocking the growth potential we are proposing to target through the revisions to our Performance Share Plan described below.

LONG-TERM INCENTIVES

Long-term share awards are granted under the Genus plc 2004 Performance Share Plan (the 'PSP'). Under the PSP, incentives can take the form of conditional share awards or nil cost options with vesting determined based on achievement against challenging growth in adjusted earnings per share performance normally tested over a three-year period.

With regard to the awards that were granted in the year ended 30 June 2012, the Group Finance Director received an award over shares with a market value of 100% of salary while the Chief Executive, reflecting what was agreed at the time of his appointment, received an award over shares with a market value of 125% of salary.

The awards granted during the year under review were subject to tougher targets, both in terms of the proportion of the award vesting at the threshold level (30% from 40%) and the range of targets set (RPI + 11% from RPI + 10% for maximum vesting), than those operated in prior years. The targets that applied to the awards granted during the year under review are shown in the table below:

Per annum growth in adjusted EPS*	% of award vesting**	Per annum growth in adjusted EPS*	% of award vesting**
<RPI +4%	Nil	RPI +7%	60%
RPI +4%	30%	RPI +8%	70%
RPI +5%	40%	RPI +9%	80%
RPI +6%	50%	RPI +10%	90%
		RPI +11%	100%

* Growth in adjusted EPS over the three-year performance period will be computed based on a simple average annual growth rate.
** A linear scale will be applied when performance falls between the bands.

Details of awards made to Directors are shown in the table of Directors' interests on page 43 and details of the performance criteria for the Company's previous share awards and share option schemes are also included in note 29 to the Financial Statements.

2012–13 PERFORMANCE SHARE AWARDS

To ensure that our remuneration policy is weighted towards delivery of the long-term levels of growth identified in the conclusions of the Company's strategic review (described in detail on pages 14 to 19, it is proposed that the PSP be amended at the forthcoming Annual General Meeting.

For the 2012–13 financial year, it is intended that the Chief Executive and Group Finance Director will again receive awards at 125% of salary and 100% of salary respectively under the PSP subject to the performance targets described above.

However, to ensure that the Executive Directors are fully aligned with the Company's potential for higher growth rates from 2014, as described in the Chief Executive's Report on page 8, shareholder approval is being sought to amend the PSP at the Annual General Meeting. This amendment will enable awards under the PSP to be granted up to 200% of salary in future years.

Subject to receiving shareholder approval, it is intended that the awards to be granted above 125% of salary for the Chief Executive and above 100% for the Group Finance Director in 2012–13 will be subject to tougher performance targets. In both cases the additional award is proposed to be 75% of salary (i.e. a total award of 200% of salary for the Chief Executive and 175% for the Group Finance Director). These targets will be set to provide alignment with the Company's higher growth potential from 2014. The range of targets that are proposed for the additional part of the 2012–13 PSP awards is as follows:

Per annum growth in adjusted EPS*	% of additional award vesting**	Per annum growth in adjusted EPS*	% of additional award vesting**
<RPI +9%	Nil	RPI +14%	57%
RPI +9%	10%	RPI +15%	64%
RPI +10%	20%	RPI +16%	71%
RPI +11%	35%	RPI +17%	78%
RPI +12%	42%	RPI +18%	86%
RPI +13%	49%	RPI +19%	93%
		RPI +20%	100%

* Growth in adjusted EPS over the three-year performance period will be computed based on a simple average annual growth rate.
** A linear scale will be applied when performance falls between the bands.

Delivery of the higher range of growth targets is, in part, aspirational and requires the Company to deliver accelerated progress in a number of areas (e.g. accelerating the pace of genetic improvements, operating a more tailored business model, further expansion in the large markets of Brazil, Russia, India and China), however, it is considered appropriate to provide a tangible incentive to reward for the delivery of our high growth agenda. The first potential vesting would take place in 2015, following the potential higher earnings growth feeding through the Company's financial results as per the conclusions of the strategy review.

Maintaining the current range of targets for the lower tier of awards is considered appropriate to continue to provide a clear incentive to deliver on our long established growth trajectory to ensure that a balanced approach to incentivising the delivery of our future growth potential is achieved.

In addition to the targets described above, the awards shall also be subject to an underpin that requires the Remuneration Committee to be satisfied that, in its opinion, the financial performance of the Company over the performance period fairly reflects the progress made by the Company against its strategic business targets. If this is not considered to be the case, the Remuneration Committee has the power to scale back (but not scale up) the extent to which an award may vest.

The above targets are considered to be appropriately demanding given the quantum of the awards proposed and are consistent with the long-term growth aspirations of the Company.

In formulating the above proposal, the Committee considered a range of metrics (including relative total shareholder return and the potential to set milestone/strategic targets as the primary measures of performance). However, given the limited number of comparator companies to Genus from which a total shareholder return peer group could be selected and the lack of transparency that would inevitably be associated with the use of strategic targets as the primary performance metric, it was considered appropriate to retain EPS as the sole primary performance metric. However, so that the financial performance of the Company is aligned with progress being made against the Company's strategic business targets, an underpin was introduced to the EPS targets.

EPS is well understood by the executive population and remains the key long-term financial measure of growth in the Company and, in tandem with a strategic business underpin, was considered to provide a clear incentive to deliver the Company's long-term growth prospects. Therefore, on this basis, the Committee is comfortable with the approach proposed.

Details of the proposed amendment to the PSP are set out in the Directors' Report on pages 44 and 45.

SHAREHOLDING GUIDELINES

The Committee believes that Executive Directors and the wider Genus Executive Leadership Team should hold a substantial shareholding in the Company to ensure a clear alignment with shareholder interests. For this reason the Committee will introduce shareholding guidelines to be applied for the Executive Directors and members of the Genus Executive Leadership Team.

The Chief Executive is already subject to a 100% of salary guideline which was agreed at recruitment. However, a 100% of salary guideline will also now apply to the Group Finance Director. It is expected that at least half the after tax number of future vested shares would be retained from future PSP awards until such time as the guideline has been met. Shares deferred through the revised bonus structure are also eligible to be counted towards the guideline albeit after making an allowance for the number of shares likely to be sold to pay tax. In addition, the Chief Executive must also retain the entire after tax number of Restricted Shares that were granted to him shortly following his appointment (as disclosed in last year's Remuneration Report) as part of working towards satisfaction of the guideline. A 100% of salary guideline will also be introduced, calculated on the same basis (i.e. requiring half the after tax number of vested shares to be retained from future PSP awards), for the Genus Executive Leadership Team.

Introduction of the above share ownership guidelines is considered an integral part of the changes to the remuneration structure from 2012–13 which, along with the deferral requirement for part of annual bonus, further enhances the focus on long-term performance in the overall remuneration structure.

RECRUITMENT OF KARIM BITAR

As disclosed in full in last year's Remuneration Report, Karim Bitar, who was appointed as a Director of the Company from 1 September 2011 and became Chief Executive with effect from 30 September 2011, was compensated for the forfeiture of outstanding incentive awards with his former employer on joining Genus.

In summary, the compensation agreed with Karim Bitar to facilitate his recruitment was as follows:
1. an award of shares under the Performance Share Plan over shares worth 125% of salary as described previously in the Long-Term Incentive section;
2. a restricted stock award (granted using provision 9.4.2 (2) of the Listing Rules) over 77,259 shares. Of this award, 36,685 shares vested on 21 February 2012 with 40,574 due to vest in February 2013 subject to continued employment; and
3. a cash payment that was made in September 2011 of £163,000.

As required under the relevant legislation, the other key features of the restricted stock award described in (2) above were as follows:
- the award was non-pensionable and non-transferable (other than on death);
- if Karim Bitar ceases employment with the Group before any part of the award vests the relevant part of the award will lapse, unless he leaves in certain good leaver situations where the award will vest on cessation;
- the award will vest in full on a change of control of the Company. The award may also vest early in the event of a demerger, special dividend or other similar event which, in the Committee's opinion, materially affects the price of the Company's shares. The award will not, unless the Committee decides otherwise, vest on an internal reorganisation but will instead be exchanged for an equivalent award over shares in the new holding company;
- the award will not confer any shareholder rights on Karim Bitar unless and until it vests;
- in the event of any variation of the Company's share capital, a demerger, a special dividend or other similar event which materially affects the price of the Company's shares, the award may be adjusted in such manner as the Committee sees fit; and
- the terms of the award may be amended in such manner as the Committee may determine, provided that amendments to Karim Bitar's benefit may only be made with the prior consent of shareholders.

EXECUTIVE SHARE OPTION PLAN

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

BENEFITS-IN-KIND

The Executive Directors receive certain benefits-in-kind, principally a car or car allowance, life assurance and private medical insurance. In lieu of Company pension contributions, the Company has agreed to pay Karim Bitar and John Worby a taxable pension allowance of 25% and 12% of basic salary per annum respectively.

DIRECTORS' CONTRACTS

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

Director	Contract date	Expiry date	Notice period (months)
Executives			
Karim Bitar	24 May 2011	n/a	12 (from Company) 6 (from Executive)
Richard Wood*	8 November 1996	30 September 2011	n/a
John Worby	25 February 2009	n/a	12 (from Company) 6 (from Executive)
Non-Executives			
Bob Lawson	11 November 2010	10 November 2013	1
Nigel Turner	16 January 2011	15 January 2014	1
Mike Buzzacott	6 May 2012	5 May 2015	1
Barry Furr	1 December 2006	30 November 2012	1

* Richard Wood retired as Chief Executive with effect 30 September 2011.

It is the Company's policy for the notice periods of Executive Directors normally to be of twelve months or less. The Executive Directors' contracts do not include liquidated damages clauses that provide for a predetermined level of compensation in the event of termination. The Committee's policy is that payments on termination should reflect the circumstances that prevail at that time, also taking account of Directors' duty to mitigate. There are no enhanced provisions in the event of a change of control. Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting to be held on 8 November 2012.

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

The current total fees payable to the Non-Executive Directors per annum are as follows:

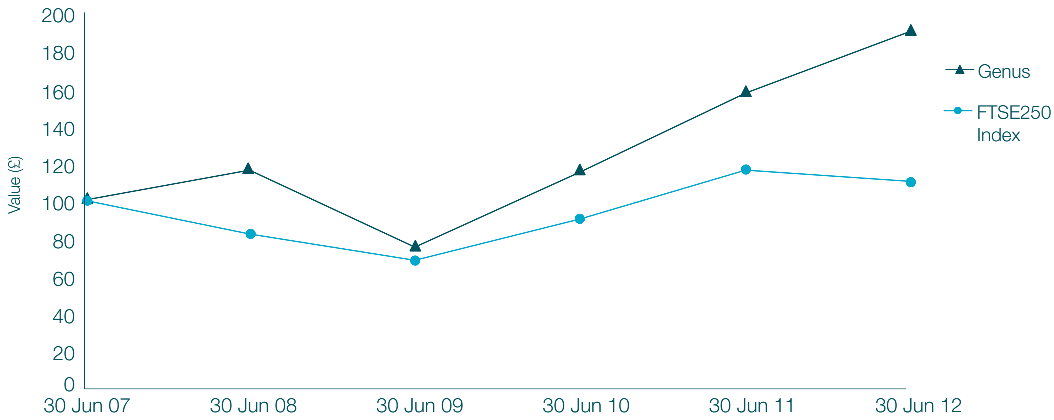
- Chairman: £140,000
- Other Non-Executive Directors £50,000 (previously £47,000 in 2011–12)

The fee payable to the Chairman was benchmarked for the current year against companies of similar size and complexity with the assistance of New Bridge Street and is considered to be set at an appropriate level by the Board and no change has been made in respect of this fee in the current year. The fees payable to the other Non-Executive Directors have also been reviewed for the current year taking into account practice in companies of a comparable size, internationality and complexity and, more particularly, the anticipated time commitment of the roles as the Company moves forward. The revised total fees payable have been set at £50,000 per annum from 1 July 2012 in light of this analysis (inclusive of the fees payable for chairmanship of the relevant Board Committees that include the Remuneration, Audit and Science Committees) described in the Corporate Governance Report for each Non-Executive Director.

PERFORMANCE GRAPH

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE 250 Index, also measured by total shareholder return. The FTSE 250 Index was selected as it represents a broad equity market in which the Company is a constituent member.

TOTAL SHAREHOLDER RETURN
Source: Thomson Reuters



This graph shows the value, by 30 June 2012, of £100 invested in Genus plc on 30 June 2007 compared with the value of £100 invested in the FTSE 250 Index on the same date. The other points plotted are the values at intervening financial year-ends.

Directors' Remuneration Report continued

AUDITED INFORMATION

AGGREGATE DIRECTORS' REMUNERATION

The total amounts for Directors' remuneration were as follows:

	2012 £000	2011 £000
Emoluments	**1,111**	997
Bonus schemes	**812**	1,025
	1,923	2,022
Gains on exercise of share options and awards	**2,153**	1,191
Total	**4,076**	3,213

DIRECTORS' EMOLUMENTS

	Salary and fees £000	Bonus* £000	Benefits £000	Total 2012 £000	Total 2011 £000
Executive Directors					
Richard Wood**	113	100	18	**231**	1,160
Karim Bitar*	417	482*	122	**1,021**	n/a
John Worby	300	230	49	**579**	710
Non-Executive Directors					
Bob Lawson	140	–	–	**140**	89
Nigel Turner	47	–	–	**47**	40
Mike Buzzacott	47	–	–	**47**	40
Barry Furr	47	–	–	**47**	40
Total	1,111	812	189	**2,112**	2,079

* As set out in the policy section above, for the year ended 30 June 2012 performance against the profit before tax, net debt and personal targets resulted in an annual bonus of 77% of salary earned during the year (which related to a part year given his appointment to the Board on 1 September 2011) becoming payable to Karim Bitar and an annual bonus of 77% of salary becoming payable to John Worby. The bonus payment included in the above column to Karim Bitar also includes a cash payment made in September 2011 of £163,000 in respect of anticipated loss of annual bonus entitlement for the part year served prior to leaving his former employer (as described in last year's Remuneration Report and above).

** Richard Wood retired with effect 30 September 2011. As described on page 59, he was paid a pro rata bonus of £100,000.

OUTSIDE APPOINTMENTS

The Company recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that this can help broaden the skills and experience of a Director. Upon appointment as the Group Finance Director of the Company in February 2009, John Worby was permitted to retain his existing non-executive directorships of Cranswick plc and Smiths News plc and John Worby has been permitted to retain the associated remuneration of £85,383 in the period.

DIRECTORS' SHARE AWARDS AND SHARE OPTIONS

The Directors at 30 June 2012 had the following beneficial interests in share awards and share options:

KARIM BITAR

Grant date	Award	Vesting period	Market price at grant date	At 30 June 2012 Number	At 30 June 2011 Number
(1) 9 September 2011	Restricted stock	9 September 2011 to 31 January 2013	977.83p	**40,574**	–
(2) 9 September 2011	PSP	9 September 2011 to 8 September 2014	977.83p	**63,917**	–
Total				**104,491**	–

With regard to (1) above, in accordance with the compensation agreed with Karim Bitar to facilitate his recruitment, a restricted stock award (granted using provision 9.4.2 (2) of the Listing Rules) over 77,259 shares was granted to Karim Bitar on his appointment. Of this award 36,685 shares vested on 21 February 2012 and were exercised, of which 19,134 shares were sold at 1,115 pence per share to cover tax and National Insurance liabilities and the remaining 17,551 shares are held by Karim Bitar.

The targets applying to (2) above are set out on page 60.

RICHARD WOOD

Grant date	Award	Vesting period	Market price at grant date	At 30 June 2012 Number	At 30 June 2011 Number
(1) 15 October 2008	PSP	15 October 2008 to 14 October 2011	651.5p	–	69,071
(2) 15 September 2009	PSP	15 September 2009 to 14 September 2012	654.5p	–	68,755
(3) 22 September 2010	PSP	22 September 2010 to 21 September 2013	780.84p	–	57,631
Total				–	195,457

The targets applying to (1) were as follows:

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

* Growth in adjusted EPS over the three-year performance period will be computed based on a simple average annual growth rate.
** A linear scale will be applied when performance falls between the bands.

The targets applying to (2) and (3) were as follows:

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

* Growth in adjusted EPS over the three-year performance period will be computed based on a simple average annual growth rate.
** A linear scale will be applied when performance falls between the bands.

Due to the retirement of Richard Wood on 30 September 2011, in line with the rules of the Plan, he was treated by the Committee as a good leaver in respect of his share awards under (1), (2) and (3) above and these awards vested early. Such early vesting was subject to the testing of the performance targets as above (based on the Company's audited results), was subject to a pro rata reduction to reflect Richard Wood's length of service compared with the performance period of the relevant share awards and was subject to the satisfaction of the performance conditions attaching to the relevant share awards as stated in the Plan. Accordingly under (1) above, a vesting percentage of 91% applied as to the grant leading to the vesting of 62,855 ordinary shares in the Company in September 2011. Actual adjusted EPS growth over the performance period was 9.1% above RPI on an annualised basis and thus fell between the minimum and maximum performance levels and resulted in partial vesting. Under (2) above, a vesting percentage of 77% applied as to two-thirds of the grant leading to the vesting of 35,294 ordinary shares in the Company in September 2011. This level of vesting relates to annual adjusted EPS performance over the relevant performance period of 9.1% above RPI on an annualised basis and thus fell towards the maximum performance levels which resulted in a partial vesting. Under (3) above, a vesting percentage of 100% applied as to one-third of the grant leading to the vesting of 19,210 ordinary shares in the Company in September 2011. This level of vesting relates to annual adjusted EPS performance over the relevant performance period of 17.8% above RPI on an annualised basis and thus fell above the maximum performance levels which resulted in full vesting. All of the vested shares under (1), (2) and (3) were sold at a price of 1,000 pence per share in September 2011 by Richard Wood.

JOHN WORBY

Grant	Date	Award	Vesting period	Share price at grant	At 30 June 2012 Number	At 30 June 2011 Number
(1)	3 March 2009	PSP	3 March 2009 to 2 March 2012	635.67p	**43,262**	86,523
(2)	15 September 2009	PSP	15 September 2009 to 14 September 2012	654.5p	**42,017**	42,017
(3)	10 September 2010	PSP	10 September 2010 to 9 September 2013	729.83p	**37,680**	37,680
(4)	9 September 2011	PSP	9 September 2011 to 8 September 2014	977.83p	**30,680**	–
Total					**153,639**	166,220

Under (1) above, on 14 March 2012 John Worby exercised and sold 43,261 ordinary shares of 10 pence each in the Company ('Share(s)') at a price of 1,318.41 pence per share. This sale was made further to the vesting of 86,523 conditional nil-cost share options on 5 March 2012 on a 100% basis under the Company's Performance Share Plan and represents the exercise by John Worby of one half of his vesting entitlement. The remaining 43,262 share options that vested on 5 March 2012 have been retained by John Worby and have not been exercised. Actual adjusted EPS growth over the relevant performance period was 10.4% above RPI on an annualised basis and thus fell above the maximum performance levels which resulted in a full vesting.

Under (2) above, the award vested at 100%. This related to annualised growth in adjusted EPS over the performance period of 10% above RPI which results in the maximum performance requirement having been achieved over the performance period and thus full vesting.

The targets applying to (1) (2) and (3) were as follows:

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

* Growth in adjusted EPS over the three-year performance period will be computed based on a simple average annual growth rate.
** A linear scale will be applied when performance falls between the bands.

The targets applying to (4) are set out on page 60.

DILUTION

The current dilution under all share plans is 7.3% in 10 years. The Committee believes that the current proposals and the anticipated flow rate will continue to operate within the agreed dilution limits for all share plans.

EMPLOYEE BENEFIT TRUST

The Company has established an Employee Benefit Trust to be the custodian of any shares purchased in respect of the 2004 Performance Share Plan on behalf of the Executive Directors and certain senior management. As at 30 June 2012, 56,530 ordinary shares in the Company were held by the trust.

COMPANY SHARE PRICE

The market price of the Company's shares on 30 June 2012 was 1,241 pence and the low and high share prices during the financial year were 850 pence and 1,457 pence respectively.

APPROVAL

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

NIGEL TURNER
CHAIRMAN OF THE REMUNERATION COMMITTEE
3 SEPTEMBER 2012

Directors' Responsibilities Statement

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

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

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

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

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

GOING CONCERN

The Business Review on pages 20 to 37 sets out the Group's position and prospects, in particular:

- the Group's business activities, their performance and position are set out on pages 24 to 31;
- the financial position of the Group including cash flows, liquidity position, borrowing facilities and treasury risk management policies are set out in note 25; and
- the risk factors facing the Group and mitigating actions in place are described on page 32.

In addition, note 26 to the Financial Statements includes details of the Group's bank facilities, borrowings under such facilities and details of the Group's financial instruments.

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm to the best of their knowledge:

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

By order of the Board:

KARIM BITAR
CHIEF EXECUTIVE
3 SEPTEMBER 2012

JOHN WORBY
GROUP FINANCE DIRECTOR
3 SEPTEMBER 2012

Independent Auditors' Report – Group Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENUS PLC

We have audited the Group Financial Statements of Genus plc for the year ended 30 June 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Balance Sheet, the Group Statement of Cash Flows and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Directors' Report in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by Board on Directors' remuneration.

OTHER MATTER

We have reported separately on the Parent Company Financial Statements of Genus plc for the year ended 30 June 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Edward Hanson

EDWARD HANSON (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
LONDON, UNITED KINGDOM
3 SEPTEMBER 2012

Group Income Statement
For the year ended 30 June 2012

	Note	2012 £m	2011 £m
Revenue from continuing operations	5,6	**341.8**	309.9
Adjusted operating profit from continuing operations		**45.8**	42.2
Net IAS 41 valuation movement on biological assets (includes exceptional credit of £23.0m (2011: £nil))	15	**38.8**	9.8
Amortisation of acquired intangible assets	14	**(5.2)**	(5.2)
Share-based payment expense	29	**(3.1)**	(3.2)
		76.3	43.6
Other exceptional items	7	**(22.1)**	1.2
Operating profit from continuing operations	8	**54.2**	44.8
Share of post-tax profit of joint ventures and associates	17	**2.3**	2.3
Net finance costs	10	**(2.1)**	(6.3)
Profit before tax from continuing operations		**54.4**	40.8
Taxation	11	**(14.8)**	(11.6)
Profit for the year from continuing operations		**39.6**	29.2
Attributable to:			
Owners of the Company		**39.5**	29.2
Minority interests		**0.1**	–
		39.6	29.2
Earnings per share from continuing operations	13		
Basic earnings per share		**65.9p**	49.0p
Diluted earnings per share		**65.0p**	48.2p
Non statutory measure of profit			
Adjusted operating profit from continuing operations		**45.8**	42.2
Pre-tax share of profits from joint ventures and associates excluding net IAS 41 valuation movement	17	**2.8**	3.1
Adjusted operating profit including joint ventures and associates		**48.6**	45.3
Net finance costs	10	**(2.1)**	(6.3)
Adjusted profit before taxation from continuing operations		**46.5**	39.0
Adjusted earnings per share from continuing operations	13		
Basic adjusted earnings per share		**53.5p**	44.8p
Diluted adjusted earnings per share		**52.7p**	44.1p

Group Statement of Comprehensive Income
For the year ended 30 June 2012

	Note	2012 £m	2012 £m	2011 £m	2011 £m
Profit for the year			**39.6**		29.2
Foreign exchange translation differences		**(7.0)**		(11.6)	
Fair value movement on net investment hedges		**1.1**		4.9	
Fair value movement on cash flow hedges		**(0.2)**		1.2	
Actuarial loss/(gain) on retirement benefit obligations		**(27.2)**		0.9	
Tax relating to components of other comprehensive income	11	**5.2**		(0.5)	
Other comprehensive expense for the year			**(28.1)**		(5.1)
Total comprehensive income for the year			**11.5**		24.1
Attributable to:					
Owners of the Company			**11.4**		24.1
Minority interests			**0.1**		–
			11.5		24.1

Group Statement of Changes in Equity

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
Balance at 30 June 2010		6.0	112.0	(0.1)	30.3	(1.2)	104.5	251.5	0.3	251.8
Foreign exchange translation differences, net of tax		–	–	–	(9.6)	–	–	(9.6)	–	(9.6)
Fair value movement on net investment hedges, net of tax		–	–	–	3.5	–	–	3.5	–	3.5
Fair value movement on cash flow hedges, net of tax		–	–	–	–	0.9	–	0.9	–	0.9
Actuarial gain on retirement benefit obligations, net of tax		–	–	–	–	–	0.1	0.1	–	0.1
Other comprehensive (expense)/income for the year		–	–	–	(6.1)	0.9	0.1	(5.1)	–	(5.1)
Profit for the year		–	–	–	–	–	29.2	29.2	–	29.2
Total comprehensive (expense)/income for the year		–	–	–	(6.1)	0.9	29.3	24.1	–	24.1
Recognition of share-based payments, net of tax		–	–	–	–	–	3.2	3.2	–	3.2
Dividends	12	–	–	–	–	–	(7.2)	(7.2)	–	(7.2)
Balance at 30 June 2011		6.0	112.0	(0.1)	24.2	(0.3)	129.8	271.6	0.3	271.9
Foreign exchange translation differences, net of tax		–	–	–	(7.9)	–	–	(7.9)	–	(7.9)
Fair value movement on net investment hedges, net of tax		–	–	–	0.8	–	–	0.8	–	0.8
Fair value movement on cash flow hedges, net of tax		–	–	–	–	(0.2)	–	(0.2)	–	(0.2)
Actuarial loss on retirement benefit obligations, net of tax		–	–	–	–	–	(20.8)	(20.8)	–	(20.8)
Other comprehensive expense for the year		–	–	–	(7.1)	(0.2)	(20.8)	(28.1)	–	(28.1)
Profit for the year		–	–	–	–	–	39.5	39.5	0.1	39.6
Total comprehensive (expense)/income for the year		–	–	–	(7.1)	(0.2)	18.7	11.4	0.1	11.5
Recognition of share-based payments, net of tax		–	–	–	–	–	2.8	2.8	–	2.8
Issue of ordinary shares		–	0.1	–	–	–	–	0.1	–	0.1
Dividends	12	–	–	–	–	–	(10.7)	(10.7)	–	(10.7)
Balance at 30 June 2012		**6.0**	**112.1**	**(0.1)**	**17.1**	**(0.5)**	**140.6**	**275.2**	**0.4**	**275.6**

Group Balance Sheet
As at 30 June 2012

	Note	2012 £m	2011 £m	2010 £m
Assets				
Goodwill	14	**66.4**	68.3	68.4
Other intangible assets	14	**71.2**	75.6	81.5
Biological assets	15	**223.0**	187.0	175.5
Property, plant and equipment	16	**41.7**	40.8	43.4
Interests in joint ventures and associates	17	**9.2**	8.5	7.4
Available for sale investments	18	**0.1**	0.2	0.3
Derivative financial assets	25	**0.3**	–	0.9
Deferred tax assets	19	**23.1**	15.6	17.5
Total non-current assets		**435.0**	396.0	394.9
Inventories	20	**30.2**	33.5	31.1
Biological assets	15	**36.8**	27.3	37.0
Trade and other receivables	21	**66.5**	65.0	60.2
Cash and cash equivalents	22	**18.6**	18.3	18.1
Income tax receivable		**0.8**	1.0	0.8
Asset held for sale		**0.3**	0.3	0.3
Total current assets		**153.2**	145.4	147.5
Total assets		**588.2**	541.4	542.4
Liabilities				
Trade and other payables	23	**(48.9)**	(47.3)	(42.3)
Interest-bearing loans and borrowings	26	**(8.2)**	(4.0)	(1.6)
Provisions	24	**(1.4)**	(0.2)	(0.4)
Obligations under finance leases	27	**(0.9)**	(0.9)	(0.9)
Current tax liabilities		**(4.6)**	(5.5)	(3.5)
Derivative financial liabilities	25	**(0.2)**	(0.4)	(12.2)
Total current liabilities		**(64.2)**	(58.3)	(60.9)
Interest-bearing loans and borrowings	26	**(64.6)**	(80.5)	(94.6)
Retirement benefit obligations	28	**(67.3)**	(23.6)	(28.8)
Provisions	24	**(1.1)**	(1.2)	(1.4)
Deferred tax liabilities	19	**(113.5)**	(104.9)	(103.6)
Derivative financial liabilities	25	**(0.6)**	(0.2)	(0.3)
Obligations under finance leases	27	**(1.3)**	(0.8)	(1.0)
Total non-current liabilities		**(248.4)**	(211.2)	(229.7)
Total liabilities		**(312.6)**	(269.5)	(290.6)
Net assets		**275.6**	271.9	251.8
Equity				
Called up share capital	30	**6.0**	6.0	6.0
Share premium account		**112.1**	112.0	112.0
Own shares	30	**(0.1)**	(0.1)	(0.1)
Translation reserve	30	**17.1**	24.2	30.3
Hedging reserve	30	**(0.5)**	(0.3)	(1.2)
Retained earnings		**140.6**	129.8	104.5
Equity attributable to owners of the Company		**275.2**	271.6	251.5
Minority interest		**0.4**	0.3	0.3
Total equity		**275.6**	271.9	251.8

The Financial Statements of Genus plc (registration number 02972325) were approved by the Board of Directors on 3 September 2012.

Signed on behalf of the Board of Directors

K BITAR
CHIEF EXECUTIVE

J G WORBY
GROUP FINANCE DIRECTOR

Group Statement of Cash Flows
For the year ended 30 June 2012

	Note	2012 £m	2011 £m
Net cash flow from operating activities	31	**32.6**	28.1
Cash flows from investing activities			
Dividends received from joint ventures and associates		**0.5**	1.9
Purchase of trade and assets		**(0.2)**	–
Purchase of property, plant and equipment		**(7.1)**	(3.5)
Purchase of intangible assets		**(1.8)**	(1.3)
Proceeds from sale of property, plant and equipment		**1.1**	0.7
Net cash outflow from investing activities		**(7.5)**	(2.2)
Cash flows from financing activities			
Drawdown of borrowings		**7.5**	16.1
Repayment of borrowings		**(21.6)**	(23.4)
Payment of finance lease liabilities		**(1.0)**	(1.0)
Equity dividends paid		**(10.7)**	(7.2)
Cash settlement of derivative financial instrument		**–**	(7.0)
New debt issue costs		**–**	(1.7)
Issue of ordinary shares		**0.1**	–
Increase/(decrease) in bank overdrafts		**0.9**	(1.6)
Net cash outflow from financing activities		**(24.8)**	(25.8)
Net increase in cash and cash equivalents		**0.3**	0.1
Cash and cash equivalents at start of the year		**18.3**	18.1
Net increase in cash and cash equivalents		**0.3**	0.1
Effect of exchange rate fluctuations on cash and cash equivalents		**–**	0.1
Total cash and cash equivalents at 30 June	22	**18.6**	18.3

Notes to the Group Financial Statements
For the year ended 30 June 2012

1. REPORTING ENTITY

Genus plc (the 'Company') is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Belvedere House, Basing View, Basingstoke, Hampshire RG21 4HG. The nature of the Group's operations and its principal activities are set out in the Company Overview. The Group Financial Statements for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the 'Group') and the equity method is used to account for the Group's interests in joint ventures and associates.

2. BASIS OF PREPARATION

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

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

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

FUNCTIONAL AND PRESENTATION CURRENCY

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

BASIS OF MEASUREMENT

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

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

USE OF ESTIMATES

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

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

GOING CONCERN

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

At 30 June 2012 the Group had net debt of £56.4m (2011: £67.9m) and undrawn committed borrowing facilities of £59.5m which are due to expire in 2015 (unless otherwise extended or reviewed). Whilst these facilities have certain financial covenants they are not expected to prevent further utilisation of the facilities if required. This, together with the maturity profile of debt, provides confidence that the Group has sufficient financial resources for the foreseeable future.
As a consequence, the Directors believe that the Company is well placed to manage its business despite the current uncertain economic environment.

BASIS OF CONSOLIDATION

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

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

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

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

NON-GAAP MEASURES – ADJUSTED OPERATING PROFIT AND ADJUSTED PROFIT BEFORE TAX

Adjusted operating profit and adjusted operating profit before tax from continuing operations are defined before the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense, exceptional items and other gains and losses. These additional non-GAAP measures of operating performance are included as the Directors believe that they provide useful alternative measures for shareholders of the trading performance of the Group. The reconciliation between operating profit from continuing operations and adjusted operating profit from continuing operations is shown on the face of the Group Income Statement.

FOREIGN CURRENCY

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

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

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

Exchange differences arising from the translation into Sterling of foreign operations, and the fair value movement of related effective hedges, are taken to the foreign currency translation reserve. They are released into the income statement upon disposal of the foreign operation.

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

The principal exchange rates were as follows:

	Average			Closing		
	2012	2011	2010	**2012**	2011	2010
US Dollar/£	**1.59**	1.60	1.58	**1.57**	1.61	1.50
Euro/£	**1.19**	1.16	1.14	**1.24**	1.11	1.22
Brazilian Real/£	**2.86**	2.65	2.83	**3.17**	2.51	2.70
Mexican Peso/£	**20.90**	19.47	20.41	**21.06**	18.83	19.28

3. SIGNIFICANT ACCOUNTING POLICIES

BUSINESS COMBINATIONS

All business combinations are accounted for by applying the purchase method. The cost of acquisition is measured at the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the profit and loss as incurred.

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

GOODWILL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES continued

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

RESEARCH AND DEVELOPMENT

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

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

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

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

Other development costs are capitalised within intangible assets when the criteria of IAS 38 are met.

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

EXCEPTIONAL ITEMS

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

INTANGIBLE ASSETS

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

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

The estimated useful lives are as follows:

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

INTANGIBLE ASSETS ACQUIRED SEPARATELY

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

IMPAIRMENT

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

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

The recoverable amount is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 11.4% (2011: 11.4%), the Group's weighted average cost of capital. A premium is added to this rate to reflect the risk attributable to individual countries. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

REVERSALS OF IMPAIRMENT
An impairment loss in respect of goodwill is not reversed.

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

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

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

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

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

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

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

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

The breeding animal biological assets owned by Genus and the retained interest in the biological assets sold under royalty contracts are recognised and measured at fair value at each balance sheet date. Changes in fair value are recognised in the income statement within operating profit for the period.

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

DETERMINATION OF FAIR VALUES – BIOLOGICAL ASSETS
As required by IAS 41 '*Agriculture*', the Group shows the carrying value of biological assets in the Group Balance Sheet determined according to the provisions of IAS 41 with the net valuation movement shown in the income statement. There are important differences in the manner in which the value of the Group's bovine and porcine assets are arrived at, as explained below.

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

3. SIGNIFICANT ACCOUNTING POLICIES continued

Porcine – the fair value of porcine biological assets encompasses both the animals owned entirely by Genus and the retained interest in the genetics of those animals sold under royalty arrangements. The fair value of animals owned by the Group is calculated using average live weights of the animals plus a premium where it is considered that they will be saleable for their favourable genetic characteristics. The value attributed to the live weight of the pigs and the premium for genetics is based on recent transaction prices achieved by the Group. The significant assumptions in determining fair values are the expected life of the breeding animals, the percentage of production animals which are expected to be saleable as breeding animals and the expected sales prices. The fair value of the retained interest in the genetics of those animals sold under royalty contracts is initially based on the fair values achieved by the Group in recent transactions from direct sales of similar animals, less the values received upfront for the sale of the carcass element. The fair value of the retained interest is remeasured at each reporting date. The significant assumption in determining the fair value of the retained interest is the expected life of the animal transferred under royalty contracts.

The pure line herds, being the repository of Genus' proprietary genetics, are valued as an entity, using a discounted cash flow model applied to the saleable product from the herd. The significant assumptions are the number of future generations from which output is linked to the current herd, the expected useful lives of each generation and the discount rate applicable in the discounted cash flow calculation.

NON RECOGNITION OF PORCINE MULTIPLIER CONTRACTS WHERE NO CONTRACTUAL INTEREST IS RETAINED BY THE GROUP

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

The estimated useful lives are as follows:

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

TRADE AND OTHER RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

INTEREST-BEARING LOANS AND BORROWINGS

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

PROVISIONS

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

REVENUE

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

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

- Revenue from the sale of bovine and porcine semen, porcine breeding animals and veterinary products is recognised upon transfer of risks and rewards, either upon shipment to customers or delivery depending on the terms of sale.
- Royalties are recognised when receivable. Royalty payments are received from certain porcine customers based on key performance variables such as the number of pigs born per litter, the number of litters born per sow and the average slaughter weight of animal born.
- Revenue from consulting services represents amounts charged for professional services provided during the year including recoverable expenses but excluding value added tax. Services provided but not yet billed are recognised as revenue based on a fair value assessment of the work delivered and a contractual right to receive payment. Where unbilled revenue is contingent on a future event, nothing is recognised until the contingent event crystallises.

LEASES

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

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

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

FINANCE COSTS

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

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

TAXATION

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES continued

SHARE-BASED PAYMENTS

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

TREASURY SHARES

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

RETIREMENT BENEFIT OBLIGATIONS

DEFINED CONTRIBUTION PENSION SCHEMES

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

DEFINED BENEFIT SCHEMES

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

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

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

The retirement benefit obligations referred to in note 28 include obligations relating to the Milk Pension defined benefit scheme. Genus, together with other participating employers, is joint and severally liable for the scheme's obligations. Genus accounts for its section and its share of any orphan assets and liabilities, together with a provision for any amounts it believes it will be required to pay under its joint and several liability. As a result of the joint and several liability, Genus has a contingent liability for those of the scheme's obligations that Genus has not accounted for.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Group uses interest rate swaps to hedge interest rate risk.

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

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

CASH FLOW HEDGES

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

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

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

NET INVESTMENT HEDGES

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

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

Net investment hedge accounting is applied solely in the Group Financial Statements.

NEW STANDARDS AND INTERPRETATIONS ADOPTED

The following new standards and interpretations have been adopted in the current year but have not impacted the reported results or the financial position:

- Amendment to IFRS 1 '*Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters*'
- Amendments to IFRS 7 '*Financial Instruments: Disclosures*'
- Amendments to IAS 1 '*Presentation of Financial Statements*'; and
- Amendments to IAS 24 '*Related Party Disclosures*'

The adoption of these new standards and interpretation has not changed any previously reported figures.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these Group Financial Statements, the following standards and interpretations which have not been applied in preparing these Group Financial Statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- Amendments to IAS 12, IAS 19, IAS 27, IAS 28 and IFRIC 20
- IFRS 9 '*Financial Instruments – Classification and Measurement*'
- IFRS 10 '*Consolidated Financial Statements*'
- IFRS 11 '*Joint Arrangements*'
- IFRS 12 '*Disclosure of Interests in Other Entities*'; and
- IFRS 13 '*Fair Value Measurement*'

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group, except as follows:

- IFRS 9 '*Financial Instruments*', which will introduce a number of changes in the presentation of financial instruments; and
- IAS 19 '*Employee Benefits*' will impact the measurement of the various components representing movements in the defined pension obligation and associated disclosures, but not the Group's total obligation. It is likely that following the replacement of expected returns on plan assets with a net finance cost in the income statement, the profit for the period will be reduced and accordingly other comprehensive income increased.

4. SIGNIFICANT AREAS OF JUDGEMENT AND DETERMINATION OF FAIR VALUES

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

DETERMINATION OF THE FAIR VALUE OF BIOLOGICAL ASSETS

The determination of the fair values of bovine and porcine biological assets requires the use of significant judgement and assumptions including an estimation of future cash flows, use of appropriate discount rate in order to calculate present value, forecast sales volumes, proportion to slaughter, mix of boars and gilts and the length of lives of animals. See note 15.

FAIR VALUE OF ASSETS AND LIABILITIES ON BUSINESS COMBINATIONS

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

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

IMPAIRMENT OF GOODWILL, INTANGIBLE AND TANGIBLE ASSETS

Determining whether goodwill, intangible and tangible assets are impaired requires a consideration of any specific impairment indicators and an estimation of the value in use of the cash-generating units to which goodwill, intangible and tangible assets have been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and the appropriate discount rate in order to calculate present value. See note 14.

4. SIGNIFICANT AREAS OF JUDGEMENT AND DETERMINATION OF FAIR VALUES continued

RECOGNITION OF DEFERRED TAX ASSETS

In recognising income tax assets and liabilities, the Directors make estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. In recognising deferred tax assets and liabilities management also makes judgements about likely future taxable profits. When the final outcome of such matters, including the recognition of deferred tax assets on tax losses, is different, or expected to be different, from previous assessments by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such a determination is made. See note 19.

DEFINED BENEFIT PENSION SCHEME

Amounts recorded in the financial statements in respect of defined benefit pension schemes are also based on significant estimates and judgement. Details of estimates and judgements made in calculating these transactions are contained in note 28. These include estimates and judgements as to the extent to which provisions should be made for any amounts that might become payable under the Group's joint and severally liability in respect of the Milk Pension Fund.

SHARE-BASED PAYMENTS

Amounts recorded in the financial statements in respect of share-based payments are also based on significant estimates and judgement. Details of estimates and judgements made in calculating these transactions are contained in note 29.

5. SEGMENTAL INFORMATION

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

The Group's business is not highly seasonal and its customer base is diversified, with no individual customer generating in excess of 2% of revenue.

REVENUE

	Gross revenue 2012 £m	Inter-segment revenue 2012 £m	Consolidated revenue 2012 £m
North America	**121.5**	**(6.5)**	**115.0**
Latin America	**52.5**	**(0.8)**	**51.7**
Europe	**117.3**	**(1.6)**	**115.7**
Asia	**48.9**	**(0.7)**	**48.2**
Research & Product Development			
Research	**–**	**–**	**–**
Bovine Product Development	**7.8**	**(7.5)**	**0.3**
Porcine Product Development	**15.3**	**(4.4)**	**10.9**
	23.1	**(11.9)**	**11.2**
	363.3	**(21.5)**	**341.8**

REVENUE

	Gross revenue 2011 £m	Inter-segment revenue 2011 £m	Consolidated revenue 2011 £m
North America	114.5	(6.5)	108.0
Latin America	47.0	(0.6)	46.4
Europe	113.3	(2.3)	111.0
Asia	35.9	(0.5)	35.4
Research & Product Development			
Research	–	–	–
Bovine Product Development	7.4	(6.9)	0.5
Porcine Product Development	12.9	(4.3)	8.6
	20.3	(11.2)	9.1
	331.0	(21.1)	309.9

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

	Result before recharges 2012 £m	Product Development recharges 2012 £m	Segment total 2012 £m
North America	**44.9**	**(5.4)**	**39.5**
Latin America	**19.1**	**(2.9)**	**16.2**
Europe	**21.1**	**(2.2)**	**18.9**
Asia	**11.8**	**(1.4)**	**10.4**
Regional operating profit	**96.9**	**(11.9)**	**85.0**
Research & Product Development			
Research	**(5.3)**	**–**	**(5.3)**
Bovine Product Development	**(20.8)**	**7.5**	**(13.3)**
Porcine Product Development	**(14.5)**	**4.4**	**(10.1)**
	(40.6)	**11.9**	**(28.7)**
Segment operating profit	**56.3**	**–**	**56.3**
Central costs	**(10.5)**	**–**	**(10.5)**
Adjusted operating profit	**45.8**	**–**	**45.8**

	Result before recharges 2011 £m	Product Development recharges 2011 £m	Segment total 2011 £m
North America	40.9	(5.6)	35.3
Latin America	16.1	(2.6)	13.5
Europe	20.5	(2.1)	18.4
Asia	8.3	(0.9)	7.4
Regional operating profit	85.8	(11.2)	74.6
Research & Product Development			
Research	(3.9)	–	(3.9)
Bovine Product Development	(18.8)	6.9	(11.9)
Porcine Product Development	(13.8)	4.3	(9.5)
	(36.5)	11.2	(25.3)
Segment operating profit	49.3	–	49.3
Central costs	(7.1)	–	(7.1)
Adjusted operating profit	42.2	–	42.2

	Depreciation		Amortisation		Additions to non-current assets	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
North America	**1.2**	1.0	**2.4**	2.4	**2.0**	1.6
Latin America	**0.3**	0.4	**0.4**	0.4	**0.7**	0.5
Europe	**0.5**	0.6	**2.7**	2.7	**0.5**	0.5
Asia	**0.4**	0.3	**0.3**	0.3	**0.4**	0.4
Research & Product Development						
Research	**0.1**	0.1	**–**	–	**–**	–
Bovine Product Development	**0.7**	0.5	**–**	–	**3.7**	0.9
Porcine Product Development	**1.8**	1.8	**–**	–	**0.8**	0.4
	2.6	2.4	**–**	–	**4.5**	1.3
Segment total	**5.0**	4.7	**5.8**	5.8	**8.1**	4.3
Central	**0.1**	–	**–**	–	**0.4**	–
Total	**5.1**	4.7	**5.8**	5.8	**8.5**	4.3

Notes to the Group Financial Statements continued
For the year ended 30 June 2012

5. SEGMENTAL INFORMATION continued

	Segment assets			Segment liabilities		
	2012 £m	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
North America	**125.9**	121.2	132.0	**(54.5)**	(44.4)	(30.5)
Latin America	**61.3**	60.0	61.6	**(11.5)**	(13.2)	(10.5)
Europe	**87.6**	94.7	90.0	**(86.7)**	(44.2)	(51.8)
Asia	**33.2**	31.5	29.2	**(7.1)**	(8.8)	(5.9)
Research & Product Development						
Research	**0.5**	0.5	0.5	**–**	–	–
Bovine Product Development	**191.3**	176.3	166.1	**(52.5)**	(53.6)	(48.2)
Porcine Product Development	**68.4**	46.4	55.5	**(16.4)**	(8.2)	(10.3)
	260.2	223.2	222.1	**(68.9)**	(61.8)	(58.5)
Segment total	**568.2**	530.6	534.9	**(228.7)**	(172.4)	(157.2)
Central and unallocated	**20.0**	10.8	7.5	**(83.9)**	(97.1)	(133.4)
Total	**588.2**	541.4	542.4	**(312.6)**	(269.5)	(290.6)

Other exceptional items of £22.1m cost (2011: £1.2m gain), relate to the Europe region. Details of these exceptional items are given in note 7. Share-based payments are considered on a Group-wide basis and are therefore not allocated to reportable segments.

The exceptional credit of £23.0m which has arisen as a result of a change in the basis of calculating the value of the Group's porcine pure line breeding animals under IAS 41 relates to Porcine Product Development.

6. REVENUE

	2012 £m	2011 £m
Sale of animals, semen and veterinary products	**276.0**	250.4
Royalties	**57.6**	52.2
Consulting services	**8.2**	7.3
	341.8	309.9
Interest income	**1.1**	0.4
Total	**342.9**	310.3

7. EXCEPTIONAL ITEMS

	2012 £m	2011 £m
Operating (expenses)/income:		
Additional pension provision	**(20.1)**	–
Integration and restructuring	**(2.0)**	–
Pension curtailment gain	**–**	0.6
Insurance settlement	**–**	0.6
Other exceptional items	**(22.1)**	1.2
Exceptional credit – IAS 41 (see note 15)	**23.0**	–
Total exceptional items	**0.9**	1.2

The additional pension provision of £20.1m is in respect of the multi-employer Milk Pension Fund ('MPF'). The triennial valuation of the MPF at March 2012 is expected to show an increased deficit particularly following recent reductions in gilt yield. In the light of this, and the difficulty certain other employers may experience in fulfilling their obligations to the scheme, the Group concluded that it was necessary to make a provision in its financial statements for the year to 30 June 2012 for its potential joint and several obligation in connection with the MPF scheme. The provision relates to the potential future cash payments that may arise over a number of years as a result of the possibility of certain employers in the MPF being unable to meet increased deficit repair contributions that would normally be expected to be payable to the fund. These potential costs are additional to the normal pension liabilities in respect of Genus's past and present employees in the now closed MPF. They arise because of Genus's joint and several liability with the other employers for the obligations of the MPF (see note 28).

The integration and restructuring charge of £2.0m relates principally to a refocusing the European porcine business on larger integrated customers.

An exceptional credit of £23.0m has arisen as a result of a change in the basis of calculating the value of the Group's porcine pure line breeding animals under IAS 41. This change has increased the carrying value of biological assets under IAS 41 but has no cash impact. The pure line assets were previously valued by applying fair values of the nearest similar assets. The new methodology employs a discounted cash flow calculation applied to the expected output of each herd of breeding animals as a whole. This is considered to be a more relevant basis of estimating the fair value of the pure line assets.

In the prior year, the pension curtailment gain of £0.6m arose on the closure to future accrual of defined benefit pensions within the Dalgety Pension Fund (see note 28).

The insurance settlement income in the prior year relates to cash received from an insurance claim which was previously thought to be irrecoverable.

8. OPERATING PROFIT

Operating costs comprise:

	2012 £m	2011 £m
Cost of sales excluding net IAS 41 valuation movement on biological assets and amortisation of multiplier contract intangible assets	**(142.2)**	(126.1)
Net IAS 41 valuation movement on biological assets (includes exceptional credit of £23.0m (2011: £nil))	**38.8**	9.8
Amortisation of multiplier contract intangible assets	**(0.2)**	(0.2)
Cost of sales	**(103.6)**	(116.5)
Distribution costs	**(91.4)**	(86.6)
Amortisation of customer relationship intangible assets	**(3.0)**	(3.0)
Distribution costs	**(94.4)**	(89.6)
Research & Product Development expenditure	**(28.7)**	(25.3)
Amortisation of technology intangible assets	**(2.0)**	(2.0)
Research & Product Development costs	**(30.7)**	(27.3)
Administrative expenses	**(33.1)**	(29.1)
Share-based payment expense	**(3.1)**	(3.2)
Amortisation of software	**(0.6)**	(0.6)
Exceptional items within administrative expenses	**(22.1)**	1.2
Total administrative expenses	**(58.9)**	(31.7)
Total operating costs	**(287.6)**	(265.1)

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

	2012 £m	2011 £m
Net foreign exchange losses/(gains)	**0.3**	(0.1)
Depreciation of owned fixed assets	**4.5**	4.2
Depreciation of assets held under finance leases and hire purchase contracts	**0.6**	0.5
Gain on disposal of fixed assets	**–**	(0.1)
Operating lease rentals		
– plant and machinery	**1.4**	1.3
– other	**5.6**	4.8
Employee costs (see note 9)	**95.0**	89.7
Cost of inventories recognised as an expense	**54.6**	56.0

8. OPERATING PROFIT continued

	2012 £m	2011 £m
Auditors' remuneration is as follows:		
Fees payable to the Company's auditors for the audit of the Company's Annual Report and Financial Statements	**0.1**	0.1
Fees payable to the Company's auditors and associates for the audit of the Company's subsidiaries	**0.4**	0.4
Total audit fees	**0.5**	0.5
Tax services	**0.5**	0.4
Other services	**0.1**	0.1
Total non-audit fees	**0.6**	0.5
Total fees to the Group's auditors	**1.1**	1.0
Fees payable to other auditors of Group companies	**0.1**	0.1

Non-audit services principally comprise tax advisory and tax compliance support services. These services fall within the services policy approved by the Company's Audit Committee.

9. EMPLOYEE COSTS

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

	2012 £m	2011 £m
Wages and salaries	**83.8**	79.0
Social security costs	**7.1**	6.5
Contributions to defined contribution pension plans	**1.6**	1.3
Expenses related to defined benefit pension plans	**0.1**	0.2
Share-based payment expense	**2.4**	2.7
	95.0	89.7

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

	2012 Number	2011 Number
North America	**597**	581
Latin America	**149**	143
Europe (excluding UK)	**310**	291
UK	**706**	666
Asia	**320**	291
Research & Product Development	**107**	109
	2,189	2,081

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

10. NET FINANCE COSTS

	2012 £m	2011 £m
Interest payable on bank loans and overdrafts	**(1.9)**	(3.1)
Amortisation of debt issue costs	**(0.5)**	(1.7)
Other interest payable	**(0.2)**	(0.3)
Net interest cost on derivative financial instruments	**(0.6)**	(1.6)
Total interest expense	**(3.2)**	(6.7)
Interest income on bank deposits	**0.2**	0.2
Net interest income in respect of pension scheme liabilities	**0.9**	0.2
Total interest income	**1.1**	0.4
Net finance costs	**(2.1)**	(6.3)

11. INCOME TAX EXPENSE

	2012 £m	2011 £m
Current tax expense		
Current period	**9.9**	8.7
Adjustment for prior periods	**(1.5)**	(0.7)
Total current tax expense in the Group Income Statement	**8.4**	8.0
Deferred tax expense		
Origination and reversal of temporary differences (see note 19)	**8.1**	3.4
Adjustment for prior period	**(1.7)**	0.2
Total deferred tax expense in the Group Income Statement	**6.4**	3.6
Total income tax expense excluding share of income tax of equity accounted investees	**14.8**	11.6
Share of income tax of equity accounted investees	**0.6**	0.4
Total income tax expense in the Group Income Statement	**15.4**	12.0

RECONCILIATION OF EFFECTIVE TAX RATE

	2012 %	2012 £m	2011 %	2011 £m
Profit before tax	**100**	**54.4**	100	40.8
Income tax at UK corporation tax of 25.5% (2011: 27.5%)	**90**	**13.9**	94	11.2
Effect of tax rates in foreign jurisdictions	**44**	**6.8**	26	3.2
Non-deductible expenses	**7**	**1.1**	3	0.4
Tax exempt income and incentives	**(11)**	**(1.7)**	(12)	(1.5)
Change in tax rate	**(15)**	**(2.3)**	(5)	(0.6)
Movements in recognition of tax losses	**6**	**0.9**	–	–
Change in unrecognised temporary differences	**(2)**	**(0.3)**	–	–
Tax over provided in prior periods	**(20)**	**(3.2)**	(10)	(1.2)
Tax on undistributed reserves	**1**	**0.2**	4	0.5
Total income tax expense in the Group Income Statement	**100**	**15.4**	100	12.0

The tax rate for the year depends upon the mix of profits by country, particularly upon the high level of profits generated in North America, and the ability of the Group to recognise deferred tax assets in respect of losses in some of the Group's smaller territories. The prior year deferred tax credit in the year principally arises from a reassessment of the underlying US tax rate applicable to the future taxation of the Group's biological assets in that territory.

The tax expense attributable to exceptional items is £2.6m (2011: £0.2m).

INCOME TAX RECOGNISED DIRECTLY IN EQUITY

Tax in relation to:

	2012 £m	2011 £m
Foreign exchange differences on long-term intra-Group currency loans	**0.3**	0.4
Gain/(loss) on financial instruments	**–**	0.3
Actuarial movement on retirement benefit obligations	**(6.4)**	0.8
Translation of biological assets, intangible assets and finance leases	**0.9**	(1.0)
Income tax on income and expense recognised directly in equity	**(5.2)**	0.5
Share-based payment expense	**(0.4)**	(0.5)
Total income tax recognised directly in equity	**(5.6)**	–

Notes to the Group Financial Statements continued
For the year ended 30 June 2012

12. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

	2012 £m	2011 £m
Final dividend		
13.3 pence (2011: 12.1 pence) per share	**8.0**	7.2
Interim dividend		
4.5 pence (2011: nil) per share	**2.7**	–
	10.7	7.2

A final dividend of 10.1 pence per share has been proposed by the Directors for 2012. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and therefore has not been included as a liability in these financial statements.

13. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS

	2012	2011
Basic earnings per share	**65.9p**	49.0p

The calculation of basic earnings per share from continuing operations for the year ended 30 June 2012 is based on the profit attributable to ordinary shareholders from continuing operations of £39.6m (2011: £29.2m) and a weighted average number of ordinary shares outstanding of 60,055,000 (2011: 59,652,000), calculated as follows:

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)

	2012 000s	2011 000s
Issued ordinary shares at start of the year	**59,933**	59,678
Effect of own shares held	**(148)**	(214)
Shares issued on exercise of stock options	**37**	34
Shares issued in relation to Employee Benefit Trust	**233**	154
Weighted average number of ordinary shares in year	**60,055**	59,652

DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

	2012	2011
Diluted earnings per share	**65.0p**	48.2p

The calculation of diluted earnings per share from continuing operations for the year ended 30 June 2012 is based on profit attributable to ordinary shareholders from continuing operations of £39.6m (2011: £29.2m) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 60,883,000 (2011: 60,566,000) calculated as follows:

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

	2012 000s	2011 000s
Weighted average number of ordinary shares (basic)	**60,055**	59,652
Dilutive effect of share options	**828**	914
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**60,883**	60,566

ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

	2012	2011
Adjusted earnings per share	**53.5p**	44.8p
Diluted adjusted earnings per share	**52.7p**	44.1p

Adjusted earnings per share is calculated on profit before net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items after charging taxation associated with those profits, of £32.1m (2011: £26.7m) as follows:

	2012 £m	2011 £m
Profit before tax from continuing operations	**54.4**	40.8
Add/(deduct):		
Net IAS 41 valuation movement on biological assets	**(38.8)**	(9.8)
Amortisation of acquired intangible assets	**5.2**	5.2
Share-based payment expense	**3.1**	3.2
Additional pension provision	**20.1**	–
Integration and restructuring costs	**2.0**	–
Pension curtailment gain	**–**	(0.6)
Insurance settlement	**–**	(0.6)
Net IAS 41 valuation movement on biological assets in joint ventures and associates	**(0.1)**	0.4
Tax on joint ventures and associates	**0.6**	0.4
Adjusted profit before tax	**46.5**	39.0
Adjusted tax charge	**(14.4)**	(12.3)
Adjusted profit after taxation	**32.1**	26.7
Effective tax rate on adjusted profit	**31.0%**	31.5%

14. INTANGIBLE ASSETS

	Porcine genetics technology £m	Multiplier contracts £m	Customer relationships £m	Separately identified acquired intangible assets £m	Software £m	Other £m	Total £m	Goodwill £m
Cost								
Balance at 1 July 2010	40.4	3.7	56.4	100.5	6.6	1.7	108.8	68.4
Additions	–	–	–	–	–	1.1	1.1	–
On acquisition	–	–	–	–	–	0.2	0.2	
Effect of movements in exchange rates	–	0.1	(2.2)	(2.1)	(0.1)	–	(2.2)	(0.1)
Balance at 30 June 2011	40.4	3.8	54.2	98.4	6.5	3.0	107.9	68.3
Additions	–	–	–	–	–	1.8	1.8	–
On acquisition	–	–	–	–	–	–	–	0.2
Effect of movements in exchange rates	–	(0.1)	(0.4)	(0.5)	0.1	–	(0.4)	(2.1)
Balance at 30 June 2012	**40.4**	**3.7**	**53.8**	**97.9**	**6.6**	**4.8**	**109.3**	**66.4**
Amortisation and impairment losses								
Balance at 1 July 2010	9.2	1.0	15.7	25.9	1.4	–	27.3	–
Amortisation for the year	2.0	0.2	3.0	5.2	0.6	–	5.8	–
Effect of movements in exchange rates	–	–	(0.8)	(0.8)	–	–	(0.8)	–
Balance at 30 June 2011	11.2	1.2	17.9	30.3	2.0	–	32.3	–
Amortisation for the year	2.0	0.2	3.0	5.2	0.6	–	5.8	–
Effect of movements in exchange rates	–	–	–	–	–	–	–	–
Balance at 30 June 2012	**13.2**	**1.4**	**20.9**	**35.5**	**2.6**	**–**	**38.1**	**–**
Carrying amounts								
At 30 June 2012	**27.2**	**2.3**	**32.9**	**62.4**	**4.0**	**4.8**	**71.2**	**66.4**
At 30 June 2011	29.2	2.6	36.3	68.1	4.5	3.0	75.6	68.3
At 30 June 2010	31.2	2.7	40.7	74.6	5.2	1.7	81.5	68.4

Notes to the Group Financial Statements continued
For the year ended 30 June 2012

14. INTANGIBLE ASSETS continued

Additions in the year to intangible assets of £1.8m relates to costs capitalised in respect of a development project.

Additions in the year to goodwill of £0.2m relates to the acquisition of a Polish distributor.

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

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

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

	2012 £m	2011 £m	2010 £m
North America	**33.3**	33.0	34.1
Latin America	**14.7**	16.8	15.9
Europe	**11.0**	11.3	11.1
Asia	**7.4**	7.2	7.3
	66.4	68.3	68.4

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

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

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

Annual growth rates ranging from 1.2% to 27.5% have been applied to cash flows in the five-year financial and strategic planning period.

A growth rate of 2.5% (2011: 4.0%, 2010: 4.0%) has been used to extrapolate cash flows beyond the budget and strategic plan period.

The post-tax WACC of 8.0% (2011: 8.0%, 2010: 8.0%) has been applied to cash flow projections, which equates to a pre-tax rate of approximately 11.4% (2011: 11.4%, 2010: 11.4%). The discount rate has been risk adjusted for Latin America and Asia, with an additional premium of 1% to 3% added to the WACC, respectively.

15. BIOLOGICAL ASSETS

FAIR VALUE OF BIOLOGICAL ASSETS

	Bovine £m	Porcine £m	Total £m
Non-current biological assets	130.2	45.3	175.5
Current biological assets	–	37.0	37.0
Balance at 30 June 2010	130.2	82.3	212.5
Increases due to purchases	5.2	69.4	74.6
Decreases attributable to sales	–	(124.4)	(124.4)
Decrease due to harvest	(26.1)	(7.2)	(33.3)
Changes in fair value less estimated sale costs	38.2	57.2	95.4
Effect of movements in exchange rates	(7.8)	(2.7)	(10.5)
Balance at 30 June 2011	139.7	74.6	214.3
Non-current biological assets	139.7	47.3	187.0
Current biological assets	–	27.3	27.3
Balance at 30 June 2011	139.7	74.6	214.3
Increases due to purchases	4.2	91.9	96.1
Decreases attributable to sales	–	(141.5)	(141.5)
Decrease due to harvest	(21.1)	(8.6)	(29.7)
Changes in fair value less estimated sale costs	26.7	90.7	117.4
Effect of movements in exchange rates	2.7	0.5	3.2
Balance at 30 June 2012	**152.2**	**107.6**	**259.8**
Non-current biological assets	152.2	70.8	223.0
Current biological assets	–	36.8	36.8
Balance at 30 June 2012	**152.2**	**107.6**	**259.8**

Bovine biological assets include £1.6m (2011: £1.6m, 2010: £1.9m) representing the fair value of bulls owned by third parties but managed by the Group, net of expected future payments to such third parties and are therefore treated as assets held under finance leases.

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

The current market determined post-tax rate used to discount expected future net cash flows from the sale of bull semen is the Group's weighted average cost of capital. This has been assessed as 8.0% (2011: 8.0%, 2010: 8.0%).

Decreases due to harvest represent the semen extracted from the biological assets. Inventories of such semen are shown as biological asset harvest in note 20.

Porcine biological assets include £41.4m (2011: £30.9m, 2010: £32.4m) relating to the fair value of the retained interest in the genetics in respect of animals transferred to customers under royalty contracts. Total revenue in the period includes £73.2m (2011: £64.4m) in respect of these contracts comprising £14.9m (2011: £12.2m) on initial transfer of animals to customers and £57.6m (2011: £52.2m) in respect of royalties received. Decreases attributable to sales during the period of £141.5m (2011: £124.4m) include £31.9m (2011: £30.2m) in respect of the reduction in fair value of the retained interest in the genetics of animals sold under royalty contracts.

For pure line porcine herds, the net cash flows from the expected output of the herds are discounted back at the Group's required rate of return adjusted for the greater risk implicit in including output from future generations in the discounted cash flow model. This adjusted rate has been assessed as 11.0%.

Included in increases due to purchases, the aggregate gain arising during the period on initial recognition of biological assets in respect of multiplier purchases was £29.7m (2011: £22.0m).

Notes to the Group Financial Statements continued
For the year ended 30 June 2012

15. BIOLOGICAL ASSETS continued

	Bovine £m	Porcine £m	Total £m
Year ended 30 June 2012			
Net IAS 41 valuation movement on biological assets*			
Changes in fair value of biological assets**	26.7	91.9	118.6
Inventory transferred to cost of sales at fair value	(18.7)	(8.6)	(27.3)
Biological assets transferred to cost of sales at fair value	–	(52.5)	(52.5)
	8.0	**30.8**	**38.8**

	Bovine £m	Porcine £m	Total £m
Year ended 30 June 2011			
Net IAS 41 valuation movement on biological assets*			
Changes in fair value of biological assets	38.2	57.2	95.4
Inventory transferred to cost of sales at fair value	(22.2)	(7.2)	(29.4)
Biological assets transferred to cost of sales at fair value	–	(56.2)	(56.2)
	16.0	(6.2)	9.8

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

** An exceptional credit of £23.0m has arisen as a result of a change in the basis of calculating the value of the Group's porcine pure line breeding animals under IAS 41. This change has increased the carrying value of biological assets under IAS 41 but has no cash impact.

ADDITIONAL INFORMATION

	2012	2011
Bovine		
Quantities at period end		
Number of marketable bulls in stud	**288**	269
Number of doses of semen in inventory – stud	**8.4m**	8.7m
Total number of bulls in development	**1,701**	1,744
Number of doses of semen in inventory from bulls in development	**1.9m**	1.7m
Amounts during the year		
Fair value of agricultural produce – semen, harvested during the period	**£21.1m**	£26.1m
Porcine		
Quantities at period end		
Number of pigs (own farms)	**133,295**	127,572
Amounts during the year		
Number of pigs despatched on a royalty basis and valued at fair value	**60,273**	43,515
Fair value of agricultural produce – semen, harvested during the period	**£8.6m**	£7.2m

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant, motor vehicles and equipment £m	Total £m
Cost or deemed cost			
Balance at 1 July 2010	35.3	30.3	65.6
Additions	0.9	3.4	4.3
Disposals	(1.1)	(1.3)	(2.4)
Effect of movements in exchange rates	(0.9)	(1.1)	(2.0)
Balance at 30 June 2011	34.2	31.3	65.5
Additions	2.1	6.4	8.5
Disposals	(0.6)	(2.1)	(2.7)
Effect of movements in exchange rates	(0.5)	(0.3)	(0.8)
Balance at 30 June 2012	**35.2**	**35.3**	**70.5**
Depreciation and impairment losses			
Balance at 1 July 2010	7.5	14.7	22.2
Depreciation for the year	1.7	3.0	4.7
Disposals	(0.6)	(1.0)	(1.6)
Effect of movements in exchange rates	(0.2)	(0.4)	(0.6)
Balance at 30 June 2011	8.4	16.3	24.7
Depreciation for the year	1.8	3.3	5.1
Disposals	(0.4)	(1.3)	(1.7)
Impairment	1.0	–	1.0
Effect of movements in exchange rates	–	(0.3)	(0.3)
Balance at 30 June 2012	**10.8**	**18.0**	**28.8**
Carrying amounts			
At 30 June 2012	**24.4**	**17.3**	**41.7**
At 30 June 2011	25.8	15.0	40.8
At 30 June 2010	27.8	15.6	43.4

LEASED PLANT AND MACHINERY

At 30 June 2012 plant, motor vehicles and equipment included assets held under finance leases with a carrying value of £4.7m (2011: £4.2m, 2010: £4.4m). The associated depreciation charge for the year was £0.6m (2011: £0.5m, 2010: £0.6m).

17. EQUITY ACCOUNTED INVESTEES

The Group's share of profit after tax in its equity accounted investees for the year was £2.3m (2011: £2.3m).

The carrying value of the investment is reconciled as follows:

	2012 £m	2011 £m	2010 £m
Balance at 1 July	**8.5**	7.4	5.3
Share of post-tax profits of joint ventures and associate retained	**2.3**	2.3	3.1
Dividends received	**(0.5)**	(1.9)	(1.1)
Effect of movements in exchange rates	**(1.1)**	0.7	0.1
Balance at 30 June	**9.2**	8.5	7.4

Notes to the Group Financial Statements continued
For the year ended 30 June 2012

17. EQUITY ACCOUNTED INVESTEES continued

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

YEAR ENDED 30 JUNE 2012

	Ownership	Current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
Net assets								
Agroceres – PIC Suinos (Brazil)	49%	3.0	2.9	2.8	8.7	(0.8)	(0.8)	7.9
Hybridschweine Cooperations GmbH (Germany)	50%	0.2	–	–	0.2	–	–	0.2
Hu Mei Pig Improvement Company Ltd (China)	50%	1.1	–	–	1.1	–	–	1.1
		4.3	**2.9**	**2.8**	**10.0**	**(0.8)**	**(0.8)**	**9.2**

	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Expenses £m	Operating profit £m	Taxation £m	Profit after tax £m
Income statement							
Agroceres – PIC Suinos (Brazil)	49%	9.3	0.1	(7.3)	2.1	(0.6)	1.5
Hybridschweine Cooperations GmbH (Germany)	50%	7.7	–	(7.6)	0.1	–	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	3.2	–	(2.5)	0.7	–	0.7
		20.2	**0.1**	**(17.4)**	**2.9**	**(0.6)**	**2.3**

YEAR ENDED 30 JUNE 2011

	Ownership	Current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
Net assets								
Agroceres – PIC Suinos (Brazil)	49%	3.5	3.0	2.7	9.2	(1.3)	(1.3)	7.9
Hybridschweine Cooperations GmbH (Germany)	50%	0.2	–	–	0.2	–	–	0.2
Hu Mei Pig Improvement Company Ltd (China)	50%	0.4	–	–	0.4	–	–	0.4
		4.1	3.0	2.7	9.8	(1.3)	(1.3)	8.5

	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Expenses £m	Operating profit £m	Taxation £m	Profit after tax £m
Income statement							
Agroceres – PIC Suinos (Brazil)	49%	11.5	(0.4)	(8.6)	2.5	(0.4)	2.1
Hybridschweine Cooperations GmbH (Germany)	50%	7.8	–	(7.8)	–	–	–
Hu Mei Pig Improvement Company Ltd (China)	50%	2.2	–	(2.0)	0.2	–	0.2
		21.5	(0.4)	(18.4)	2.7	(0.4)	2.3

YEAR ENDED 30 JUNE 2010

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

	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Expenses £m	Operating profit £m	Taxation £m	Profit after tax £m
Income statement							
Agroceres – PIC Suinos (Brazil)	49%	9.3	1.8	(7.2)	3.9	(1.0)	2.9
Hybridschweine Cooperations GmbH (Germany)	50%	8.4	–	(8.3)	0.1	–	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	1.6	–	(1.5)	0.1	–	0.1
		19.3	1.8	(17.0)	4.1	(1.0)	3.1

18. AVAILABLE FOR SALE INVESTMENTS

	2012 £m	2011 £m	2010 £m
Fair value	**0.1**	0.2	0.3

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

19. DEFERRED TAX ASSETS AND LIABILITIES

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

At the balance sheet date, the Group has unused tax losses with a potential tax benefit of £11.6m (2011: £13.4m, 2010: £14.1m) available for offset against future profits. A deferred tax asset has been recognised in respect of £0.6m (2011: £2.3m, 2010: £2.1m) of such losses. No deferred tax asset has been recognised in respect of the remaining £11.0m (2011: £11.1m, 2010: £12.0m) due to the uncertainty over the availability of future taxable profits in the relevant jurisdictions.

Deferred tax liabilities totalling £3.0m (2011: £3.2m, 2010: £3.6m) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain overseas subsidiaries. No provision is required since the Group is in a position to control the timing and reversal of these differences and it is probable that such differences will not reverse in the foreseeable future.

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	2012 £m	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
Property, plant and equipment	**(0.1)**	(0.3)	3.0	**6.0**	5.9	0.7	**5.9**	5.6	3.7
Intangible assets	**(0.6)**	(1.1)	(2.5)	**22.0**	24.2	27.1	**21.4**	23.1	24.6
Biological assets	**–**	–	–	**86.0**	76.0	73.7	**86.0**	76.0	73.7
Financial instruments	**(0.2)**	(0.1)	(0.4)	**–**	–	–	**(0.2)**	(0.1)	(0.4)
Retirement benefit obligations	**(14.4)**	(4.3)	(7.9)	**(1.9)**	(1.8)	–	**(16.3)**	(6.1)	(7.9)
Share-based payments	**(1.6)**	(1.6)	(0.7)	**–**	–	–	**(1.6)**	(1.6)	(0.7)
Short-term timing differences	**(5.6)**	(5.9)	(6.9)	**1.4**	0.6	2.1	**(4.2)**	(5.3)	(4.8)
Tax loss carry-forwards	**(0.6)**	(2.3)	(2.1)	**–**	–	–	**(0.6)**	(2.3)	(2.1)
Net tax (assets)/liabilities	**(23.1)**	(15.6)	(17.5)	**113.5**	104.9	103.6	**90.4**	89.3	86.1

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

19. DEFERRED TAX ASSETS AND LIABILITIES continued

MOVEMENT IN NET DEFERRED TAX LIABILITIES DURING THE YEAR

	Balance brought forward 1 July 2011 £m	Recognised in income statement £m	Changes in tax rate recognised in income statement £m	Prior year adjustments recognised in income statement £m	Recognised in equity £m	Foreign exchange difference £m	**Balance carried forward 30 June 2012 £m**
Property, plant and equipment	5.6	0.2	–	–	–	0.1	**5.9**
Intangible assets	23.1	(1.0)	(0.6)	–	–	(0.1)	**21.4**
Biological assets	76.0	13.9	(2.5)	(2.5)	–	1.1	**86.0**
Financial instruments	(0.1)	–	–	–	(0.1)	–	**(0.2)**
Retirement benefit obligations	(6.1)	(4.3)	0.5	–	(6.4)	–	**(16.3)**
Share-based payments	(1.6)	0.1	–	–	(0.1)	–	**(1.6)**
Short-term timing differences	(5.3)	(0.3)	0.1	1.1	0.1	0.1	**(4.2)**
Tax loss carry-forwards	(2.3)	1.9	0.1	(0.3)	–	–	**(0.6)**
	89.3	10.5	(2.4)	(1.7)	(6.5)	1.2	**90.4**

	Balance brought forward 1 July 2010 £m	Recognised in income statement £m	Changes in tax rate recognised in income statement £m	Prior year adjustments recognised in income statement £m	Recognised in equity £m	Foreign exchange difference £m	Balance carried forward 30 June 2011 £m
Property, plant and equipment	3.7	1.7	–	0.5	–	(0.3)	5.6
Intangible assets	24.6	(0.9)	(0.7)	–	(0.1)	0.2	23.1
Biological assets	73.7	3.2	(0.2)	–	(0.7)	–	76.0
Financial instruments	(0.4)	–	–	–	0.3	–	(0.1)
Retirement benefit obligations	(7.9)	0.8	0.1	–	0.8	0.1	(6.1)
Share-based payments	(0.7)	(0.3)	–	(0.2)	(0.4)	–	(1.6)
Short-term timing differences	(4.8)	(0.6)	0.2	(0.1)	(0.1)	0.1	(5.3)
Tax loss carry-forwards	(2.1)	0.1	–	–	–	(0.3)	(2.3)
	86.1	4.0	(0.6)	0.2	(0.2)	(0.2)	89.3

20. INVENTORIES

	2012 £m	2011 £m	2010 £m
Biological assets harvest classed as inventories	**22.4**	24.5	23.2
Raw materials and consumables	**0.8**	0.7	0.6
Goods held for resale	**7.0**	8.3	7.3
	30.2	33.5	31.1

21. TRADE AND OTHER RECEIVABLES

	2012 £m	2011 £m	2010 £m
Trade receivables	**56.8**	56.2	52.4
Other debtors	**5.1**	3.8	4.0
Prepayments and accrued income	**2.9**	2.5	1.7
Other taxes and social security	**1.7**	2.5	2.1
	66.5	65.0	60.2

TRADE RECEIVABLES

The average credit period taken on the sales of goods is 61 days (2011: 65 days, 2010: 67 days). No interest is charged on receivables for the first 30 days from the date of the invoice. The Group provides for all receivables based upon knowledge of the customer and historical experience and estimates irrecoverable amounts by reference to past default experience.

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

At 30 June 2012, £40.7m (2011: £40.7m, 2010: £35.6m) of trade receivables were not yet due for payment.

Included in the Group's trade receivables balance are debtors with a carrying amount of £16.5m (2011: £15.8m, 2010: £16.8m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 59 days (2011: 60 days, 2010: 69 days).

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

	2012 £m	2011 £m	2010 £m
0–30 days	**8.2**	7.6	7.1
31–90 days	**5.0**	5.1	5.3
91–180 days	**1.9**	1.8	2.6
Over 180 days	**1.4**	1.3	1.8
	16.5	15.8	16.8

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.
At 30 June 2012 trade receivables are shown net of an allowance for doubtful debts of £3.5m (2011: £3.5m, 2010: £3.3m).

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2012 £m	2011 £m	2010 £m
Balance at the beginning of the year	**3.5**	3.3	3.1
Impairment losses recognised	**0.9**	1.6	1.5
Amounts written off as uncollectible	**(0.4)**	(0.7)	(1.1)
Impairment losses reversed	**(0.3)**	(0.8)	(0.4)
Effect of movements in exchange rates	**(0.2)**	0.1	0.2
Balance at the end of the year	**3.5**	3.5	3.3

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

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

Receivables denominated in currencies other than Sterling comprise £16.6m of receivables denominated in US Dollars (2011: £11.9m, 2010: £15.6m), £9.3m of receivables denominated in Euros (2011: £11.0m, 2010: £7.4m) and £21.2m of receivables denominated in other currencies (2011: £29.1m, 2010: £17.0m).

22. CASH AND CASH EQUIVALENTS

	2012 £m	2011 £m	2010 £m
Bank balances	**18.6**	18.3	18.1

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

Included with the bank balances is £4.4m (2011: £4.1m, 2010: £3.6m) held in China for future investment but subject to certain local restrictions.

23. TRADE AND OTHER PAYABLES

	2012 £m	2011 £m	2010 £m
Trade payables	**14.9**	12.9	13.1
Other payables and accrued expenses	**28.1**	28.8	24.7
Other taxes and social security	**5.9**	5.6	4.5
	48.9	47.3	42.3

Payables denominated in currencies other than Sterling comprise £11.1m of payables denominated in US Dollars (2011: £9.4m, 2010: £10.6m), £9.3m of payables denominated in Euros (2011: £9.6m, 2010: £7.0m) and £19.1m of payables denominated in other currencies (2011: £18.2m, 2010: £11.0m). The carrying values of these liabilities are a reasonable approximation of their fair values.

24. PROVISIONS

	Onerous property leases £m	Other provisions £m	Total £m
Balance at 30 June 2010	1.8	–	1.8
Utilisation of provision	(0.5)	–	(0.5)
Unwinding of discount	0.1	–	0.1
Balance at 30 June 2011	1.4	–	1.4
Reclassified from accruals	–	0.7	0.7
Additional provision in the year	–	1.1	1.1
Utilisation of provision	(0.2)	(0.6)	(0.8)
Unwinding of discount	0.1	–	0.1
Balance at 30 June 2012	**1.3**	**1.2**	**2.5**

	2012 £m	2011 £m	2010 £m
Non-current	**1.1**	1.2	1.4
Current	**1.4**	0.2	0.4
Balance at 30 June	**2.5**	1.4	1.8

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

25. FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 26, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 30.

GEARING RATIO

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

	2012 £m	2011 £m	2010 £m
Debt	**75.0**	86.2	98.1
Cash and cash equivalents	**(18.6)**	(18.3)	(18.1)
Net debt	**56.4**	67.9	80.0
Equity	**275.6**	271.9	251.8
Net debt to equity ratio	**20%**	25%	32%

Debt is defined as long and short-term borrowings, as detailed in note 26.

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

EXTERNALLY IMPOSED CAPITAL REQUIREMENT

The Group is not subject to externally imposed capital requirements.

SIGNIFICANT ACCOUNTING POLICIES

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

For those financial instruments held at valuation, the Group has categorised them into a three level fair value hierarchy based on the priority of the inputs to the valuation technique in accordance with IFRS 7. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. The fair values of the Group's outstanding interest rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 7. There are no financial instruments which have been categorised as Level 1 or Level 3.

CATEGORIES OF FINANCIAL INSTRUMENTS

	Carrying value		
	2012 £m	2011 £m	2010 £m
Financial assets			
Trade receivables and other debtors	**66.5**	65.0	60.2
Derivative instruments in designated hedge accounting relationships	**–**	–	0.9
Derivative instruments in non-designated hedge accounting relationships	**0.3**	–	–
Cash and cash equivalents	**18.6**	18.3	18.1
Financial liabilities			
Trade payables and other creditors	**48.9**	47.3	42.3
Derivative instruments in designated hedge accounting relationships	**(0.8)**	(0.6)	(12.5)
Loans and overdrafts	**(72.8)**	(84.5)	(96.2)
Leasing obligations	**(2.2)**	(1.7)	(1.9)

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

FINANCIAL RISK

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

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

FOREIGN CURRENCY RISK MANAGEMENT

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

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

	Liabilities			Assets		
	2012 £m	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
US Dollar (including leases)	**(69.2)**	(70.2)	(42.0)	**1.4**	5.6	0.6
Euro	**(4.4)**	(5.4)	(9.8)	**–**	1.2	2.6
Australian Dollar	**–**	–	–	**0.2**	–	–

25. FINANCIAL INSTRUMENTS continued

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is mainly exposed to movement in the US Dollar, Euro, Brazilian Real and the Mexican Peso exchange rates.

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

	Euro currency impact			US Dollar currency impact		
	2012 £m	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
10% currency movement						
Profit or loss	**0.7**	0.6	0.6	**2.3**	2.2	2.0

	Brazilian Real currency impact			Mexican Peso currency impact		
	2012 £m	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
10% currency movement						
Profit or loss	**0.7**	0.5	0.5	**0.7**	0.6	0.5

FORWARD FOREIGN EXCHANGE CONTRACTS

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

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

	Average exchange rate 2012	Foreign currency 2012	Contract value			Fair value		
			2012 £m	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
Outstanding contracts								
Buy Czech Koruna	n/a	CZK	**–**	–	2.0	**–**	–	–
Buy Romanian Leu	5.597	RON	**(0.6)**	(0.5)	0.6	**–**	–	–
Sell Chilean Peso	n/a	CLP	**–**	0.3	1.1	**–**	–	–
Sell Renminbi	10.009	CNY	**0.8**	0.9	0.8	**–**	–	–
Sell Polish Zloty	5.16	PLN	**0.2**	0.5	0.4	**–**	–	–
Sell Euro/Buy USD	n/a	EUR	**–**	0.6	–	**–**	–	–
Sell AUD	1.54	AUD	**0.1**	0.4	–	**–**	–	–
Sell Euro	1.24	EUR	**0.8**	–	–	**–**	–	–
Buy USD/Sell ARS	n/a	USD	**–**	(0.2)	–	**–**	–	–
Buy USD/ Sell COP	1775	COP	**0.3**	–	–	**–**	–	–
Sell USD/Buy MXN	n/a	USD	**–**	2.3	–	**–**	–	–
Buy MXN/ Sell USD	13.78	MXN	**(2.4)**	–	–	**0.1**	–	–
Sell Euro/Buy USD	1.25	EUR	**0.6**	0.4	–	**–**	–	–
Buy USD/Sell Euro	n/a	USD	**–**	(0.2)	–	**–**	–	–
Buy USD/Sell Brazilian Real	1.59	USD	**–**	(0.9)	–	**–**	–	–
Net investment hedge – currency swap								
Sell US Dollar	1.4963	USD	**–**	–	35.0	**–**	–	(9.6)
						0.1	–	(9.6)

INTEREST RATE RISK MANAGEMENT

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

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

INTEREST RATE SENSITIVITY ANALYSIS

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

If interest rates had been 1.0% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2012 would decrease/increase by £0.4m (2011: decrease/increase by £0.3m). This small impact is attributable to the Group's decreasing borrowing liabilities and the effects of fixed rate hedging.

INTEREST RATE SWAP CONTRACTS

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

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

CASH FLOW HEDGES

Interest rate swaps ('IRS')

	Average contract fixed interest rate			Notional principal amount			Fair value		
Outstanding receive floating pay fixed contracts	**2012 %**	2011 %	2010 %	**2012 £m**	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
GBP IRS									
Within one year	**–**	2.17	4.74	**–**	10.0	20.0	**–**	(0.1)	(0.5)
Two to five years	**–**	–	–	**–**	–	–	**–**	–	–
Two to five years	**–**	–	2.17	**–**	–	10.0	**–**	–	(0.3)
USD IRS									
Within one year	**–**	3.18	3.19	**–**	12.5	26.7	**–**	(0.3)	(0.5)
Two to five years	**1.40**	1.40	3.18	**44.6**	43.6	13.4	**(0.8)**	(0.2)	(0.6)
EUR IRS									
Within one year	**–**	1.91	–	**–**	5.4	–	**–**	–	–
Two to five years	**–**	–	1.91	**–**	–	9.8	**–**	–	(0.2)
				44.6	71.5	79.9	**(0.8)**	(0.6)	(2.1)

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

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

COMMODITY HEDGES

The Group hedges both feed and slaughter exposures by using the Chicago Mercantile Exchange ('CME') lean hog, corn, soyabean meal and winter wheat commodity futures.

	Average price		Notional principal amount		Fair value	
Commodity hedge	**2012 US$**	2011 US$	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Open contracts from July 2012 to June 2013						
Lean hog futures	**0.86**	n/a	**5.1**	n/a	**(0.1)**	n/a
Corn	**5.53**	n/a	**(1.3)**	n/a	**0.2**	n/a
Soyabean meal	**37.90**	n/a	**(0.9)**	n/a	**0.1**	n/a
Winter wheat	**7.11**	n/a	**(0.6)**	n/a	**0.1**	n/a
Open contracts from July 2011 to June 2012						
Lean hog futures	**–**	0.9	**–**	0.7	**–**	–
			2.3	0.7	**0.3**	–

25. FINANCIAL INSTRUMENTS continued

CREDIT RISK MANAGEMENT

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

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

LIQUIDITY RISK MANAGEMENT

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

LIQUIDITY AND INTEREST RISK TABLES

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

	Weighted average effective interest rate %	Less than 1 month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	5+ years £m	Total £m
2012							
Variable interest rate instruments	**1.9**	**2.2**	**3.6**	**5.3**	**70.0**	**–**	**81.1**
2011							
Variable interest rate instruments	2.5	1.4	0.5	5.6	87.1	–	94.6
2010							
Variable interest rate instruments	3.5	3.1	0.7	3.7	97.9	–	105.4

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

	Weighted average effective interest rate %	Less than 1 month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	5+ years £m	Total £m
2012							
Variable interest rate instruments	**1.1**	**15.4**	**3.2**	**–**	**–**	**–**	**18.6**
2011							
Variable interest rate instruments	1.2	16.1	2.2	–	–	–	18.3
2010							
Variable interest rate instruments	1.2	15.8	2.3	–	–	–	18.1

The Group has access to financing facilities, the total unused amount of which is £59.5m (2011: £51.2m, 2010: £53.6m) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Group expects to reduce the current debt to equity ratio as the level of borrowings decreases through repayment from operating cash flows.

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

	Less than 1 month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	5+ years £m	Total £m
2012						
Interest rate swaps	**–**	**(0.1)**	**(0.3)**	**(0.5)**	**–**	**(0.9)**
2011						
Interest rate swaps	–	(0.2)	(0.4)	–	–	(0.6)
2010						
Interest rate swaps	(0.4)	(0.3)	(1.4)	(0.3)	–	(2.4)

26. LOANS AND BORROWINGS

	2012 £m	2011 £m	2010 £m
Non-current liabilities			
Unsecured bank loans	**64.6**	80.5	0.7
Secured bank loans	**–**	–	93.9
Obligations under finance leases	**1.3**	0.8	1.0
	65.9	81.3	95.6
Current liabilities			
Unsecured bank loans and overdrafts	**8.2**	4.0	0.3
Secured bank loans and overdrafts	**–**	–	1.3
Obligations under finance leases	**0.9**	0.9	0.9
	9.1	4.9	2.5
Total interest-bearing liabilities	**75.0**	86.2	98.1

TERMS AND DEBT REPAYMENT SCHEDULE

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

	Currency	Interest rate	2012 £m	2011 £m	2010 £m
Revolving credit facility and overdraft	GBP	1.9%	**1.2**	9.8	45.3
Revolving credit facility and term loan and overdraft	USD	1.8%	**67.0**	68.5	40.1
Revolving credit facility and overdraft	EUR	1.8%	**4.0**	5.4	9.8
Finance lease liabilities	USD	5.0%	**2.2**	1.7	1.9
Unsecured bank borrowings	Other	0%	**0.6**	0.8	1.0
Total interest-bearing liabilities			**75.0**	86.2	98.1

The above revolving credit facilities are unsecured.

Information about the Group's exposure to interest rate and foreign currency risk is shown in note 25.

	2012 £m	2011 £m	2010 £m
Loans and borrowings (excluding finance leases) comprise amounts falling due:			
In one year or less or on demand	**8.6**	4.6	3.2
In more than one year but not more than two years	**6.4**	6.3	94.0
In more than two years but not more than five years	**58.9**	75.2	0.6
	73.9	86.1	97.8
Less: unamortised issue costs	**(1.1)**	(1.6)	(1.6)
	72.8	84.5	96.2
Current liabilities	**(8.2)**	(4.0)	(1.6)
Non-current liabilities	**64.6**	80.5	94.6

The credit facilities comprise a £65m multi-currency revolving credit facility, a US$60m revolving credit and an amortising US$50m term loan repayable in instalments by 30 September 2015.

As part of its interest rate strategy, the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result bank loan and overdrafts include borrowings of US$70m (£44.6m) fixed at 1.40%. All indicated rates are exclusive of applicable bank margin.

Also included in the above are unsecured loans of £0.3m (2011: £0.4m) for an agricultural development loan in the USA and a £0.3m (2011: £0.4m) loan in Spain. Both of these loans are interest free.

27. FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

	Minimum lease payments 2012 £m	**Interest 2012 £m**	**Principal 2012 £m**	Minimum lease payments 2011 £m	Interest 2011 £m	Principal 2011 £m	Minimum lease payments 2010 £m	Interest 2010 £m	Principal 2010 £m
Less than one year	**0.9**	**–**	**0.9**	0.9	–	0.9	0.9	–	0.9
Between one to five years	**1.3**	**0.1**	**1.4**	0.9	0.1	0.8	1.1	0.1	1.0
	2.2	**0.1**	**2.3**	1.8	0.1	1.7	2.0	0.1	1.9

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

28. RETIREMENT BENEFIT OBLIGATIONS

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

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

	2012 £m	2011 £m	2010 £m
The Milk Pension Fund – Genus' share	**37.1**	14.3	20.3
The Dalgety Pension Fund	**1.4**	1.5	–
Other retirement benefit obligations	**8.7**	7.8	8.5
	47.2	23.6	28.8
The Milk Pension Fund – additional provision	**20.1**	–	–
Overall pension liability	**67.3**	23.6	28.8

Overall, the Group expects to pay £2.8m in contributions to defined benefit plans in the 2012/13 financial year.

THE MILK PENSION FUND ('MPF')

The Milk Pension Fund is that previously operated by the Milk Marketing Board, and was also open to membership of staff working for Milk Marque Ltd (the principal employer now known as Community Foods Group Limited), National Milk Records plc, First Milk Ltd, hauliers associated to First Milk Ltd, Dairy Farmers of Britain Ltd (which went into receivership in June 2009) and Milk Link Ltd. Genus has accounted for its section and its share of any orphan assets and liabilities, collectively representing approximately 37% of the MPF and a £20.1m additional pension provision. Although managed on a sectionalised basis, the MPF is a 'last man standing scheme', which means that all participating employers are joint and severally liable for all of the Fund's liabilities.

A provision of £20.1m (2011: £nil) for potential additional pension costs in respect of the MPF was made during the year. The triennial valuation of the MPF at March 2012 is expected to show an increased deficit particularly following recent reductions in gilt yield. In the light of this, and the likely difficulty certain other employers may experience in fulfilling their normal obligations to the scheme, the Group has concluded that it is necessary to make a provision in its financial statements for the year to 30 June 2012. The provision relates to potential future cash payments that may arise over a number of years as a result of the possibility of certain employers in the MPF being unable to meet increased deficit repair contributions that would normally be expected to be payable to the fund. These potential costs are additional to the normal pension liabilities in respect of Genus' past and present employees in the now closed MPF. They arise because of Genus' joint and several liability with the other employers for the obligations of the MPF.

The most recent actuarial valuation of the MPF was at 31 March 2009. The valuation of the fund used the projected unit method (for future service, a control period of three years was used) and was carried out by professionally qualified actuaries.

The principal actuarial assumptions adopted in the 2009 valuation were that investment returns on existing assets would be 8.2% per annum before retirement and 5.4% per annum after retirement, that pay increases would average 4.3% per annum and that the annual increase in pensions in payment would be 3.2% per annum.

Due to the adverse economic conditions that existed at 31 March 2009, the funding valuation was updated at 31 March 2010. At 31 March 2010, the market value of the fund's assets amounted to £312m. The value of those assets represented approximately 90% of the value of the uninsured liabilities which were £347m at 31 March 2010, after allowing for expected future increases in earnings.

The deficit in the fund as a whole, by reference to the 31 March 2010 valuation, was £35m (of which Genus' notional share was £13.1m) and this shortfall is being addressed by additional contributions from the participating employers. Under the new funding agreement, the Company has agreed to make deficit repair contributions of £1.5m per annum until 31 March 2022.

With effect from 31 May 2010, the majority of the Genus' active members ceased accruing benefits in the fund and became deferred pensioners.

The Group's pension cost for the scheme in 2012 is £0.1m (2011: £0.1m).

DALGETY PENSION FUND ('DPF')

The most recent actuarial valuation of the DPF was at 31 March 2009. The valuation of the scheme used the projected unit method and was carried out by professionally qualified actuaries.

The principal actuarial assumptions adopted in the 2009 valuation were that investment returns on existing assets would be 6.6% per annum before retirement and 4.1% per annum after retirement, that pay increases would average 4.3% per annum and that the annual increase in pensions in payment would be 3.2% per annum.

The market value of the available assets at 31 March 2009 was £14.5m. The value of those assets represents approximately 91% of the value of the uninsured liabilities which were £16.0m at 31 March 2009, after allowing for expected future increases in earnings.

Under the new funding agreement, the Company has agreed to make deficit repair contributions of £0.3m per annum until 30 September 2018.

The disclosures required under IAS 19 have been calculated by an independent actuary based on accurate calculations carried out as at 31 March 2009 updated to 30 June 2011. Under the projected unit method the current service cost will increase as the members approach retirement.

There is a £2.7m reserve held by Trustees of DPF against future unknown liabilities materialising. As the economic benefit to the Company of this amount is not certain, it is treated as a contingent asset.

With effect from 30 November 2010, the majority of the Genus' active members ceased accruing benefits in the fund and became deferred pensioners. This event resulted in a curtailment gain of £0.7m, which has been recognised during the prior year as an exceptional item in the income statement, net of legal costs.

The Group's pension cost for the scheme in 2012 is £nil (2011: £0.1m).

OTHER DEFINED BENEFIT SCHEME IN DEFICIT

The Group also operates a closed defined benefit scheme for a small number of former employees of the National Pig Development Company Limited. The total market value of scheme assets and liabilities at 30 June 2012 under the provisions of IAS 19 were £3.9m (2011: £3.7m, 2010: £3.3m) and £5.2m (2011: £4.7.m, 2010: £4.6m), respectively.

OTHER UNFUNDED SCHEMES

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

For the three unfunded defined benefit schemes, based on the methods and assumptions of IAS 19 the scheme liabilities amount to £6.2m (2011: £5.5m, 2010: £5.7m) and this amount is included within pension liabilities in the Group's Balance Sheet. The current cost charged to operating profit in the year to 30 June 2012 amounted to £nil (2011: £nil, 2010: £nil) and the interest on pension scheme liabilities amounted to £0.3m (2011: £0.3m, 2010: £0.3m).

The principal assumptions used to calculate the scheme liabilities were that the discount rate would be 4.5% (2011: 5.7%, 2010: 5.5%), that pay increases would average nil% per annum (2011: nil%, 2010: nil%) and that inflation and pension payments would be 2.8% per annum (2011: 3.6%, 2010: 3.1%).

For the unfunded retirement health benefit plan, based on the methods and assumptions of IAS 19, scheme liabilities amount to £1.2m (2011: £1.3m, 2010: £1.4m) and this amount is included within retirement benefit obligations in the Group's Balance Sheet. The current cost charged to operating profit in the year to 30 June 2012 amounted to £nil (2011: £nil) and the interest on plan liabilities amounted to £0.1m (2011: £0.1m).

The principal assumptions used to calculate the plan liabilities were that the discount rate would be 4.5% (2011: 5.7%, 2010: 5.5%) and that the long-term rate of medical expense inflation would be 6.8% (2011: 7.6%, 2010: 7.1%).

28. RETIREMENT BENEFIT OBLIGATIONS continued

AGGREGATED POSITION OF DEFINED BENEFIT SCHEMES

	2012 £m	2011 £m	2010 £m
Present value of funded obligations (includes Genus' section only for MPF)	**177.2**	156.2	150.0
The Milk Pension Fund – additional provision	**20.1**	–	–
Present value of unfunded obligations	**7.4**	6.8	7.1
Total present value of obligations	**204.7**	163.0	157.1
Fair value of plan assets (includes Genus' section only for MPF)	**(143.7)**	(146.4)	(130.9)
Restrict recognition of asset and recognition of additional liability (Dalgety)	**6.3**	7.0	2.6
Recognised liability for defined benefit obligations	**67.3**	23.6	28.8

Plan assets consist of the following:

	2012 £m	2011 £m	2010 £m
Equities	**85.4**	91.9	77.2
Gilts and corporate bonds	**46.6**	45.4	47.1
Cash	**0.5**	0.5	1.0
Other	**11.2**	8.6	5.6
	143.7	146.4	130.9

MOVEMENT IN THE LIABILITY FOR DEFINED BENEFIT OBLIGATIONS

	2012 £m	2011 £m	2010 £m
Liability for defined benefit obligations at the start of the year	**163.0**	157.1	146.0
Benefits paid by the plans	**(7.6)**	(6.7)	(6.4)
Current service costs and interest	**9.2**	8.6	9.5
Actuarial losses recognised in equity	**19.9**	4.9	9.4
Gains on curtailments and settlements	**–**	(0.7)	(2.5)
Contributions by scheme members	**–**	0.1	0.7
Additional provision – the Milk Pension Fund	**20.1**	–	–
Exchange rate adjustment	**0.1**	(0.3)	0.4
Liability for defined benefit obligations at the end of year	**204.7**	163.0	157.1

MOVEMENT IN PLAN ASSETS

	2012 £m	2011 £m	2010 £m
Fair value of plan assets at the start of the year	**146.4**	130.9	112.0
Contributions paid into the plans	**2.8**	3.4	2.6
Benefits paid by the plans	**(7.6)**	(6.7)	(6.4)
Expected return on plan assets	**10.0**	8.6	6.9
Actuarial (losses)/gains recognised in equity	**(7.9)**	10.2	15.8
Fair value of plan assets at the end of the year	**143.7**	146.4	130.9

AMOUNTS RECOGNISED IN THE GROUP INCOME STATEMENT

	2012 £m	2011 £m	2010 £m
Current service costs	**0.1**	0.2	0.9
Interest obligation	**9.1**	8.4	8.6
Expected return on plan assets	**(10.0)**	(8.6)	(6.9)
Exceptional item – additional provision – the Milk Pension Fund	**20.1**	–	–
Gains on curtailments and settlements	**–**	(0.6)	(2.5)
	19.3	(0.6)	0.1

THE (INCOME)/EXPENSE IS RECOGNISED IN THE FOLLOWING LINE ITEMS IN THE GROUP INCOME STATEMENT

	2012 £m	2011 £m	2010 £m
Administrative expenses	**0.1**	0.2	0.9
Exceptional item – additional provision – the Milk Pension Fund	**20.1**	–	–
Exceptional item – curtailment gain in administrative expenses	**–**	(0.6)	(2.5)
Finance (income)/costs	**(0.9)**	(0.2)	1.7
	19.3	(0.6)	0.1

ACTUARIAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

	2012 £m	2011 £m	2010 £m
Cumulative loss at the start of the year	**15.1**	16.3	21.1
Actuarial loss/(gain) recognised during the year	**27.8**	(5.3)	(6.4)
Movement in restriction of asset	**(0.7)**	4.4	1.2
Exchange rate adjustment	**0.1**	(0.3)	0.4
Cumulative loss at the end of the year	**42.3**	15.1	16.3

ACTUARIAL ASSUMPTIONS AND SENSITIVITY ANALYSIS

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

	2012	2011	2010
Discount rate	**4.5%**	5.7%	5.5%
Expected return on plan assets	**6.3%**	7.2%	6.9%
Future salary increases	**3.8%**	4.6%	4.1%
Medical cost trend rate	**6.8%**	7.6%	7.1%
Future pension increases and inflation	**2.8%**	3.6%	3.1%

The mortality assumptions used are consistent with those recommended by the schemes' actuaries and reflect the latest available tables, adjusted for the experience of the scheme where appropriate. As in 2011, the mortality tables used are the SN1A tables, with birth year and medium cohort projections, with mortality rates increased by 25% at all ages.

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

		2012 (years)	2011 (years)	2010 (years)
Retiring at balance sheet date at age 65:	Male	**21.8**	21.8	21.6
	Female	**24.0**	24.0	24.0
Retiring at age 65 in 20 years' time:	Male	**24.7**	24.7	24.5
	Female	**27.0**	27.0	27.0

The overall expected long-term rate of return on assets is 6.3% (2011: 7.2%, 2010: 6.9%). The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The amount the deficit varies if the main financial assumption changes, particularly the discount rate. If the discount rate increased/decreased by 0.1% the IAS 19 deficit would decrease/increase by £2.7m.

The history of experience adjustment is as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of the defined benefit obligation	**204.7**	163.0	157.1	146.0	144.5
Fair value of plan assets	**(143.7)**	(146.4)	(130.9)	(112.0)	(126.1)
Restrict recognition of asset and recognition of additional liability	**6.3**	7.0	2.6	1.4	2.7
Deficit in the plan	**67.3**	23.6	28.8	35.4	21.1
Experience adjustments arising on plan liabilities (%)	**10.8**	3.0	6.0	(1.6)	(0.4)
Experience adjustments arising on plan assets (%)	**(5.5)**	7.0	12.1	(15.5)	(6.2)

29. SHARE-BASED PAYMENTS

The Group recognised total share-based payment expense (including National Insurance contributions of £0.7m (2011: £0.5m)) of £3.1m (2011: £3.2m).

SHARE OPTIONS

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

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

Employees entitled	Grant date	Number of instruments	Vesting conditions	Option exercise price	Contractual life of options
(1) 2004 Company share plan	19 May 2005	30,000	Exercisable	310.5p	10 years
(2) 2004 Company share plan	21 June 2006	21,900	Exercisable	439.75p	10 years
(3) 2004 Company share plan	25 September 2006	10,594	Exercisable	472p	10 years
(4) 2004 Company share plan	21 September 2007	15,466	Exercisable	582p	10 years
(5) 2004 Company share plan	19 September 2008	33,240	Exercisable	775.67p	10 years
(6) 2004 Company share plan	15 September 2009	227,818	3 years' service*	654.5p	10 years
(7) 2004 Company share plan	10 September 2010	286,686	3 years' service*	729.83p	10 years
(8) 2004 Company share plan	9 September 2011	251,610	3 years' service*	977.83p	10 years
Total share options		**877,314**			

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

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

	Weighted average exercise price 2012	**Number of options 2012**	Weighted average exercise price 2011	Number of options 2011
Outstanding at start of year	**680p**	**805,151**	618p	681,575
Forfeited during the year	**848p**	**(42,957)**	516p	(47,491)
SAR effected during the year	**744p**	**(87,684)**	567p	(90,286)
Exercised during the year	**671p**	**(62,566)**	529p	(54,550)
Granted during the year	**978p**	**265,370**	730p	315,903
Outstanding at 30 June	**756p**	**877,314**	680p	805,151
Exercisable at 30 June	**528p**	**111,200**	438p	100,991

The weighted average share price at the date of exercise for share options exercised during the period was 1099 pence. In the year to 30 June 2012, options were granted on 9 September 2011. The aggregate of the fair values of those options granted was £754,000.

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

ASSUMPTIONS APPLIED IN VALUATION MODELS AT GRANT DATE

	2012	2011
Exercise price of options granted in the year (nil for awards)	**978p**	729p
Expected volatility (weighted average volatility)	**30%**	30%
Option life (expected weighted average life)	**6.5 years**	6.5 years
Expected dividends	**1.46%**	1.80%
Risk-free interest rate (based on government bonds)	**1.7%**	2.5%

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

SHARE AWARDS

In addition to the outstanding share options above, there are a total of 451,840 conditional share awards which are outstanding at 30 June 2012. These conditional shares were awarded to Executive Directors and senior management on 3 March 2009, 15 September 2009, 2 March 2010, 10 September 2010 and 9 September 2011 under the 2004 Performance Share Plan. In accordance with the terms of the plan, participants in the plan have received a conditional annual award of shares or nil cost option award which will vest mainly after three years, with the proportion of the award vesting being based on growth in Group adjusted earnings per share. Further details of the performance conditions attributing to the 2004 Performance Share Plan are given in the Directors' Remuneration Report.

In the year to 30 June 2012, awards were granted on 9 September 2011. The aggregate of the fair values of those awards granted was £2,551,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model.

	Number of awards 2012	Number of awards 2011
Outstanding at start of year	**746,122**	748,443
Exercised during the year	**(365,604)**	(239,690)
Lapsed during the year	**(194,260)**	–
Granted during the year	**265,582**	237,369
Outstanding at 30 June	**451,840**	746,122
Exercisable at 30 June	**43,262**	–

30. CAPITAL AND RESERVES

SHARE CAPITAL

	2012 Number	2011 Number	2010 Number	**2012 £m**	2011 £m	2010 £m
Authorised						
Ordinary shares of 10 pence	**75,989,400**	75,989,400	75,989,400	**7.6**	7.6	7.6
Issued and fully paid						
Ordinary shares of 10 pence	**60,295,651**	59,933,085	59,678,535	**6.0**	6.0	6.0

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

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

	2012 Number	2011 Number	**2012 £m**	2011 £m
Issued under the Executive Share Option Plan	**62,566**	54,550	**–**	–
Issued to Employee Benefits Trust	**300,000**	200,000	**–**	–
	362,566	254,550	**–**	–

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

	2012 Number	**Price**	2011 Number	Price
Executive Share Option Plan	**9,740**	**439.75p**	5,402	221.5p
	7,305	**472p**	5,009	439.75p
	5,426	**582p**	2,100	472p
	40,095	**776p**	42,039	582p
	62,566		54,550	

RESERVE FOR OWN SHARES

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

	2012 Number	2011 Number	2010 Number	**2012 £m**	2011 £m	2010 £m
Shares allocated but not vested	**56,530**	122,134	161,824	**0.7**	1.3	1.2
Unallocated shares	**92,334**	92,334	92,334	**1.1**	0.9	0.7
	148,864	214,468	254,158	**1.8**	2.2	1.9

30. CAPITAL AND RESERVES continued

TRANSLATION RESERVE

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

HEDGING RESERVE

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

HEDGING AND TRANSLATION RESERVES

	Hedging reserve £m	Translation reserve £m
Balance at 30 June 2010	(1.2)	30.3
Exchange differences on translation of overseas operations	–	(11.6)
Gain recognised on net investment hedges	–	4.9
Gain recognised on cash flow hedges:		
Interest swaps	1.2	–
Income tax related to gains/(losses) recognised in equity	(0.3)	0.6
Balance at 30 June 2011	(0.3)	24.2
Exchange differences on translation of overseas operations	–	(7.0)
Gain recognised on net investment hedges	–	1.1
Loss recognised on cash flow hedges:		
Interest swaps	(0.2)	–
Income tax related to gains/(losses) recognised in equity	–	(1.2)
Balance at 30 June 2012	**(0.5)**	**17.1**

31. NOTES TO THE CASH FLOW STATEMENT

	2012 £m	2011 £m
Profit for the year	**39.6**	29.2
Adjustment for:		
Net IAS 41 valuation movement on biological assets	**(38.8)**	(9.8)
Amortisation of intangible assets	**5.8**	5.8
Share-based payment expense	**3.1**	3.2
Share of profit of joint ventures and associates	**(2.3)**	(2.3)
Finance costs	**2.1**	6.3
Income tax expense	**14.8**	11.6
Pension curtailment gain	**–**	(0.6)
Other non-cash exceptional items	**21.1**	–
Depreciation of property, plant and equipment	**5.1**	4.7
Gain on disposal of plant and equipment	**–**	(0.1)
Other movements in biological assets and harvested produce	**(2.0)**	(4.1)
Increase/(decrease) in provisions	**0.4**	(0.4)
Additional pension contributions in excess of pension charge	**(2.7)**	(3.2)
Other	**(0.7)**	(0.1)
Operating cash flows before movement in working capital	**45.5**	40.2
Increase in inventories	**(0.7)**	(1.1)
Increase in receivables	**(5.3)**	(4.1)
Increase in payables	**4.4**	4.2
Cash generated by operations	**43.9**	39.2
Interest received	**0.2**	0.2
Interest and other finance costs paid	**(2.2)**	(3.5)
Cash flow from derivative financial instruments	**(0.6)**	(1.6)
Income taxes paid	**(8.7)**	(6.2)
Net cash flow from operating activities	**32.6**	28.1

The cash impact of exceptional items for the year ended 30 June 2012 was an outflow of £1.0m (2011: inflow £0.6m).

ANALYSIS OF NET DEBT

	At 1 July 2011 £m	Cash flows £m	Foreign exchange £m	Non-cash movements £m	**At 30 June 2012 £m**
Cash and cash equivalents	18.3	0.3	–	–	**18.6**
Interest bearing loans – current	(4.0)	(3.7)	–	(0.5)	**(8.2)**
Obligation under finance leases – current	(0.9)	1.0	–	(1.0)	**(0.9)**
	(4.9)	(2.7)	–	(1.5)	**(9.1)**
Interest bearing loans – non-current	(80.5)	16.9	(1.0)	–	**(64.6)**
Obligation under finance lease – non-current	(0.8)	–	–	(0.5)	**(1.3)**
	(81.3)	16.9	(1.0)	(0.5)	**(65.9)**
Net debt	(67.9)	14.5	(1.0)	(2.0)	**(56.4)**

Included within non-cash movements is £1.5m in relation to new finance leases.

32. OPERATING LEASES

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

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

	2012 £m	2011 £m
Less than one year	**3.6**	3.6
Between one and five years	**6.7**	8.5
More than five years	**1.6**	2.7
	11.9	14.8

Total future sublease payments receivable relating to the above operating leases amounted to £1.1m (2011: £2.0m).

33. CAPITAL COMMITMENTS

At 30 June 2012 outstanding contracted capital expenditure amounted to £nil (2011: £nil, 2010: £nil).

34. CONTINGENCIES

The retirement benefit obligations referred to in note 28 include obligations relating to the Milk Pension defined benefit scheme. Genus, together with other participating employers, is joint and severally liable for the scheme's obligations. Genus has accounted for its section and its share of any orphan assets and liabilities, collectively representing approximately 37% of the Milk Pension Fund and a £20.1m additional pension provision. As a result of the joint and several liability, Genus has a contingent liability for those of the scheme's obligations that Genus has not accounted for.

35. RELATED PARTIES

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

KEY MANAGEMENT COMPENSATION (INCLUDING DIRECTORS)

	2012 £m	2011 £m
Salaries and short-term employee benefits	**4.2**	4.0
Post-employment benefits	**0.1**	0.1
Compensation for loss of office	**0.4**	–
Share-based payment expense	**1.8**	2.2
	6.5	6.3

DIRECTORS

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

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

Notes to the Group Financial Statements continued
For the year ended 30 June 2012

35. RELATED PARTIES continued
OTHER RELATED PARTY TRANSACTIONS

	Transaction value			Balance outstanding		
	2012 £m	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
Sale of goods and services to joint ventures and associates	**4.7**	5.0	5.1	**0.6**	0.4	0.1

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

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

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

(1) Held by subsidiary undertaking.

37. POST BALANCE SHEET EVENT
On the 31 July 2012, Genus signed a joint venture ('JV') agreement with Shaanxi Yangling Besun Agricultural Group Co., a leading integrated pork producer in China. Genus will become a 49% partner in the JV through a cash investment of approximately £8.7m.

Independent Auditors' Report – Parent Company Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENUS PLC

We have audited the Parent Company Financial Statements of Genus plc for the year ended 30 June 2012 which comprise the Parent Company Balance Sheet and the related notes 38 to 51. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Parent Company Financial Statements:

- give a true and fair view of the state of the Parent Company's affairs as at 30 June 2012; have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

OTHER MATTER

We have reported separately on the Group Financial Statements of Genus plc for the year ended 30 June 2012.

Edward Hanson

EDWARD HANSON (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
LONDON, UNITED KINGDOM
3 SEPTEMBER 2012

Parent Company Financial Statements Balance Sheet
As at 30 June 2012

	Note	2012 £m	2011 £m
Fixed assets			
Tangible assets	40	**0.8**	0.7
Investments in subsidiaries	41	**189.9**	239.6
		190.7	240.3
Current assets			
Debtors	42	**80.8**	18.5
Cash at bank and in hand		**0.3**	0.3
		81.1	18.8
Creditors: Amounts falling due within one year	44	**(52.1)**	(35.2)
Net current assets/(liabilities)		**29.0**	(16.4)
Total assets less current liabilities		**219.7**	223.9
Creditors: Amounts falling due after more than one year	45	**(64.4)**	(81.6)
Net assets		**155.3**	142.3
Capital and reserves			
Called up share capital	48	**6.0**	6.0
Share premium account	48	**112.1**	112.0
Own shares	48	**(0.1)**	(0.1)
Profit and loss account	48	**37.8**	24.7
Hedging reserve	48	**(0.5)**	(0.3)
Shareholders' funds	49	**155.3**	142.3

The Financial Statements of Genus plc (registration number 02972325) were approved by the Board of Directors on 3 September 2012.

Signed on behalf of the Board of Directors

K BITAR
CHIEF EXECUTIVE

J G WORBY
GROUP FINANCE DIRECTOR

Notes to the Parent Company Financial Statements
For the year ended 30 June 2012

38. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The principal accounting policies are summarised below.

The Company's Financial Statements are included in the Genus plc consolidated financial statements for the year ended 30 June 2012. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) '*Cash Flow Statements*'. The Company is also exempt under the terms of FRS 8 '*Related Party Disclosures*' from disclosing transactions with other members of the Genus Group.

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

FIXED ASSETS AND DEPRECIATION

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

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

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

INVESTMENTS

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

PENSIONS

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

Certain current and former employees of the Company are members of one of the Group's defined benefit pension schemes, further details of which are given in note 28 of the Group Financial Statements. The schemes are all multi-employer defined benefit schemes, the assets and liabilities of which are held independently from the Group. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

TAXATION

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

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

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

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

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

Notes to the Parent Company Financial Statements continued
For the year ended 30 June 2012

38. SIGNIFICANT ACCOUNTING POLICIES continued

FOREIGN CURRENCIES

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

TREASURY SHARES

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

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

EMPLOYEE SHARE SCHEMES

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

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

SHARE-BASED PAYMENTS

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

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

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

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

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

CASH FLOW HEDGES

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

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

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

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

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

DEBT

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

FINANCE COSTS

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

39. EMPLOYEES

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

	2012 £m	2011 £m
Wages and salaries	**3.8**	3.6
Social security costs	**1.0**	0.6
Pension costs	**0.2**	0.1
Share-based payment expense	**1.6**	1.4
	6.6	5.7

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

	2012 Number	2011 Number
Administration	**19**	18

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

40. TANGIBLE FIXED ASSETS

	Leasehold land and buildings £m	**Motor vehicles and equipment – owned £m**	**Total £m**
Cost			
At 1 July 2011	0.2	0.9	1.1
Additions	–	0.3	0.3
Disposals	–	(0.1)	(0.1)
At 30 June 2012	**0.2**	**1.1**	**1.3**
Depreciation			
At 1 July 2011	0.1	0.3	0.4
Charge for the year	–	0.1	0.1
At 30 June 2012	**0.1**	**0.4**	**0.5**
Net book value			
At 30 June 2012	**0.1**	**0.7**	**0.8**
At 30 June 2011	0.1	0.6	0.7

Notes to the Parent Company Financial Statements continued
For the year ended 30 June 2012

41. INVESTMENTS

	Shares in subsidiary undertaking £m
Cost	
At 1 July 2011	256.5
Additions	4.0
At 30 June 2012	**260.5**
Provision for impairment	
At 1 July 2011	16.9
Impairment in year	53.7
At 30 June 2012	**70.6**
Net book value	
At 30 June 2012	**189.9**
At 30 June 2011	239.6

During the year, the Company received a dividend from a subsidiary undertaking which has given rise to an impairment in the carrying value of the investment.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

The principal subsidiaries of Genus plc and their main activities are given in note 36.

42. DEBTORS

	Note	2012 £m	2011 £m
Amounts due within one year			
Amounts owed by Group undertakings		**78.7**	16.7
Corporation tax recoverable		**0.3**	0.1
Other taxes and social security		**0.3**	0.6
Prepayments and accrued income		**0.1**	0.1
Derivative financial asset		**0.3**	–
Deferred tax	43	**1.1**	1.0
		80.8	18.5

At the balance sheet date the amounts owed by Group undertakings were £78.7m (2011: £16.7m). The carrying amount of these assets approximates their fair value. There are impaired receivable balances of £1.5m (2011: £1.5m). Of the amounts owed by Group undertakings, £73.3m (2011: £0.7m) is interest-bearing.

43. DEFERRED TAX

The movements in deferred taxation are as follows:

	2012 £m	2011 £m
At the start of the year	**1.0**	1.0
Credit/(charge) for the year	**0.1**	0.2
Recognised in equity	**–**	(0.2)
At the end of the year	**1.1**	1.0

The amounts provided are as follows:

	2012 £m	2011 £m
Derivatives	**0.2**	0.1
Share-based payments	**0.7**	0.8
Other timing differences	**0.2**	0.1
	1.1	1.0

The amounts unprovided are as follows:

	2012 £m	2011 £m
Losses	**1.4**	1.5

UNRECOGNISED DEFERRED TAX ASSETS

At the balance sheet date, the Company has unused tax losses with a potential tax benefit of £1.4m (2011: £1.5m) available for offset against future profits. No deferred tax asset has been recognised due to the uncertainty over the availability of future taxable profits.

44. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2012 £m	2011 £m
Bank loans and overdrafts	46	**7.7**	2.6
Trade creditors		**0.4**	0.2
Other creditors including taxation and social security		**0.4**	0.5
Amounts owed to Group undertakings		**39.3**	28.3
Accruals and deferred income		**3.9**	3.2
Derivative financial liabilities	47	**0.4**	0.4
		52.1	35.2

Included within amounts owed to Group undertakings are amounts of £31.3m (2011: £24.2m) which are interest-bearing and payable on demand.

45. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2012 £m	2011 £m
Bank loans and overdrafts	46	**64.0**	79.7
Derivative financial liabilities	47	**0.4**	0.2
Amounts owed to Group undertakings – derivative financial liabilities	47	**–**	1.7
		64.4	81.6

46. LOANS AND BORROWINGS

	2012 £m	2011 £m
Loans and borrowings comprise amounts falling due:		
In one year or less or on demand	**8.2**	3.1
In more than one year but not more than two years	**6.4**	6.2
In more than two years but not more than five years	**58.2**	74.6
	72.8	83.9
Less: unamortised issue costs	**(1.1)**	(1.6)
	71.7	82.3
Amounts falling due within one year	**(7.7)**	(2.6)
Amounts falling due after more than one year	**64.0**	79.7

The credit facilities comprise a £65m multi-currency revolving credit facility, a US$60m revolving credit and an amortising US$50m term loan repayable in instalments by 30 September 2015.

As part of its interest rate strategy the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result bank loan and overdrafts include borrowings of US$70m (£44.6m) fixed at 1.40%. All indicated rates are exclusive of applicable bank margin.

TERMS AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans and overdrafts (excluding unamortised issue costs) were as follows:

	Currency	Interest rate	2012 £m	2011 £m
Revolving credit facility and overdraft	GBP	2.0%	**1.8**	10.0
Revolving credit facility, term loan and overdraft	USD	1.6%	**67.0**	68.5
Secured revolving credit facility and overdraft	EUR	2.7%	**4.0**	5.4
Total interest-bearing liabilities			**72.8**	83.9

The above revolving credit facilities are unsecured.

Notes to the Parent Company Financial Statements continued
For the year ended 30 June 2012

47. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

FAIR VALUES

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

	2012		2011	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Interest rate swap treated as cash flow hedge	**(0.8)**	**(0.8)**	(0.6)	(0.6)
Cross currency swap – internal	**–**	**–**	(1.7)	(1.7)
Lean hog and feed commodity futures	**0.3**	**0.3**	–	–
	(0.5)	**(0.5)**	(2.3)	(2.3)

HEDGES

The Company's policy is to monitor net transactional currency exposures and future contracted sales, in order to hedge such exposures in the Group, where appropriate. There were short-term forward contracts totalling £(0.2)m (net) entered into at 30 June 2012 (2011: £3.2m (net)).

The recognised profit included in the profit and loss account on forward exchange contracts taken out in previous years amounted to £nil (2011: £0.1m). The Company has entered into interest rate swaps in order to manage its interest rate profile.

OTHER INFORMATION

Additional disclosure on financial instruments can be found in note 25.

48. CAPITAL AND RESERVES

SHARE CAPITAL

	2012 Number	2011 Number	2012 £m	2011 £m
Authorised				
Ordinary shares of 10 pence	**75,989,400**	75,989,400	**7.6**	7.6
Issued and fully paid				
Ordinary shares of 10 pence	**60,295,651**	59,933,085	**6.0**	6.0

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

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

	2012 Number	2011 Number	2012 £m	2011 £m
Issued under the Executive Share Option Plan	**62,566**	54,550	**–**	–
Issued to Employee Benefit Trust	**300,000**	200,000	**–**	–
	362,566	254,550	**–**	–

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

	2012 Number	Price	2011 Number	Price
Executive Share Option Plan	**9,740**	**439.75p**	5,402	221.5p
	7,305	**472p**	5,009	439.75p
	5,426	**582p**	2,100	472p
	40,095	**776p**	42,039	582p
	62,566		54,550	

RESERVE FOR OWN SHARES

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

	2012 Number	2011 Number	2012 £m	2011 £m
Shares allocated but not vested	**56,530**	122,134	**0.7**	1.3
Unallocated shares	**92,334**	92,334	**1.1**	0.9
	148,864	214,468	**1.8**	2.2

HEDGING RESERVE

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

SHARE OPTIONS

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

The terms and conditions of the grants are as set out below. All options are to be settled by physical delivery of shares and meet the criteria for being treated as equity settled as defined by FRS 20.

Employees entitled	Grant date	Number of instruments	Vesting conditions	Option exercise price	Contractual life of options
(1) 2004 Company share plan	19 May 2005	30,000	Exercisable	310.5p	10 years
(2) 2004 Company share plan	21 June 2006	21,900	Exercisable	439.75p	10 years
(3) 2004 Company share plan	25 September 2006	10,594	Exercisable	472p	10 years
(4) 2004 Company share plan	21 September 2007	15,466	Exercisable	582p	10 years
(5) 2004 Company share plan	19 September 2008	33,240	Exercisable	775.67p	10 years
(6) 2004 Company share plan	15 September 2009	227,818	3 years' service*	654.5p	10 years
(7) 2004 Company share plan	10 September 2010	286,686	3 years' service*	729.83p	10 years
(8) 2004 Company share plan	9 September 2011	251,610	3 years' service*	977.83p	10 years
Total share options		**877,314**			

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

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

	Weighted average exercise price 2012	**Number of options 2012**	Weighted average exercise price 2011	Number of options 2011
Outstanding at start of year	**680p**	**805,151**	618p	681,575
Forfeited during the year	**848p**	**(42,957)**	516p	(47,491)
SAR effected during the year	**744p**	**(87,684)**	567p	(90,286)
Exercised during the year	**671p**	**(62,566)**	529p	(54,550)
Granted during the year	**978p**	**265,370**	730p	315,903
Outstanding at 30 June	**756p**	**877,314**	680p	805,151
Exercisable at 30 June	**528p**	**111,200**	438p	100,991

The weighted average share price at the date of exercise for share options exercised during the period was 1,099 pence. In the year to 30 June 2012, options were granted on 9 September 2011. The aggregate of the fair values of those options granted was £754,000.

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

Assumptions applied in valuation models at grant date:

	2012	2011
Exercise price of options granted in the year (nil for awards)	**978p**	729p
Expected volatility (weighted average volatility)	**30%**	30%
Option life (expected weighted average life)	**6.5 years**	6.5 years
Expected dividends	**1.46%**	1.80%
Risk-free interest rate (based on government bonds)	**1.7%**	2.5%

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

48. CAPITAL AND RESERVES continued

SHARE AWARDS

In addition to the outstanding share options above, there are a total of 451,840 conditional share awards which are outstanding at 30 June 2012. These conditional shares were awarded to Executive Directors and senior management on 3 March 2009, 15 September 2009, 2 March 2010, 10 September 2010 and 9 September 2011 under the 2004 Performance Share Plan. In accordance with the terms of the plan, participants in the plan have received a conditional annual award of shares or nil cost option award which will vest mainly after three years, with the proportion of the award vesting being based on growth in Group adjusted earnings per share. Further details of the performance conditions attributing to the 2004 Performance Share Plan are given in the Directors' Remuneration Report.

In the year to 30 June 2012, awards were granted on 9 September 2011. The aggregate of the fair values of those awards granted was £2,551,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model.

	Number awards 2012	Number awards 2011
Outstanding at start of year	**746,122**	748,443
Exercised during the year	**(365,604)**	(239,690)
Lapsed during the year	**(194,260)**	–
Granted during the year	**265,582**	237,369
Outstanding at 30 June	**451,840**	746,122
Exercisable at 30 June	**43,262**	–

	Share premium account £m	**Profit and loss account £m**	**Hedging reserve £m**	**Own shares £m**
At 1 July 2011	112.0	24.7	(0.3)	(0.1)
Profit for the financial year	–	21.3	–	–
Premium received on shares issued	0.1	–	–	–
Dividends paid	–	(10.7)	–	–
Share-based payments, net of tax	–	2.5	–	–
Fair value movement on cash flow hedges, net of tax	–	–	(0.2)	–
At 30 June 2012	**112.1**	**37.8**	**(0.5)**	**(0.1)**

For information on dividends see note 12.

49. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2012 £m	2011 £m
Shareholders' funds at 1 July	**142.3**	137.8
Retained profit for the year	**21.3**	7.8
Premium received on shares issued	**0.1**	–
Dividend paid	**(10.7)**	(7.2)
Share-based payments, net of tax	**2.5**	3.0
Fair value movement on cash flow hedges, net of tax	**(0.2)**	0.9
Shareholders' funds at 30 June	**155.3**	142.3

50. RELATED PARTY TRANSACTIONS

The Company is exempt under the terms of FRS 8 '*Related Party Disclosures*' from disclosing transactions with other members of the Genus Group.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of other related party transactions are disclosed in note 35 in the Group Financial Statements.

51. CONTINGENCIES

The retirement benefit obligations referred to in note 28 include obligations relating to the Milk Pension defined benefit scheme. Genus, together with other participating employers, is joint and severally liable for the scheme's obligations. Genus has accounted for its section and its share of any orphan assets and liabilities, collectively representing approximately 37% of the Milk Pension Fund and a £20.1m additional pension provision. As a result of the joint and several liability, Genus has a contingent liability for those of the scheme's obligations that Genus has not accounted for.

Five Year Record – Consolidated Results

The information included in the five year record below is in accordance with IFRS as adopted for use in the European Union.

Financial results	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Revenue from continuing operations	**341.8**	309.9	285.3	280.4	247.1
Adjusted operating profit from continuing operations*	**45.8**	42.2	39.9	38.1	32.3
Adjusted operating profit including joint ventures*	**48.6**	45.3	42.2	40.2	35.0
Adjusted profit before tax*	**46.5**	39.0	32.9	32.0	27.9
Basic adjusted earnings per share*	**53.5p**	44.8p	36.7p	36.1p	31.8p
Diluted adjusted earnings per share*	**52.7p**	44.1p	36.2p	35.6p	31.2p
Operating profit from continuing operations	**54.2**	44.8	47.0	33.0	26.2
Profit before tax from continuing operations	**54.4**	40.8	40.8	26.2	22.0
Profit after tax from continuing operations	**39.6**	29.2	27.5	17.9	14.2
Profit for year	**39.6**	29.2	27.5	17.9	17.7
Basic earnings per share	**65.9p**	49.0p	46.3p	30.4p	30.8p
Diluted earnings per share	**65.0p**	48.2p	45.7p	29.9p	30.2p
Net assets	**275.6**	271.9	251.8	204.6	185.1
Net debt	**56.4**	67.9	80.0	88.0	77.5

* Adjusted operating profit, adjusted profit before tax and adjusted basic and diluted earnings per share are before net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense, exceptional items and other gains and losses.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in Genus plc, please send this document and the accompanying documents to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2012 Annual General Meeting of Genus plc (the 'Company') will be held at the Apollo Hotel, Aldermaston Roundabout, Basingstoke, Hampshire RG24 9NU on 8 November 2012 at 11.00am for the following purposes:

To consider and if thought fit, to pass the following resolutions, of which numbers 1 to 12 will be proposed as ordinary resolutions and numbers 13 to 15 as special resolutions.

ORDINARY BUSINESS

1. To receive and approve the Company's audited financial statements and directors' and auditors' reports for the year ended 30 June 2012.

2. To approve the directors' remuneration report for the year ended 30 June 2012.

3. To declare and approve a final dividend of 10.1 pence per ordinary share, payable to shareholders on the register of members at the close of business on 9 November 2012. An interim dividend of 4.5 pence per ordinary share was paid on 30 March 2012 to shareholders on the register at 16 March 2012.

In accordance with provisions of the UK Corporate Governance Code, all directors of the Company are required to offer themselves for annual re-election. Accordingly, resolutions 4 to 9 are proposed:

4. To re-elect Bob Lawson as a director of the Company who, being eligible, offers himself for re-election.

5. To re-elect Karim Bitar as a director of the Company who, being eligible, offers himself for re-election.

6. To re-elect John Worby as a director of the Company who, being eligible, offers himself for re-election.

7. To re-elect Nigel Turner as a director of the Company who, being eligible, offers himself for re-election.

8. To re-elect Mike Buzzacott as a director of the Company who, being eligible, offers himself for re-election.

9. To re-elect Barry Furr as a director of the Company who, being eligible, offers himself for re-election.

10. To re-appoint Deloitte LLP as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting of the Company at which financial statements are laid and to authorise the directors to agree the auditors' remuneration.

11. THAT the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to allot shares in the Company up to a maximum aggregate nominal amount of £1,569,374 being 15,693,749 ordinary shares of 10 pence each ('Ordinary Shares'), such authority to expire on the conclusion of the Company's Annual General Meeting next following but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted after such expiry and the directors may allot shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

SPECIAL BUSINESS

12. THAT the amendments to the rules of the Genus plc 2004 Performance Share Plan (the 'PSP') as described on page 44 of the Directors' Report and contained in the amended rules of the PSP produced in draft to this Annual General Meeting and, for the purposes of identification, initialled by the Chairman, be approved and the directors be authorised to adopt the amended PSP and to do all such other acts and things as they may consider appropriate to implement the amendments to the PSP.

13. THAT subject to and conditional on the passing of resolution 11, the directors be empowered, pursuant to section 570 and section 573 of the Act, to allot equity securities (within the meaning of sections 560 of the Act) for cash pursuant to the authority conferred by resolution 11 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

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

13.2 otherwise than pursuant to sub-paragraph 13.1 above up to an aggregate nominal amount of £301,478 being 3,014,782 Ordinary Shares representing not more than 5% of the issued share capital of the Company as at 30 June 2012,

and shall expire on the conclusion of the Company's Annual General Meeting next following save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired. This power applies in relation to a sale of treasury shares as if all references in this resolution to an allotment included any such sale and in the first paragraph of this resolution the words 'pursuant to the authority conferred by resolution 11' were omitted in relation to such a sale.

In this resolution, 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory or any other matter.

14. THAT subject to and in accordance with article 9 of the Company's Articles of Association, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares on such terms as the directors think fit provided that:

14.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 6,029,565 (representing 10% of the Company's issued ordinary share capital as at 30 June 2012);

14.2 the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 10 pence;

14.3 the maximum price, exclusive of any expenses, which may be paid for an Ordinary Share is an amount equal to the higher of: (a) 105% of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately before the day on which such share is contracted to be purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and

14.4 the authority conferred by this resolution shall expire on the conclusion of the Company's Annual General Meeting next following or 18 months after the date of its passing (whichever occurs first), except that the Company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which will or may be completed by or executed wholly or partly after the expiration of this authority.

15. THAT a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice and that such authority shall expire on the conclusion of the Company's Annual General Meeting next following.

By order of the Board
Registered office:
Belvedere House
Basing View
Basingstoke
RG21 4HG
Registered in England and Wales with number 02972325

I. Farrelly

IAN FARRELLY
GROUP COMPANY SECRETARY & GENERAL COUNSEL
8 OCTOBER 2012

NOTES:

This notice is being sent to all members and to any person nominated by a member of the Company under section 146 of the Companies Act 2006 (the 'Act') to enjoy information rights. Information regarding the Annual General Meeting, including the information required by section 311A of the Act, is available from www.genusplc.com.

Members will find an attendance card and a form of proxy enclosed with this notice. If you are attending the Annual General Meeting, you should bring the attendance card with you. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, vote and speak at the Annual General Meeting. Any member so entitled may appoint one or more proxies to attend, speak and to vote instead of him. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint one or more proxies are set out in the notes to the proxy form. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

To be valid, a duly executed form of proxy for use at the Annual General Meeting together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a duly certified copy of such power or authority must be deposited at the offices of Equiniti Registrars, Freepost SEA10846, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL at least 48 hours (excluding non-working days) before the time appointed for holding the Annual General Meeting or any adjournment thereof. Alternatively, proxies may be appointed by having an appropriate CREST message transmitted, if you are a user of the CREST system (further details are below). In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

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

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Act ('nominated persons'). Nominated persons may have a right under an agreement with the registered member who hold shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the Annual General Meeting is 6.00pm on 6 November 2012 (or if the Annual General Meeting is adjourned, members on the register of members not later than 6.00pm on the day that is two working days prior to the reconvened Annual General Meeting). Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Copies of the following documents will be available for inspection at the Registered Office of the Company, and in the case of the document listed at b) below, the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA, in each case during normal business hours until the conclusion of the Annual General Meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion:

a) copies of the contracts of service and letters of appointment between the directors and the Company; and

b) a copy of the rules of the Genus plc 2004 Performance Share Plan, incorporating the proposed draft amendments.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this Annual General Meeting to be held on 8 November 2012 at 11.00am and any adjournment(s) thereof by using the procedures described in the CREST Manual found on the Euroclear website www.euroclear.com/CREST. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited do not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001, as amended.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

As at 30 June 2012 the Company's issued share capital comprised 60,295,651 ordinary shares of 10 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 30 June 2012 is 60,295,651. The Company's website, referred to above, will include information on the number of shares and voting rights.

Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information; the answer has already been given on a website in the form of an answer to a question; or it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

In order for the voting preferences of all shareholders including those who cannot attend the meeting but who validly appoint a proxy, to be taken into account, a poll will be conducted on all resolutions at the Annual General Meeting this year. Each shareholder and proxy present at the Meeting will be invited to complete a poll card indicating how they wish to cast their votes in respect of each resolution. The results of the voting will be posted on the Company's website after the meeting. Except as provided above, members who have general queries about the Annual General Meeting should call Equiniti registrars on 0871 384 2290. Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday. If calling from overseas, please call the Equiniti overseas helpline number of +44 121 415 7047. No other methods of communication will be accepted. You may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Notes

Advisors

SECRETARY & REGISTERED OFFICE
I B Farrelly
Belvedere House
Basing View
Basingstoke
Hampshire
RG21 4HG
Registered Number 2972325

STOCKBROKERS
Peel Hunt
Moor House
120 London Wall
London
EC2Y 5ET

Liberum Capital Limited
Ropemaker Place
Level 12
25 Ropemaker Street
London
EC2Y 9LY

FINANCIAL ADVISORS
Morgan Stanley
25 Cabot Square
Canary Wharf
London
E14 4QA

AUDITORS
Deloitte LLP
2 New Street Square
London
EC4A 3BZ

SOLICITORS
Berwin Leighton Paisner
Adelaide House
London Bridge
London
EC4R 9HA

BANKERS
Barclays Corporation Bank
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3HF

REGISTRARS
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

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Telephone **+44 (0)20 7729 9090 www.emperordesign.co.uk**

Genus

genusplc.com

Genus plc Belvedere House, Basing View, Basingstoke, Hampshire RG21 4HG
Tel: +44 (0)1256 347100 Fax: +44 (0)1256 477385