

Genus plc

Annual Report 2013

Helping customers
thrive



A World-Leading Growth Business

Global demand for meat and milk continues to rise, driven by urbanisation, expanding populations and rising incomes. Our products and services enable farmers and food producers to meet that demand, and to cope with fewer resources available for food production. We are world leaders in our markets, with exceptional technology and a deep understanding of our customers' needs.



Vision

Pioneering animal genetic improvement to help nourish the world.

Who we are

Genus is a world leader in advancing the science of animal breeding and genetic improvement. We breed the world's best pigs and bulls, scientifically selecting livestock whose offspring will increase value for customers around the world.

In the porcine market, we provide customers with access to continuous genetic improvement, through our genetically superior boar and sow product lines. In the dairy and beef markets, our primary product is bull semen. All our products enable customers to achieve desirable characteristics in their herds, such as higher carcass value, feed-efficient growth, leaner meat or higher milk yield.

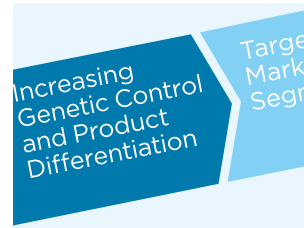
We combine our product and scientific excellence with a global supply chain, technical services and sales network, ensuring we can meet our customers' needs and help them to maximise their benefits from our products. This approach has given us market-leading positions and the ability to create value for customers and shareholders alike.



Genus at a Glance p04



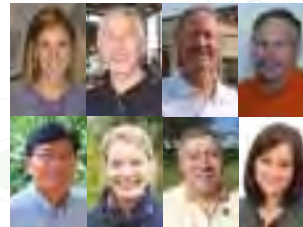
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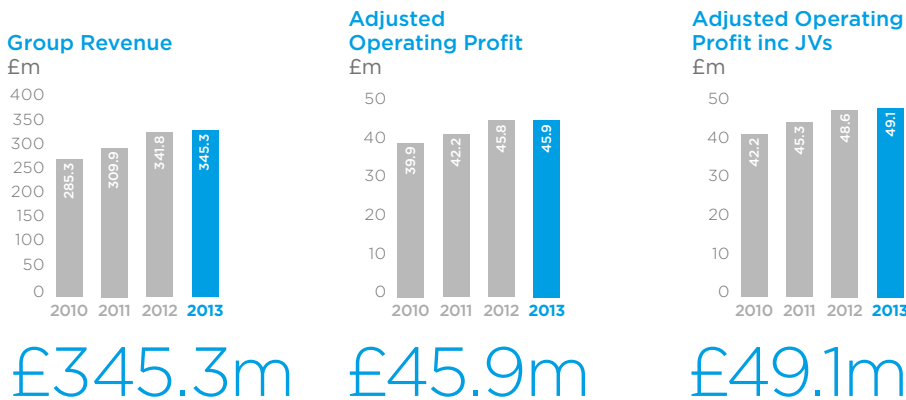
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2013 HIGHLIGHTS

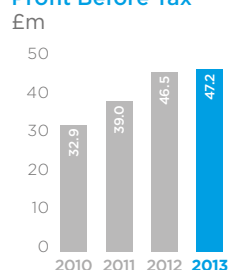


Business Highlights

- Adjusted profit before tax up 2% to £47.2m and earnings per share up 3% to 55 pence, surpassing last year's record results, despite challenging agricultural markets
- Statutory profit before tax lower by 30% at £38.1m, reflecting a decrease in the net IAS 41 valuation movement in biological assets, while the prior year benefited from an IAS 41 exceptional credit
- Revenue up 1% led by growth in Asia of 15%, whilst in Genus PIC a mix shift towards higher margin business reduced revenues by 3%
- Adjusted operating profit including joint ventures up 1% (2% in constant currency) to £49.1m
 - Bovine volumes up 5% and porcine volumes up 6%
 - Strong performance in Asia, with growth of 14%
 - Genus PIC growth of 4%, led by Latin America
 - Genus ABS profit reduced by 5% (3% at constant currency) in challenging markets
 - Continued investment in research and development, up 12% to £28.0m
- Cash inflow of £8.1m reduced net debt to £52.9m
- Strong progress with implementing new strategy
 - Organisation structure aligned to new strategy, operating effectively through the year
 - Pace of genetic improvement and dissemination accelerating
 - Joint ventures in China: announced porcine joint venture with Shennong and made strong operational progress in joint venture with Besun
 - Core competencies strengthened to support growth strategy

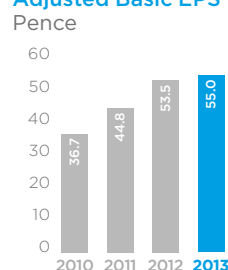


Adjusted Operating Profit Before Tax



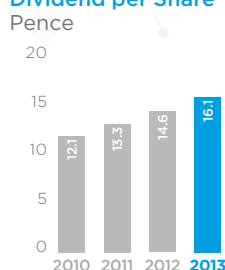
£47.2m

Adjusted Basic EPS



55.0p

Dividend per Share



16.1p

Financial Highlights

	Actual currency			Constant currency**	
	2013 £m	2012 £m	Movement %	Movement %	
Adjusted results					
Year ended 30 June					
Revenue	345.3	341.8	1	1	
Operating profit*	45.9	45.8	-	-	
Operating profit inc JVs*	49.1	48.6	1	2	
Profit before tax*	47.2	46.5	2	2	
Basic earnings per share (p)*	55.0	53.5	3	3	

	2013 £m	2012 £m	%
Statutory results			
Year ended 30 June			
Revenue	345.3	341.8	1
Operating profit	37.2	54.2	(31)
Profit before tax	38.1	54.4	(30)
Earnings per share (p)	44.7	65.9	(32)
Dividend per share (p)	16.1	14.6	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. Adjusted measures are used by the Board to monitor underlying performance.

** Constant currency percentage movements are calculated by restating 2013 results at the exchange rates applied in 2012.

“Genus has improved on last year’s record results, with adjusted pre-tax profits up 2% in market conditions made challenging by high feed costs during the year. We have done this while also increasing our investment in key markets, accelerating our research and product development and strengthening our core competencies.

Genus has made substantial progress in implementing the strategy set out last year. We expect to make further progress in the year ahead and anticipate an improving rate of growth from the second half of 2014 fiscal year onwards. As a sign of our continuing confidence in the Group’s prospects, we are recommending an increase in the full-year dividend of 10%.”

Karim Bitar
Chief Executive



A WORLD-LEADING BUSINESS

Genus plays an important role in the world's agricultural economy. Our products enable our customers to meet the growing demand for pork, beef and milk, driven by urbanisation and rising populations and incomes, and to cope with tightening limits on the land and water resources available for food production.

Our Vision

Pioneering animal genetic improvement to help nourish the world.

What We Do

Genus is a world leader in applying biotechnology to advance the science of animal breeding and genetic improvement. Our technology is applicable to all livestock species and we currently commercialise it in the dairy, beef and pork sectors.

To do this, we breed the world's best pigs and bulls, scientifically selecting livestock whose offspring will increase value for farmers and food producers around the world, with the ultimate goal of making pork, beef and milk more affordable, better quality and safer for consumers.

In the porcine market, we offer genetically superior boars and sows that produce high-quality and efficient offspring, with higher carcass value and desirable characteristics such as feed-efficient growth or leaner meat.

In the dairy and beef markets, our primary product is bull semen, which we produce in-house in five locations worldwide. Artificial insemination from semen straws produces high-quality cattle, enabling our customers to improve their herds and their efficiency.

Genus's Competitive Advantage

Our competitive edge comes from owning and controlling proprietary lines of breeding animals and using biotechnology to continuously improve them. We combine this product and scientific excellence with a global supply chain, technical service, and distribution and sales network, ensuring we can meet our customers' needs and help them to maximise their benefits from our products.

The majority of our competitors are traditional co-operatives, making Genus unique as a listed company. Our business model and multi-species approach allow us to continually strengthen and leverage our technology platform more broadly, thereby delivering value to customers and shareholders alike.

Our success has given us market-leading positions. We have 25% of the porcine market, more than double our nearest competitor, as well as 25% in beef and 8% of global dairy sales. We sell under well-known trademarks, 'PIC' for pigs and 'ABS' for dairy and beef cattle, in more than 70 countries worldwide.

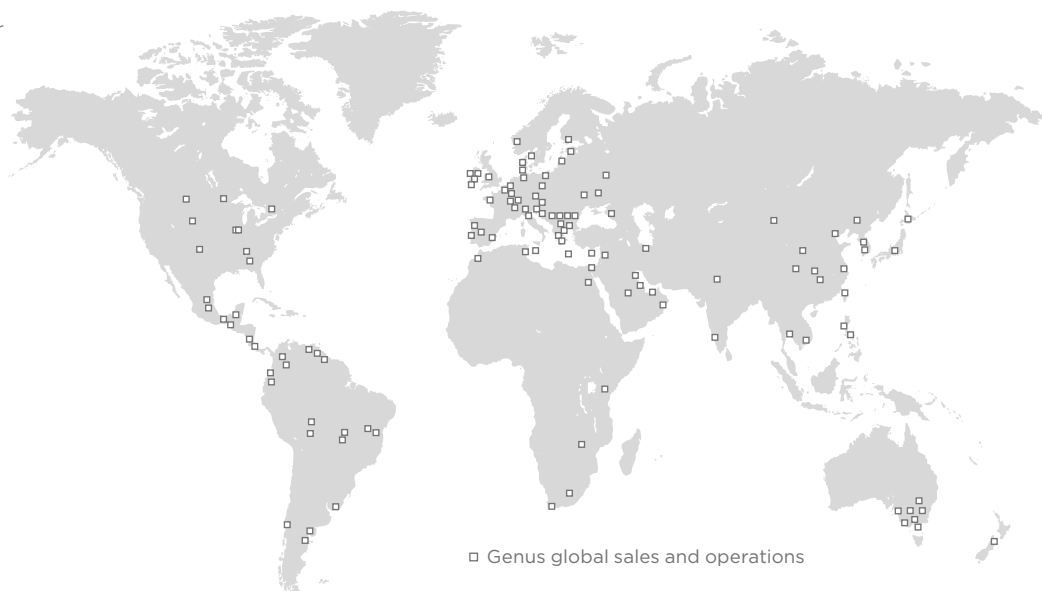
How We Operate

With headquarters in Basingstoke, UK, Genus companies operate in 30 countries on six continents, with research laboratories located in Madison, Wisconsin, USA. We also sell to customers in another 40 countries through distribution channels.

Genus operates through three business units:

- Genus PIC services porcine customers in North America, Latin America and Europe
- Genus ABS services dairy and beef customers in North America, Latin America and Europe
- Genus Asia focuses on the fast-growing Asian market, in both the porcine and bovine segments

A shared research and development function supports our operating divisions.



Our Business Model



Robust Genetic Improvement

Generating robust and continuous genetic improvement is at the heart of our business model. We are leveraging genomics to accelerate our delivery of valuable genetic improvements.

In porcine, we base our core genetic improvement programme in two nucleus farms, in Canada and the US. We combine quantitative sciences with leading-edge biotechnology, while adopting a 'discovery without walls' approach to external genes, where they can add to our portfolio and meet customer needs.

Our dairy and beef product development creates elite bulls from a range of progeny-testing and young-sire programmes. We are adapting our genetic selection programme to focus on traits of high economic importance to our customers and to gain greater control over the genes.

These development programmes are supported by our research division, which aims to develop proprietary technologies in areas such as gender skew and disease resistance, which help to increase

the affordability and quality of pork, beef and milk. We employ more than 100 scientists and skilled technicians, and have a track record of working successfully in partnership with universities, consortia and others.

Realised Product Differentiation

Consumers around the world have different preferences and our genetic improvement programmes deliver a wide range of products and services tailored to them. Successful product development therefore starts from our customers' perspective. Understanding their needs helps us to develop outstanding and differentiated products and services, and we aim to get our products to market quickly, so we can rapidly transfer the best genes to our customers' systems.

Global Supply Chain

In our porcine business, we outsource more than 95% of our pig multiplication requirements to third-party producers or customers. Our network of multiplication partners is a significant strength, allowing us to meet demand for our genetics while reducing our exposure to farming and commodity risk.

In dairy and beef, Genus ABS leverages both its distribution and sales networks directly with in-house employees, independent representatives or distributors, to efficiently reach our customers and build brand loyalty.

Technical Support Services

Ensuring our products meet customers' expectations is critical, so experienced technical service teams support our distribution and sales efforts. These teams ensure the product is right and help our customers to achieve the best results. This creates a winning situation for us and our customers, enhancing customer loyalty.

We support our customers with technical services in important areas such as nutrition, reproduction, health management and genetics. For example, in dairy, our global Genetic Management System helps customers through sire selection, to create the progeny that will develop their herd in the way they wish. Our Reproductive Management System team also helps customers to improve reproduction, a critical contributor to their profitability. In porcine, we provide performance comparisons across our customers, so they can benchmark their operational performance and the impact of genetics against industry peers.

Key Account Management

In porcine, we are increasingly working in long-term relationships with our customers, under multi-year royalty contracts. This aligns our goals with our customers' key performance metrics, as they pay Genus based on the performance and value we deliver. It also reduces volatility in our results, by mitigating the impact of cyclical price reductions or cost increases in pig production. In 2013, 74% of porcine volumes were under royalty contracts.

In bovine, we sell the majority of our semen on a per dose basis and use our service offerings to create longer-lasting relationships. Our customer segmentation and focus on account management allows us to increasingly focus on the customers who place the highest value on these relationships.



OUR VALUES

GUIDING EVERYTHING WE DO

Genus is:

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 for our customers, we stop and think again.

Results Driven

We are proactive, determined to be the best we can be and to 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 values are integral to our role as a company that helps to meet a basic human need: nourishment.”





A YEAR OF GOOD STRATEGIC PROGRESS

I am pleased to report a year of good progress, as we implemented the Group strategy that we introduced in 2012. Following last year's record results, financial progress was more limited, against a backdrop of very challenging market conditions for the Group's customers. Despite these tough conditions, Genus continued to invest in the capabilities it needs to capture the significant long-term growth opportunity for genetics.

The strategy and organisational changes arising from Karim's strategic review gave Genus a sharp focus in 2013. Aligning the business around species and key customers has given the Group a clarity of purpose and energy that has been very evident to the Board.

Results

Genus's results for the year to 30 June 2013 showed modest growth on last year's record performance. Revenues and adjusted operating profit were at similar levels to the prior year, while adjusted profit before tax rose 2% to £47.2m. Once again, Asia led the way, with profits rising by 14%. However, high feed costs and low output prices for our customers held back performance in the rest of the Group. In addition, we made planned investments in resources to strengthen our business. Adjusted earnings per share grew 3% to 55p, benefiting from a 1% lower tax rate.

On a statutory basis, profit before tax was lower than the previous year, due to a reduction in the fair value calculation of our bovine biological

assets under IAS 41, as we anticipate a shift towards more genomic sales. The prior year had benefited from an IAS 41 exceptional credit. As we have consistently said, the nature and volatility of this non-cash accounting item does not reflect our underlying business performance. We therefore use adjusted profits to report externally and to measure our performance internally.

During the year, we reduced net debt to £52.9m, which is below one times EBITDA. This gives the Group substantial financial flexibility to pursue its plans.

Dividend

The Board is recommending a final dividend of 11.1 pence per share, which together with the interim dividend of 5 pence per share, would result in a dividend for the year of 16.1 pence per share, an increase of 10% over last year's dividend. This continues our progressive dividend policy and reflects the Board's confidence in Genus's future. It is proposed that the final dividend will be paid on 6 December 2013, to shareholders on the register at the close of business on 22 November 2013.

Strategy

Following his appointment in September 2011, Karim initiated a thorough strategic review. We announced the outcome of this process in May 2012. Our focus in 2013 has been to implement this strategy and to invest, so that Genus can seize the significant opportunities presented by the growing use of

genetics to make animal protein more affordable and sustainable, to feed a growing world population.

As I reported last year, the strategy started by focusing on our customers' needs. To serve them better, we introduced a new organisation that aligned our resources around species and key growth areas, with a particular focus on Asia. This has enabled us to focus on disseminating best practice around the world, whilst adapting our business to meet the unique needs of the major developing nations.

Second, we renewed our emphasis on leading through innovation in research and development. The early results of this investment have been encouraging, such as the single-step genomic evaluation process described on page 28. This is just one of several initiatives Genus is pursuing.

Finally, we said that we would ensure that Genus had the right resources and competencies in key functions, such as supply chain, technical services and marketing, to deliver our strategy. The Group has made strong progress in bringing highly talented individuals into the organisation, to strengthen these areas.

A fuller discussion of our substantial progress with implementing our strategy can be found in Karim's Chief Executive's Report report and throughout the rest of this document.

People

In March 2013, John Worby, our Group Finance Director since 2009,



“The Group has made strong progress in bringing highly talented individuals into the organisation.”



In Summary

2013 was undoubtedly a difficult year for the global agricultural industry, which was severely affected by drought in the US and poor harvests in Europe. Throughout this tough period, Genus continued to deliver growth on top of last year's record results and made significant progress in fundamentally transforming its business and investing for growth. The Board and I are confident that the business has never had stronger foundations to take advantage of the opportunities in the global market for animal genetics.

Bob Lawson Chairman

2 September 2013

took a well-deserved retirement. John served Genus as both a Non-Executive and an Executive Director over eight years and contributed enormously to the Group's progress over this time, through his energy, wisdom and skill. He leaves us with our deeply felt thanks and very best wishes for the future.

The Board was pleased to recruit Stephen Wilson as the new Group Finance Director. He is already making a valued contribution as an Executive Director and Board member. In addition, we have welcomed Tom Kilroy as our new Group General Counsel & Company Secretary. He brings a wealth of commercial, intellectual property, legal and executive experience to the Group.

In addition to Tom and Stephen, the Genus Executive Leadership Team has been strengthened by the appointment of Saskia Korink Romani as Chief Marketing Officer. In July, Saskia took on the role of acting Chief Operating Officer, Genus ABS.

Of course, so much of the driving force behind our business comes from the skills and capabilities of our people, who operate in more than 30 countries worldwide. I have had the opportunity to meet many of them this year and I continue to be impressed by their enthusiasm and professionalism. On behalf of the Board and our shareholders, I would like to thank all of Genus's employees for their dedication and commitment to achieving so much progress in 2013.



Transforming Our Customers' Herd Fertility Performance

We know that efficiently producing high genetic quality pregnancies drives herd profitability, and that customers' goals and production systems vary.

Our Reproductive Management System ('RMS') team therefore optimises customers' herd pregnancies by providing tailored solutions based on sound science, training and vast field experience.

In the UK and Ireland, RMS has grown rapidly to service 686 farms, with nearly 170,000 cows or 10% of the national herd. The service is provided by 131 technicians, nine leaders and eight RMS trainers, supported by a technical services team.

Our unique combination of skilled people, accurate data and standardised working has transformed fertility performance. The average pregnancy rate for UK and Ireland RMS customers' herds is 18%, well above the national average of 14%. RMS has also hugely influenced herd expansion and our customers' businesses. For example we have worked with Bowe Dairy Farming Company as a breeding company and farm consultants since 1998. Since then the business has grown from 80 to 600 cows. RMS has been an integral support to the business since 2007, helping the company achieve a pregnancy rate of 24%.



18%

Average herd pregnancy rate for UK and Ireland RMS customers (14% national average)



OUR VALUES

CUSTOMER CENTRIC



LAYING THE FOUNDATIONS FOR GROWTH

Last year, I set out our new vision, strategy and organisation. In 2013, we made substantial progress implementing the strategy and laying the foundations for growth. Aligning the organisation by species, giving more focus to research and development in Asia, and strengthening our core capabilities have been very well received by both customers and employees. I am encouraged by the energy and pace of change. The opportunity for Genus is large and we are now better placed to capture a growing share.

We made these changes in a challenging year for the global agriculture industry, with record feed costs holding back customer demand. Despite this, Genus was able to fund its investment plans while surpassing last year's record results.

Group Performance

Revenue was 1% higher than in 2012, at £345.3m. Porcine volumes grew by 6%, with strong increases in Asia and particularly in China. Bovine volumes rose 5%, driven by semen produced in India at lower price points. Sales of our globally produced semen grew 1%, held back by poor conditions in Latin America in the first half.

Adjusted operating profit including joint ventures increased by 1% to £49.1m. Higher porcine volumes drove double-digit profit growth in Asia. Genus PIC grew 4%, with positive contributions from all regions and particular strength in Latin America, where we continue to transition customers to our royalty model. In Genus ABS, trading was challenging and profit declined by 5%. Drought affected key markets including Brazil and North America, leading to subdued demand. Research and development costs increased by 12%, as we

invested in key research projects and were affected by high feed costs in our genetic nucleus farms.

Strategy

The strategy we defined in 2012 is designed to deliver our vision of 'Pioneering animal genetic improvement to help nourish the world'. Our focus in 2013 has been on implementing this strategy.

Increasing Genetic Control and Product Differentiation

In 2013, we became the first company to implement single-step genomic evaluation across a full range of animal traits in our porcine business. The early results are very encouraging, with the much higher accuracy in breeding programmes more than doubling the rate of genetic improvement in key traits such as litter size.

In dairy product development, we have established a very large animal database, enabling us to produce proprietary and economically focused indices of bull merit, specific to our customers' needs. In North America, we launched Real World Data™, a genetic index focused on economic traits such as milk production, fertility and lifetime feed efficiency. We initiated an elite female programme to gain greater genetic control and increased the proportion of genomic young sires in our dairy product portfolio.

Our research programmes focus on areas that can produce step changes in product differentiation, including genomic evaluations, disease resistance and gender skew. Our 'discovery without walls' approach has continued to bring the best genetics into Genus from wherever we find them.

Targeting Key Markets and Segments

Over half the world's porcine market is in China. To build a business to address it effectively, we have invested in high-health production capacity and strengthening customer relationships. In 2013, we opened a new porcine nucleus farm, Chun Hua, stocked with the latest North American genetics, to reduce the genetic lag of our Chinese product offering. We recruited a general manager for our porcine business in China and significantly grew the team's size and capability across all disciplines.

We also announced two joint ventures with customers, to provide multiplication capacity and to serve these growing integrated pork producers. The first, Besun, is now operational and delivering very good performance. The second, with Shennong, is on track to establish operations in a new farm in 2014. We continue to have active discussions with other customers and partners.

Genus also made good progress in a wide range of other growth markets in 2013, including the Philippines, Russia and Mexico, while in the important North American market our performance was solid in both porcine and bovine.

In dairy, we are focusing on ten key markets and targeting the rapidly growing large commercial and enterprise farms. This segment requires profit-focused indices and high-touch technical services. We are steadily introducing this model in the US, with plans to expand it in other key markets.

Tailoring the Business Model

Our focus here is to ensure our products meet the needs of our target markets and to implement best



“Our strategic initiatives better position Genus to capture the significant growth potential in the animal genetics market.”



Secretary. Each brings a wealth of experience and talent and I am delighted with the way that they have integrated with the team. In July 2013, Ricardo Campos, the Chief Operating Officer, Genus ABS, decided for personal reasons to step down from GELT and refocus on the important Latin America ABS business. His passion and energy will continue to be valuable to Genus. Saskia Korink Romani has assumed the role of acting Chief Operating Officer, Genus ABS, to provide leadership to our bovine business.

Over the course of the year, we introduced new Company-wide performance, development and talent processes. We also added strength and depth by recruiting many talented individuals. I would like to thank all employees for their commitment to our new strategic direction and for delivering results in challenging markets.

Outlook

Good harvests are predicted in the northern hemisphere which should result in lower input costs and an improvement in profitability in the dairy, beef and porcine industries. We expect this to lead to a gradual improvement in market conditions for our customers and demand for our products. We therefore expect the second half of this fiscal year to be stronger than the first.

Our strategic initiatives better position Genus to capture the significant growth potential in the animal genetics market. I am confident that 2014 will be a year of accelerating progress, both operationally and financially.

Karim Bitar Chief Executive

2 September 2013

practices to maximise value capture. For example, to provide differentiated high-merit genetics in the large Indian dairy market, we imported embryos from North America and now have four young bulls and a pipeline of further pregnancies.

In porcine in Europe, we have moved away from direct sales of parent gilts and rebuilt our team to create the skills and structure for an indirect, royalty-based business, similar to our successful Americas porcine business. We are making clear progress and this transition will gather momentum over time.

Strengthening Core Competencies

We have implemented globally consistent organisations and practices in key account management, technical services and supply chain. This has enabled us to spread best practice to customers around the world. We have strengthened these teams with targeted hiring and international

assignments. In addition, we created a marketing organisation to improve product branding and pricing. Lastly, we introduced a consistent performance management process across geographies and functions, to ensure we embed our values and to strengthen our performance culture.

Our People

In March 2013, John Worby retired from Genus. I would like to pay tribute to his outstanding contribution and to thank him for helping my induction to the Company and for assisting Stephen Wilson, our new Group Finance Director, with his seamless transition into the role. John was a source of great knowledge and wisdom and we wish him well.

The Genus Executive Leadership Team ('GELT') welcomed three new members during the year. In addition to Stephen, Saskia Korink Romani joined us as Chief Marketing Officer and Tom Kilroy is our new Group General Counsel & Company



RESULTS DRIVEN

Helping Customers to Benefit from Our Genetic Improvements

Genus PIC's Genetic Services team works with more than 150 customers around the world.

It ensures customers understand the value that genetic improvement brings, helps them to optimise their use of our genetics, and encourages them to multiply our genetics quickly, so they can rapidly realise the benefits. Finally, the team manages on-farm implementation of our genetic programme in our customers' herds.

Our commitment to delivering results for customers is evident in Genetic Services's approach to hiring and training its people. In the last two years alone, the team has added five highly talented PhD geneticists from Asia, Europe, North America and Latin America. This focus on quality helps Genetic Services achieve notable results, with the rate of genetic improvement in North American boar studs doubling in 2013, compared with the three previous years.





150+

Genetic Services
customers worldwide



CHALLENGING CONDITIONS IN 2013; FAVOURABLE LONG-TERM GROWTH DRIVERS

The Food and Agriculture Organization of the United Nations ('FAO') predicts that global demand for animal protein will double by 2050, driven by population and income growth in developing countries, as well as urbanisation and changing consumption patterns. China, India and Russia are also striving to become self-sufficient in protein, making protein production a growth industry in these countries.

At the same time, protein demand in developed countries is generally subdued, as a result of ageing and slowly growing populations, together with policy changes in areas such as animal welfare. On the supply side, high feed grain prices have reduced livestock producers' margins, and livestock inventories have fallen in some of the major meat-producing countries, such as the US.

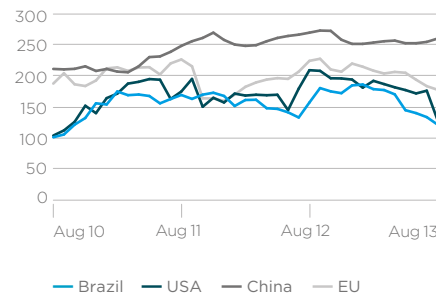
Tight margins in both bovine and porcine production are accelerating the trend for industry consolidation. The need for production yield increases is also pushing the industry towards larger production units and more sophistication and professionalism, increasing the need for enhanced farming systems, nutrition, bio-security and more efficient farming practices in general.

These trends create favourable long-term growth opportunities for our value-added genetics.

2013 Global Trends

Despite this favourable long-term backdrop, market conditions in 2013 were especially challenging for our customers. The US drought and poor harvests in other countries contributed to a worldwide surge in input cereal prices. During the first half of our financial year, wheat prices increased by 21%, soybean prices went up by 29% and US corn prices rose by 18% compared with the previous six months.

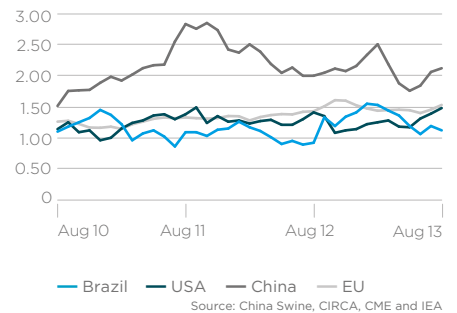
3-Year Corn Prices - Key Markets (£ per tonne)



Porcine

The global pork sector has experienced one of its most turbulent years in history, with dramatically contrasting price movements among the pork producing regions. During the first half of our financial year, large price drops occurred in the US, Canada and South Korea, due to a relatively large seasonal supply boost and the beginning of herd liquidation, as hog farmers looked to limit their losses as a result of high feed costs.

3-Year International Pork Markets (£ per Kg)



During the second half of our financial year, grain and soybean prices started to ease and most returned to the levels seen at the start of the year. This should bring some relief to the livestock industry, although profit margins are not all positive yet. Over the next harvest season, we expect ending stocks to recover in the northern hemisphere, which should mitigate some of the volatility experienced over the last five years. As a result, the outlook for input prices is better for our customers in the year to come.

In contrast, prices strengthened in Brazil and the EU. In Brazil, prices increased due to supply reductions following herd liquidation, combined with normal seasonality. In the EU, poor profitability in recent years and new regulations banning crate gestation, which became effective on 1 January 2013, have driven heavy herd liquidation, with the sow population down 3.5%.

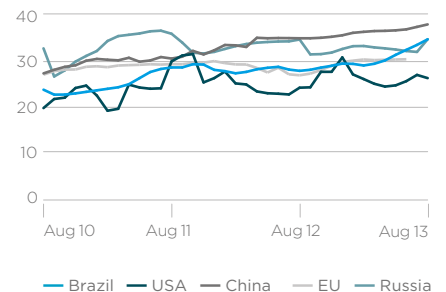
In China, hog prices were below last year's record levels. A price rally towards the Chinese New Year



“Tight margins in both bovine and porcine production are accelerating the trend for industry consolidation.”



3-Year International Dairy Markets
(Pence per litre)



In the beef market, the Rabobank Global Cattle Price Index was down 6% relative to Q1 2013 after a period of some stability. This was the result of a worldwide downtrend in cattle prices, particularly in two important export countries, Australia and Brazil. Worldwide, industry performance has been mixed, with some companies in Brazil and other Latin American countries achieving reasonable margins due to relatively strong exports to China on the back of a weakening Real. In the US, high feed cost reduced performance and supply decreased, driven by drought-induced herd liquidations. European demand for real beef was boosted by the 'horse-gate' scandal. In China, beef demand is strong, pulling in imports from countries like Uruguay, Australia and New Zealand.

However, the broader picture for demand still points to tempered consumer appetite, as beef prices have risen relative to chicken and pork, while increases in disposable income worldwide appear to be slowing.

festival was short-lived and the government intervened in the market to stabilise prices in late spring.

Demand for pork continues to grow, with global consumption rising by 2% per annum. The OECD-FAO Agricultural Outlook 2013-2022 report shows that in 2022, China will overtake the EU as the largest per capita consumer of pig meat, at 34kg per person. The Chinese government continues to use subsidies to accelerate local production of more competitive and food-safe pork, although environmental policy on reducing ammonia and nitrogen emissions from animal husbandry will make pig production more costly. In these conditions, larger farming systems are expanding and the outlook for pork prices seems stable to positive.

Dairy and Beef

At the start of our financial year, dairy farmers were left between break-even and loss-making, depending on the region and their exposure to feed. This was a result of low milk prices and high feed costs. Global dairy commodity prices saw a strong recovery during the course of our financial year. The Fonterra auction price, for example, peaked at 83% above June 2012 price levels. In all markets, reduced supply was the main cause of rising prices, with drought in New Zealand – the largest milk exporter – a particular contributor. Milk production is expected to return to modest growth in most regions, given higher farmgate milk prices compared to twelve months ago and lower feed costs. Demand will recover to 0% to 2% growth, depending on the region, led by emerging markets and the US. In the EU, demand will be subdued given higher dairy prices and sluggish economies.



A STRATEGY FOR GROWTH

Genus has a robust strategy to capture the very significant growth opportunities in the animal genetics market, particularly in the BRIC countries. Our strategy for growth has four elements:

Increasing Genetic Control and Product Differentiation

Aim: to maintain our products' lead over our competitors.

We do this by:

- understanding our customers' requirements and building an R&D programme and supply chain to support them;
- enhancing our use of genomics in our breeding programmes, to strongly accelerate the rate of genetic improvement;
- investing in proprietary technologies, with a focus on disease resistance and gender skew, to boost commercial viability and productivity; and
- collaborating with universities, research institutes and biotechnology companies, to explore the latest developments in quantitative and molecular genetics.

Targeting Key Markets and Segments

Aim: to make sure we have the right offer for the right customers.

We do this by:

- ensuring we have the right products, in the critical geographies, to meet the needs of our target customers, typically:
 - integrated pork producers and farrow-to-finish pig producers
 - enterprise and large commercial dairies
- aligning our products and services to key customer segments, which value our genetics and value-added technical services; and
- seeking further growth in the BRIC economies, while strengthening our position with customers in more mature markets such as the US and Europe.





Tailoring the Business Model

Aim: to adapt our approach to suit different markets and customer segments.

We do this by:

- developing products that meet each market's specific requirements, such as a need for leaner meat or better flavour in porcine, or increased milk yields in dairy;
- ensuring we have the right commercial model, notably:
 - evaluating carefully when to transition from direct sales to royalties in our porcine business; and
 - adjusting our dairy and beef customer interface, based on cost to serve and customer segmentation
- working with joint venture partners to access or create capacity to serve new markets such as porcine in China.

Strengthening Core Competencies

Aim: to have the core competencies we need to implement our strategy.

We do this by:

- developing our marketing capability and strengthening our key account management;
- strengthening our supply chain allowing us to be more cost effective and able to deploy genetics more efficiently to our customers;
- stepping up our technical support to customers; and
- enhancing our people through performance and talent management, and by transferring people and skills to key target markets.

Find Out More

Market Overview

Our strategy takes account of the long-term drivers of our markets. See pages 16 and 17.

Strategic Progress

Each of our divisions and our R&D function has strategic priorities that support our Group strategy. See pages 22 to 29.

Performance

Our key performance indicators measure how well we are implementing our strategy. See pages 30 and 31.

Risk

We look to understand and mitigate the risks to achieving our strategic goals. See pages 40 and 41.

Remuneration

Our management's remunerations reflects the success of our strategy. See pages 61 to 73.



Pioneering Improved Genetics in India

BG Chitale is the largest dairy processor in the Maharashtra region of India, which has a population of 112 million. The company has a passion for making Indian dairy farmers more productive, through technology and the best genetics.



BG Chitale facility

"The US achieves 10,000 litres of milk per cow but India is at about 2,000 litres," explains Vishvas Chitale, CEO, BG Chitale. "We have around 50,000 farmers supplying us with milk. If we can reduce the number of animals they need, they will remain in business and get better returns. And fewer cows means lower greenhouse gas emissions and a greener world."

To do this, BG Chitale is focused on improving genetics and operates one of India's few private artificial insemination studs. For the last three years, it has worked with Genus to increase annual semen production from 200,000 to 1.8 million units. "We need a partner who can help us improve animal productivity through the best genetics," says Vishvas. "It was a natural choice to go with the best in the field."

Our strategy is to deliver value-added and differentiated products for India. We have created a pipeline of new bulls by importing embryos from North America, with the first bull ('Pioneer') born in August 2012. We have also genomically tested several young bulls - a first for the Indian dairy industry.

Using Genus's expertise, Chitale's animal semen has increased from 200,000 to

1.8 million units



OUR VALUES

PIONEERING



EXTENDING OUR LEADERSHIP



Bill Christianson
Chief Operating Officer, Genus PIC

The porcine industry's globalisation continues to create significant opportunities for Genus PIC to deliver added value to the leading producers of today and tomorrow.

Although 2013 was a very challenging year, with record feed input costs causing many producers to lose money, we continued to invest in product development and technical services initiatives required to help our growing global customer base become stronger and more differentiated in their regions.

Despite the difficult economic environment for many of our customers, Genus PIC grew its profit by 4% on volume growth of 3% in the year. We also made strong progress against our strategic objectives, as detailed below.

Increasing Genetic Control and Product Differentiation

Progress Against 2013 Objectives

We aimed to:

- invest in proprietary technologies to accelerate genetic progress; use imputation in genomics to differentiate our products; and reduce the time to get our genetics to market (genetic lag).

During the year, we:

- were the first in the world to implement single step genomic evaluation, delivering the highest rates of genetic improvement in our history, for example more than doubling the rate of improvement in sow prolificacy in the year; and
- implemented our genetic dissemination plan, reducing the genetic lag by 0.6 years to 3.9 years, with Russia, China, Spain, Chile and Germany achieving the largest reductions.

2014 Priorities

We will:

- further reduce genetic lag by tightly integrating our dissemination plan with our global supply chain;
- aggressively implement imputation and develop tools to maximise the robustness of our diverse global evaluations; and
- develop new terminal sire products, which will continue to lead the industry to higher levels of robust and efficient growth.

Targeting Key Markets and Segments

Progress Against 2013 Objectives

We aimed to:

- reinforce our leading position in key markets across the Americas, especially the US; and expand our presence in Brazil, Russia, Germany, Spain and China.

During the year, we:

- sustained our US market position and grew share in Brazil, China, Russia, Germany and Spain; and
- leveraged our new organisational structure and global functions to implement best practices in key markets.

2014 Priorities

We will:

- further develop key account plans for our strategic global customers, allowing us to tailor delivery of products and services maximising customer by customer success; and
- support the expansion of genetic production and gilt supply that will allow us to provide high merit animals in targeted growth markets, such as the US, Russia and China.



Case studies



Adding Value for Hord Family Farms

Ohio-based Hord Family Farms has around 17,500 PIC females, allowing it to market more than 500,000 pigs each year. Our genetics help it achieve outstanding performance. In the first five months of 2013, Hord

Family Farms averaged the equivalent of 31 pigs weaned per sow per year, 3.5 higher than 2010. The farm is on track to market more than 8,000lbs of pork per sow, up 10% on three years ago.

“Over 21 years ago I chose to start using PIC genetics on our farm,” said Pat Hord. “This team gives us the opportunity to be the best in the world.”



Supporting Our European Growth

Since 2000, Frank Tiggemann has produced breeding stock animals for us in Podelzig, eastern Germany. His farm has grown to hold 1,850 pure line PIC sows and become known for excellence in

implementing our breeding programme. Podelzig is now one of Europe's key production nucleus multiplier units, allowing us to serve customers in the main European markets. Steady production improvements mean Frank is now achieving an impressive 29.2 weaned pigs per sow per year. As he states, “We made absolutely the right decision to partner with PIC. We have achieved our goals and are convinced we will continue to do so.”

Tailoring the Business Model

Progress Against 2013 Objectives

We aimed to:

- improve our understanding of customer needs and tailor our offering to them; establish a global technical service team; and expand our royalty model outside North America.

During the year, we:

- established a global technical service team, which is delivering the best product and service to key customers and markets;
- expanded our royalty model in key markets in Latin America, Europe and Asia, with 74% of our volumes now under royalty contracts, compared with 69% last year; and
- restructured our European business, to better align it with global best practice.

2014 Priorities

We will:

- capitalise on growth opportunities for terminal sires by developing consistent product offerings, aligning supply chain capacity and applying value-based business models;
- continue to expand the royalty model; and
- develop targeted combinations of products and services that allow us to further grow our business and expand our value proposition with the largest production companies around the globe.

Strengthening Core Competencies

Progress Against 2013 Objectives

We aimed to:

- use our technical service group to realise our genetics' full potential; and continue to attract and retain the industry's best talent.

During the year, we:

- improved pigs per sow per year by over 3%, compared with more than 600,000 sows that we have measured historically; and
- bolstered our team with 18 new hires, with a focus on Europe, technical services and product development.

2014 Priorities

We will:

- leverage our product validation process and infrastructure across Europe and Asia, enabling us to demonstrate the increasing value of our genetic products in key growth markets;
- expand our ability to effectively work with key accounts and identify and deliver on opportunities to increase customer success; and
- build on our talent management process, to strengthen the team further and develop staff.

STRENGTHENING OUR CORE CAPABILITIES



Saskia Korink Romani
Acting Chief Operating Officer,
Genus ABS

Genus ABS leads the world in dairy and beef semen genetics. We have a strong development programme and unrivalled global coverage.

By acting locally, we make the most of our strengths in people and technology, delivering the highest standards of innovation and service.

We are seeing continuous customer consolidation in most of our markets, which offers exciting opportunities for growth as our customers continue to professionalise and become better positioned to recognise the benefit

and value of improved genetics in their herds. Despite adverse weather and market conditions, particularly in Latin America, we have strengthened our core capabilities in technical services, marketing and supply chain to take advantage of these opportunities. During the year, profit in Genus ABS declined by 3% in constant currency, on 1% lower volumes.

Increasing Genetic Control and Product Differentiation

Progress Against 2013 Objectives

We aimed to:

- deliver the industry's best genetics; sustain our product leadership; and continue to meet demand for the industry's highest-ranked bulls.

During the year, we:

- launched a proprietary Real World Data™ ('RWD') index, focused on sire fertility;
- initiated an elite female programme, to increase genetic control and improve selection tailored to the future needs of our customers; and
- sustained product leadership for proven bulls and constructed a new globally qualified facilities barn, to support global demand for genomic young sires.

2014 Priorities

We will:

- expand the RWD platform by developing additional indexes tailored to our target customers' economic needs and breeding objectives;
- further strengthen both the male and female genetic platforms; and
- strengthen our proven bull portfolio and enhance our genomic bull offering, tailored to the needs of our customers.

Targeting Key Markets and Segments

Progress Against 2013 Objectives

We aimed to:

- expand in developing markets; sustain our successes in competitive countries; and accommodate the differing needs of traditional farmers and large dairy systems.

During the year, we:

- conducted extensive market research in 11 key markets, to deepen our understanding of our customers' buying behaviours and identify target customer segments;
- leveraged our Jersey line-up and expertise to increase trading by 25% in the competitive North American market; and
- despite adverse conditions, we gained market share in our key Latin American markets.

2014 Priorities

We will:

- pilot a new business model with selected target customer segments in two key countries, and prepare for further deployment;
- position ourselves better with dairy processors in North America, through increased understanding of their needs regarding the quality and composition of milk; and
- implement our global customer segmentation in the remaining target markets.



Case studies



Helping COMPAL to Achieve its Business Objectives

Our beef genetics have helped COMPAL S.A. of Argentina to achieve significant improvements in its beef production. COMPAL has increased its average weaning weight by 20kg per

head since 2008, improved calving ease on young heifers without compromising feedlot performance, and reached daily liveweight gains of more than 400 grams per head, compared with calves from other genetic sources. A higher carcass yield and superior beef quality have also allowed COMPAL to succeed in the highly competitive elite restaurant market. As COMPAL's Pedro Gatti says, "By using ABS genetics, we have reached our production and distribution objectives."



Enhancing Farm Profitability for Azienda SAPAR

When parmesan cheese producer Azienda SAPAR needed to increase its farm profitability, our value-added services were key to it choosing our Reproductive Management Service. We

immediately helped improve on-farm processes, which halved cow containment times, increased daily milk production by two litres per cow per day and generated an extra £175,000 of annual revenue. Over several months, Azienda SAPAR's pregnancy rate rose from 13% to 16%, which will offer further production improvements. As herd manager Franco Pittalis commented, "Genus ABS's commitment to tailor a solution to the specific goals of my farm separates them from the other options."

Tailoring the Business Model

Progress Against 2013 Objectives

We aimed to:

- tailor our product offering to customer segments; establish a global technical service team; establish a global marketing team; and support the co-ordination of the supply chain.

During the year, we:

- designed business models to be implemented in our key markets, by leveraging local knowledge in our subsidiaries around the world and applying best practices globally;
- utilised our Mexican operating model and experience to establish technical services across ABS globally; and
- leveraged our UK Beef on Dairy (In-Focus) model in North America, to create premium dairy beef while helping dairy producers maximise their profit.

2014 Priorities

We will:

- develop a differentiated approach for our target customer segments, enabling us to meet the specific needs of each segment;
- implement best practices in customer interfacing teams, to increase efficiency and effectiveness and to better align with respective customer needs; and
- focus on value creation as one of the future drivers of our business growth.

Strengthening Core Competencies

Progress Against 2013 Objectives

We aimed to:

- develop skills in key account management, technical service, product development and the supply chain.

During the year, we:

- developed core competencies globally in technical services, supply chain and marketing, by appointing talent to key leadership positions and putting resources in place;
- improved the flexibility and speed of product distribution, by integrating product forecasting with production and inventory management; and
- established a global Technical Services training facility, by partnering with a dairy farm with more than 12,000 cows.

2014 Priorities

We will:

- develop a globally aligned approach to key account management and implement the capability in our key markets;
- continue to develop and implement systems to improve supply-chain effectiveness and better integrate product development into the ABS organisation; and
- continue to roll out technical services and tools across the BRIC countries.

SEIZING THE OPPORTUNITY



Jerry Thompson
Chief Operating Officer, Genus Asia

Asia covers 30% of the world's land mass and is home to 4.2 billion people, or 60% of the global population. That population is growing, as are incomes and appetites, creating unrivalled opportunities for Genus.

China alone accounts for almost 50% of the world's pigs, while India has 15% of the global dairy cow population. Russia, which spans Europe and Asia, is still one of the largest animal-protein importers globally. Food availability, food safety and food quality are critical to each of these countries, with self-sufficiency in animal protein being an important part of their

national plans. Genus Asia is becoming an increasingly significant feature in those plans, building our business in pork, dairy and beef.

In 2013, Genus Asia grew profits by 14%, despite challenging market conditions and while investing heavily in both people and supply chain initiatives, to increase our ability to seize this long-term opportunity.

Increasing Genetic Control and Product Differentiation

Progress Against 2013 Objectives

We aimed to:

- develop a differentiated product pipeline for key countries and ensure the latest genetics are available to our customers through rapid dissemination.

During the year, we:

- produced the first of a series of bulls from imported embryos in India, made history by becoming the first company to have bulls genomically tested, and implanted a further pipeline of embryos for bull production in India, as well as in Australia for export to China;
- populated a new nucleus farm in China by importing pigs, which will produce tailored dam and sire lines and update the genetics at our other breeding farms; and
- flew pigs into Russia, the Philippines, Japan and Korea, to provide genetic updates and populate customer farms, as well as populating the new PIC breeding herds of our partner in Vietnam, GREENFEED.

2014 Priorities

We will:

- expand our portfolio of tailored bulls in India and import bulls into Russia and China to strengthen our line up of locally produced semen;
- make porcine genetic updates in Russia, China and other key Asian markets through live boar imports; and
- consider options for dedicated sire line nucleus units in Russia, China and the Philippines, to increase the availability of differentiated boar products.

Targeting Key Markets and Segments

Progress Against 2013 Objectives

We aimed to:

- increase our focus on our key Asian markets of China, Russia and India.

During the year, we:

- continued to grow in each of these key markets, achieving record sales volumes and revenues, and growing our business with the leading integrated producers in Russia and China;
- developed two strategic joint ventures and increased supply capacity in China; and
- achieved growth in the Philippines of over 100%, by remodelling the business around a key account strategy.

2014 Priorities

We will:

- leverage our strong positions in Russia, India and China. To do this, we have clearly segmented the markets and our team is focused on developing our business with key accounts across the region, with a continuously improving range of products and services.



Case studies



Unique Partnership to Help Feed a Growing Population

Our partnership with Bank of the Philippine Islands ('BPI') reflects our leadership in pig genetics and BPI's position as a major national bank. Together, we provide agricultural entrepreneurs

with the funding, animals and technical support they need to upgrade, expand or build a new world-class pig farm.

Genus supplies genetically improved breeding stock, specifies suppliers, buildings and equipment, helps to design the farm and provides the borrower with training and advice, to maximise the herd's performance. The partnership is proceeding well and by the end of June 2013, we had held three regional launches, attended by farmers and investors nationwide.



A Strong Start for Our Joint Venture

In July 2012, we announced a joint venture with Shaanxi Yangling BeSun Agricultural Group Co. to operate a nucleus farm in China. The venture has made rapid progress. Having recruited and trained a team of 32

people, the first batch of breeding animals arrived in August 2012, with the first piglets in February 2013.

By the end of June 2013, we had sold nearly 1,200 breeding gilts and more than 4,300 weaned piglets, and the sow inventory was at its capacity of 4,250. Performance has been excellent, with pigs weaned per sow per year of 25.9, well above the industry average of 18.

Tailoring the Business Model

Progress Against 2013 Objectives

We aimed to:

- pursue joint ventures in China; expand our dairy distribution by targeting large accounts; develop production and distribution in India; and roll out specialist technical services.

During the year, we:

- announced a new porcine joint venture with Shennong and made strong operational progress in our joint venture with Besun;
- continued to successfully implement our dairy strategies, selling record semen volumes across Russia, India and China; and
- continued to develop our technical service offering and capability for key accounts.

2014 Priorities

We will:

- continue to pursue further joint ventures in China and expand our semen production capacity in India, to meet increased demand;
- implement our new strategy in the Philippines, following the reorganisation; and
- continue to simplify our operations and focus on growth, through our key account strategy.

Strengthening Core Competencies

Progress Against 2013 Objectives

We aimed to:

- leverage the knowledge of Genus's global teams; and ensure we have the right resources to support our growth plans in Russia, India and China.

During the year, we:

- filled key leadership roles across the region and strengthened the teams in key markets, including employing expatriates to head the health and technical services teams in China and to work together to train a strong local team;
- developed strong links with the Genus PIC and Genus ABS global technical teams, enabling us to provide outstanding technical services through local and international experts; and
- implemented performance management consistently across all operating units.

2014 Priorities

We will:

- build on the sound platform established in our key markets. This will include strengthening our teams, with a focus on training and developing the necessary key account and technical service skills.

MEETING CUSTOMERS' NEEDS, TODAY AND TOMORROW



Dr Denny Funk
Chief Scientific Officer, Genus R&D

Genus is passionate about exceeding customers' expectations. We incorporate cutting-edge technology into our R&D, so our porcine, dairy and beef customers always have the industry's best products and services.

R&D is a team effort. We work closely with our customers, as well as marketing, sales and technical services, to advance our R&D programme. To maintain our competitive edge and leadership position, we anticipate our

customers' needs over the next five to ten years, while making sure that we are aligned with Genus's long-term business strategies.

Our focused research programme is centred on three core platforms:

Disease Resilience

Genus and The Roslin Institute, University of Edinburgh, have embarked on a multi-year collaborative research agreement, focusing on genetic improvement in resilience to disease.

We are working on research projects to deliver animals that are more robust or less affected by diseases such as porcine reproductive and respiratory syndrome ('PRRS'), porcine influenza and African swine fever.

Gender Skewing

Genus is actively pursuing sexed semen R&D to deliver an improved and more efficient bovine product offering, as well as enabling a practical method for producing sexed porcine semen.

Sexed semen has great potential value in countries like India, where 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.

Genomic Selection

Genomic selection uses genetic markers, called single-nucleotide polymorphisms, to increase the frequency with which we identify elite individuals to use in breeding programmes.

We genotype tens of thousands of animals each year, combining genetic markers with traditional performance and pedigree information in state-of-the-art genetic evaluation programmes, called single-step genomic evaluations. These sophisticated computer programs accurately rank individual animals' genetic merit for traits of high economic value to our customers, such as prolificacy and robustness.

Case studies

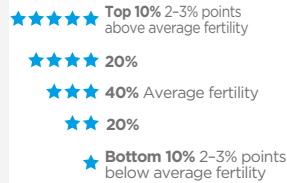


The Power of Single-Step Genomic Evaluations

Genomics helps us to estimate an animal's genetic merit more accurately, so we can drive improvement. We consider more than 35,000 genetic markers, creating billions of data points across tens of thousands

of animals. Combining all the data is complex but it has increased the accuracy of estimates for traits such as pig litter size by 68%.

Dr Selma Forni is one of the scientists leading our single-step genomic evaluations. "I was challenged to transform complex genome data into a simple tool, to deliver value to our customers. It is a great example of Genus transforming scientific knowledge into real-world solutions."



Using Data to Increase Customers' Profitability

Genus ABS launched the first Genus Real World Data™ ('RWD') Bull Fertility rankings in December 2012, utilising our proprietary database of more than 12 million insemination records. RWD provides

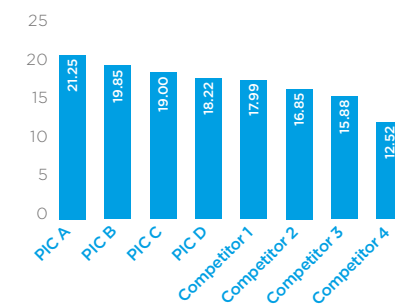
rankings for both Holstein and Jersey bulls, the two primary dairy breeds that we market. We are continuing to build a global database of management and performance RWD from our customers around the world, which we will use in developing customised and proprietary management tools, to help increase our customers' profitability. We are also developing further proprietary indices, which will be unique to Genus.

The Genus Product Advantage

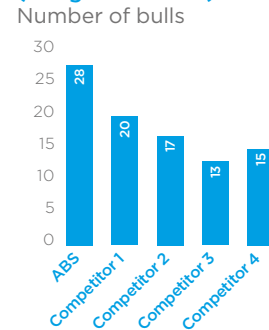
Our research is all about turning science into differentiated and value-added products for our customers. We frequently benchmark ourselves against our competitors, to ensure we are delivering the product advantages our customers expect from us. For example, when we compare the economic advantages from weaning through carcass value, PIC's genetics consistently outperform our competitors, generating more profit for our customers.

Dairy customers also look to ABS for the best and most reliable genetics in the industry. ABS has more high-ranking daughter proven bulls than any of our competitors.

Margin Above Feed and Housing Costs



Top 100 Net Merit Rankings (Daughter Proven)



KEY PERFORMANCE INDICATORS

We have a clear strategy to be the world leader in creating genetic improvements, by applying biotechnology in the dairy, beef and pork food sectors. We focus on demonstrating genetic advances and delivering revenue growth in those species, to drive operating profitability and generate cash.

We monitor and measure our strategic progress by reference to two types of indicators:

- Performance Measures
- Financial Strength Measures

Performance Measures

Porcine Volume Growth

Why We Measure

To track the business's underlying performance, by reference to a common unit of measurement used around the world.

Definition

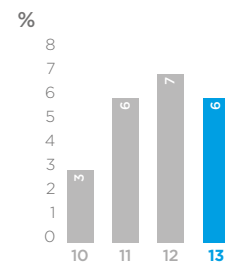
The change in volume of both direct and royalty animals on which we receive revenue, measured in market pig equivalents ('MPES'), a unit which

standardises the slaughter animals that contain our genetics.

Performance

FY13 has seen growth of 6%, with particularly strong increases in China and Latin America. In North America, growth was modest due to customers deferring their genetic updates and expansion plans through the year, in difficult market conditions.

2013 Performance: +6%



Dairy and Beef Volume Growth

Why We Measure

To track our underlying performance, by reference to a common unit of measurement used around the world.

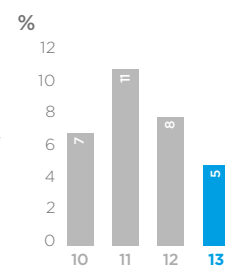
Definition

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

Performance

Volumes grew 5% to 16.5m doses, driven by strong growth in Asia, especially India, where volumes grew by 81%. The growth includes semen produced locally from facilities which were established previously in India and China. Semen volumes supplied from global studs increased by 1%.

2013 Performance: +5%



Porcine Genetic Improvement Index

Why We Measure

To monitor and measure the genetic gain Genus achieves in the porcine genetic merit of animals developed. The assessment is derived from statistical genetic evaluation of economically important traits, to predict the increased profitability potential for customers of an animal if utilised as a parent of the next generation.

Definition

The genetic value improvement index

measures the Estimated Breeding Value ('EBV') and marginal economic value improvement in customers' profitability, per commercial pig per year on a rolling three-year average basis.

Performance

During the year, the genetic improvement index increased from 2.10 to 2.25, a growth of 7%. This is a direct result of progress in single step genomic evaluation over larger herd populations.

2013 Performance: 2.3



Net Merit Rankings (Daughter-Proven Bulls)

Why We Measure

To monitor our ability to pioneer animal genetic traits that are sought after in the market, developing bulls that are highly ranked by virtue of their genetic performance and economic merit. Our target is to improve the number of bulls in the top quartile of accredited rankings of proven animals.

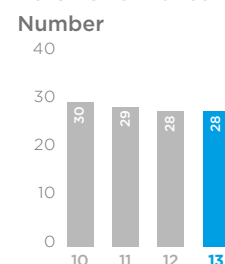
Definition

The number of Genus bulls listed in the top 100 Net Merit \$ rankings for progeny tested sires.

Performance

During the year, the number of bulls in the top 100 Net Merit Index remained constant at 28, demonstrating the strength of the product line and continuing to place Genus ahead of its competitors (the next closest having 20). Currently, more than 80% of Genus's sales come from proven bulls.

2013 Performance: 28



Adjusted Operating Profit Including Joint Ventures

Why We Measure

To track the underlying profit generation of the business, attributable to the shareholders.

Definition

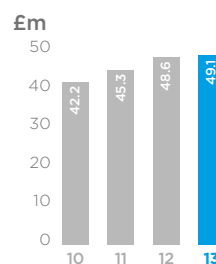
Operating profit including share of joint ventures adjusted to exclude IAS 41 valuation movement on biological assets, amortisation of acquired

intangible assets, share-based payments and exceptional items.

Performance

The Group's adjusted operating profit increased by 1% on last year, with double digit growth in Asia and a solid performance in Genus PIC. Genus ABS had a challenging year, down 5% in profit on a 1% volume decline.

2013 Performance: £49.1m



Operating Profit per Market Pig Equivalent ('MPE')

Why We Measure

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

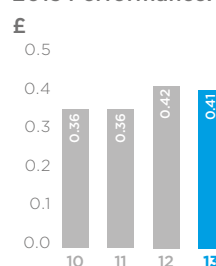
Definition

Net porcine operating profit expressed per MPE.

Performance

Profit per MPE has reduced slightly after the increases achieved during FY12 due to the strong volume growth in China. The benefits of continued product development investments in the additional value programmes (CBVMax) and business model improvements in Europe and Latin America offset the higher running costs of the genetic nucleus herds.

2013 Performance: £0.41



Operating Profit per Dose of Semen

Why We Measure

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

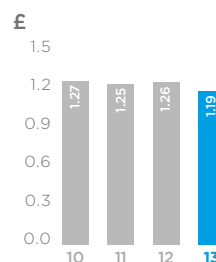
Definition

Net dairy and beef operating profit, expressed per dose of semen delivered. These excluded India, as this market has substantially different characteristics to the rest of our bovine business.

Performance

FY13 saw a decrease in average unit profit, as a result of the challenging bovine markets during the year. Selling prices have marginally increased, but low volume growth and investment in core competencies reduced unit profitability.

2013 Performance: £1.19



Financial Strength Measures

Cash Conversion

Why We Measure

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

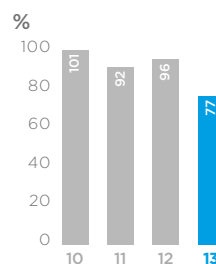
Definition

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

Performance

The conversion ratio was affected this year by an increase in working capital associated with stocking the Besun farm and higher seasonality in the profile of trade through the last quarter of 2013. We have continued to invest in research and development activities for both species. Genus is also required to pay deficit repair contributions into its defined benefit pension schemes.

2013 Performance: 77%



Net debt: EBITDA

Why We Measure

To ensure we have the appropriate level of financial gearing and that we generate sufficient cash profits to service our debts.

Definition

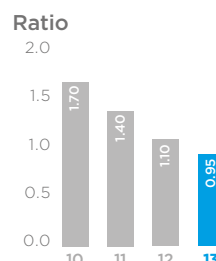
The ratio of net debt (being gross debt including finance lease obligations less

cash held), to earnings (excluding JV income) before interest, tax, depreciation and amortisation.

Performance

The ratio has reduced from 1.10 to 0.95, reflecting the business's focus on cash. Net debt has reduced from £56.4m to £52.9m.

2013 Performance: 0.95



SOLID PERFORMANCE WHILE INVESTING IN STRATEGY

FINANCIAL REVIEW

Adjusted Performance

In the year ended 30 June 2013, Genus delivered a solid performance which surpassed last year's strong results, while investing in implementing its new strategy. Revenue was 1% ahead of last year at £345.3m and adjusted profit before tax was up 2% to £47.2m. We continue to use adjusted operating profit and adjusted profit before tax as the prime measures of financial performance and to monitor underlying performance. Adjusted profits exclude the following non-cash or non-recurring items:

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

Revenue

Revenue rose 1%, from £341.8m to £345.3m. Revenue growth was particularly strong in Asia, with a 15% increase, more than offsetting lower revenues in Genus PIC in Latin America and Europe, which were due to an increased mix of royalty business and the planned exit from the European parent gilt market, as part of our strategy to focus on higher value business.

Adjusted Profit Before Tax

Adjusted operating profit, including joint ventures, increased by 1% (2% in constant currency) to £49.1m (2012: £48.6m). Adjusted profit before tax increased by 2% to £47.2m (2012: £46.5m).

Profit growth was strongest in Asia as a result of significant porcine volume growth, especially from new stockings in China, leading to

a 14% increase in profits to £12.3m. In Genus PIC, profits increased by 4% to £48.2m. This was driven by strong double digit growth in Latin America, as a result of a higher mix of royalty business. In Genus ABS, profits fell 5% to £22.8m, reflecting difficult market conditions, caused by higher feed costs and low milk prices in key markets such as the US and parts of Latin America, and the severe weather conditions which affected the beef season in Brazil.

Research and development costs were 12% higher, including increased investment in research activities, particularly in relation to genomic evaluation work. Product development costs in porcine were higher due to increased costs of running the genetic nucleus farms. Central costs were 10% lower than the prior year, which included the Genus strategy review.

Adjusted Profit Before Tax

	Actual currency			Constant currency
	2013 £m	2012 £m	Movement %	Movement %
Genus PIC	48.2	46.5	4	3
Genus ABS	22.8	24.1	(5)	(3)
Genus Asia	12.3	10.8	14	13
Research and development	(28.0)	(25.1)	(12)	(12)
Central costs	(9.4)	(10.5)	10	10
Adjusted operating profit	45.9	45.8	–	–
Share of JV profits*	3.2	2.8		
Adjusted operating profit inc JV	49.1	48.6	1	2
Net finance costs	(1.9)	(2.1)		
Adjusted profit before tax	47.2	46.5	2	2

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





Performance by Species

Genus also monitors its global performance by species, after allocating product development costs specific to each species.

Dairy and beef revenues grew 1% against the previous year. Total volumes increased by 5%, with growth strongest in Asia, and particularly India and Russia, where we benefited from increased sales of lower-priced locally produced semen, as well as continuing growth in sales of imported semen. Sales of semen from our global studs, which represent 79% of semen sales by volume, increased by 1%. Profits decreased by 5% on last year (3% in constant currency), primarily due to lower sales in Latin America and increased investment in technical services and supply chain.

Porcine revenues grew by 2%, with royalty income up 8% to £62.4m, while volumes were up 6%. Margins were stable as the impact of feed cost increases in the genetic nucleus herds was offset by the benefits of increased royalty mix in Latin America and higher margins in Asia. Throughout the Group, and particularly in China, there has been significant investment in technical service teams to strengthen core competencies. Overall, there was a 2% increase in porcine profits.



Performance by Species

	Actual currency			Constant currency	
	2013 £m	2012 £m	Movement %	Movement %	
Revenue					
Dairy and beef	167.2	165.1	1	2	
Porcine	168.6	165.5	2	1	
Research and development	9.5	11.2	(14)	(14)	
	345.3	341.8	1	1	
Adjusted operating profit inc JV					
Dairy and beef	17.7	18.7	(5)	(3)	
Porcine	43.5	42.6	2	2	
Central costs and research	(12.1)	(12.7)	5	6	
	49.1	48.6	1	2	

Exchange Rates

The Group sells products and services to customers in more than 70 countries, across six continents. Consequently, our results are subject to the effects of translating revenue and 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 2013, the Group's adjusted operating profits were reduced by £0.2m when reflected in actual currencies. This was due to modest net changes in Sterling, relative to the key currencies detailed below. This had little impact on the growth in adjusted operating profits.

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

	Average		Closing	
	2013	2012	2013	2012
US Dollar/£	1.57	1.59	1.52	1.57
Euro/£	1.21	1.19	1.17	1.24
Brazilian Real/£	3.22	2.86	3.35	3.17
Mexican Peso/£	20.16	20.90	19.76	21.06

FINANCIAL AND OPERATING REVIEW

FINANCIAL REVIEW CONTINUED



Finance Costs

Net finance costs reduced by £0.2m to £1.9m (2012: £2.1m). The reduction reflected the combination of lower net borrowings and a reduced average interest rate.

Next year, a change in accounting standard (IAS 19 revised) will lead to a significantly higher non-cash pension interest charge, with an offsetting gain in the Statement of Comprehensive Income. As a result, we expect an increase in finance costs of approximately £4m in 2014 and a restatement of prior year results on the same basis.

Exceptional Items

There was a £4.2m (2012: £0.9m) net exceptional credit this year.

This comprises two elements:

1. a restructuring charge of £2.8m, principally relating to the restructuring of our European porcine business, to implement our strategy of focusing on larger integrated customers and exiting the parent gilt business; and
2. during the year, the multi-employer Milk Pension Fund ('MPF') triennial valuation as at 31 March 2012 was completed and a new funding agreement between the employers was agreed. In addition, two participating employers exited the scheme and made cash payments of £31m. These changes gave rise to an exceptional credit of £7m. This credit reflects Genus's share of deficit repair contributions agreed in the valuation and the effect of the two employers' exits, compared with the pension provision of £20.1m made in the previous year to recognise the risk that some employers could be unable to meet their share of the deficit.

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 2013, the carrying value of biological assets was £289.0m (2012: £282.2m), as set out in the table below:

	2013 £m	2012 £m
Non-current assets	224.0	223.0
Current assets	40.5	36.8
Inventory	24.5	22.4
	289.0	282.2
Represented by:		
Porcine	117.5	107.6
Dairy and beef	171.5	174.6
	289.0	282.2

The movement in the overall carrying value of biological assets excluding the effect of exchange rate translation changes includes a £4.4m increase in the carrying value of porcine biological assets and a £9.3m decrease in dairy and beef biological assets. In porcine, the increase is due principally to higher value animals, particularly boars, in the pure line herds. The decrease related to dairy and beef is mainly due to an expected increase in sales of genomic young sires over time, meaning that less of Genus's future forecast semen sales are represented by bulls currently in our studs.

Statutory Profit Before Tax

Operating profit on a statutory basis was £37.2m, compared with £54.2m last year. The statutory profit before tax was £38.1m (2012: £54.4m). These statutory results reflect the impact

of the exceptional items discussed above and the net fair value debit on biological assets under IAS 41 of £4.9m (2012: credit including exceptional item £38.8m), as explained above. The Board believes the volatile non-cash nature of these items is not representative of the Group's underlying performance. The performance as measured by adjusted operating profit including joint ventures showed growth of 1%, and adjusted profit before tax showed growth of 2%.

Taxation

The effective rate of tax for the year, based on adjusted profit before tax, was 30% (2012: 31%), with the decrease primarily due to higher R&D tax credits and lower UK statutory rates.

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 statutory tax rate is approximately 39%.

Earnings Per Share

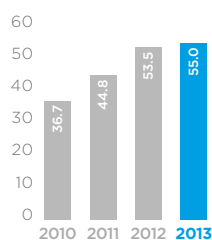
Adjusted basic earnings per share rose by 3% to 55.0 pence (2012: 53.5 pence) reflecting the increase in profit before tax and the lower tax rate.

Basic earnings per share on a statutory basis were 44.7 pence (2012: 65.9 pence), and were affected by the exceptional items and IAS 41 fair value movements noted above.



Adjusted Basic EPS

Pence



“Adjusted basic earnings per share rose by 3% to 55.0 pence (2012: 53.5 pence) reflecting the increase in profit before tax and the lower tax rate.”

Dividend

The Board is recommending to shareholders a final dividend of 11.1 pence per ordinary share. Taking into account the interim dividend of 5.0 pence per share paid in April 2013, this will result in a total dividend for the year of 16.1 pence per ordinary share, representing an increase of 10% for the year as a whole.

Subject to shareholder approval at Genus's forthcoming Annual General Meeting, this dividend will be paid on 6 December 2013 to shareholders on the register at the close of business on 22 November 2013.

Dividend cover remains strong, with the dividend covered 3.4 times by adjusted earnings (2012: 3.7 times).

Cash Flow and Net Debt

The Group recorded a cash inflow for the year of £8.1m (2012: £14.5m).

Cash generated by operations reduced to £34.9m (2012: £43.9m).

Working capital at the end of the year included a receivable balance from the stocking of the Besun farm in China, which will form part of our investment in the Besun joint venture in the first half of 2014. In addition there was higher seasonality in working capital, and investment in stocking the Chun Hua porcine nucleus farm.

Interest, tax and dividends reduced to £20.0m (2012: £22.0m) primarily as a result of the introduction of an interim dividend in the prior year.

Net debt reduced from £56.4m to £52.9m at 30 June 2013.

The Group's financial position remains strong and there is substantial headroom under our borrowing facilities of £137m, which we renegotiated in August 2013 and extended to September 2017 on improved terms. Additionally, Genus's covenant ratios are strong,

with interest cover, based on net interest excluding interest on pension liabilities, improved to 21.7 times (2012: 17.7 times) and the ratio of net debt to EBITDA, as calculated under our financing facilities, reduced from 1.1 to 0.95.

Retirement Benefit Obligations

The Group's retirement benefit obligations at 30 June 2013, calculated in accordance with IAS19, were £65.0m (2012: £67.3m) before tax and £49.9m (2012: £51.0m) net of related deferred tax.

During the year, contributions payable in respect of the Group's defined benefit scheme amounted to £2.9m. The triennial actuarial valuations of the MPF and Dalgety Pension Fund as at 31 March 2012 were completed during the year. Under the recovery plans resulting from these valuations, approximately £6m is expected to be paid in 2014.

As a result of the completion of the MPF triennial valuation, a new funding agreement has been reached between the participating employers and the scheme's trustees. Genus's estimated share of the MPF's total deficit, calculated in accordance with IAS 19, is £55.7m or approximately 75%.

	2013 £m	2012 £m
Cash generated by operations	34.9	43.9
Interest, tax and dividends	(20.0)	(22.0)
Capital investments	(8.6)	(9.1)
Other	1.8	1.7
Net cash inflow	8.1	14.5



FINANCIAL AND OPERATING REVIEW

REVIEW OF OPERATIONS

Genus PIC

	Actual currency			Constant currency	
	2013 £m	2012 £m	Movement %	Movement %	
Revenue	133.5	137.2	(3)	(3)	
Adjusted operating profit exc JV	48.2	46.5	4	3	
Adjusted operating profit inc JV	50.6	48.6	4	4	
Adjusted operating margin	36%	34%			

“In Latin America, volumes grew by 10%, with significant progress on conversions to royalty contracts”

Genus PIC comprises the Group's porcine business in North America, Latin America and Europe. It also includes the technical services and supply chain functions supporting the porcine business globally.

Market

Market conditions during 2013 were very challenging in North America, with high feed prices and low slaughter prices pushing the industry into losses. As a result, customers put expansion plans on hold and delayed genetic updates within royalty contracts. In Latin America, conditions were more favourable, with pig prices higher than historical averages. In Europe, the impact of higher feed costs was reduced by rising pig prices, as industry capacity reduced as sow stalls were phased out.

Performance

Volumes grew by 3%, with particularly strong growth in Latin America. However, revenue fell by 3% to £133.5m due to limited customer expansions, the continuing move to royalty contracts and the exit from low-margin parent gilt sales. Operating profit increased by 4% and operating margin improved by two percentage points to 36% as our business model continued its favourable shift to a royalty basis. In addition, we successfully pursued the CBVPlus and CBVMax programmes to produce boars of high genetic merit, delivering margin

improvements while providing a better quality product to customers.

North American profits were up 3% on a 2% increase in volumes. Royalty income was 4% higher than the previous year, compensating for lower animal sales, which were suppressed by a lack of expansion activity in a tough market.

In Latin America, volumes grew by 10%, with significant progress on conversions to royalty contracts, pushing profits up 21% and substantially improving margins across the region.

Our joint venture in Brazil had a successful year and progress continues with converting more customers to the royalty model. As a result, profits increased by 14%.

The planned restructure of the European business, to target the larger integrated pork producers and reduce exposure to directly owned operations, continued apace and is expected to yield further profit improvements in 2014. During the year, the owned farm in the Czech Republic was franchised and several other cost-saving initiatives were undertaken. Despite the reduction in volumes from the Czech operation, volumes were up 2% for the region, driven by increases in Germany and Spain. The restructuring activities have reduced revenue but improved profits and margins.



Genus ABS

	Actual currency			Constant currency	
	2013 £m	2012 £m	Movement %	Movement %	
Revenue	146.8	145.4	1	2	
Adjusted operating profit	22.8	24.1	(5)	(3)	
Adjusted operating margin	16%	17%			

“Profits in Genus ABS were down 5% on last year as it invested in core competencies.”

Genus ABS comprises the Group's dairy and beef business in North America, Latin America and Europe. It also includes the technical services, marketing, production and supply chain functions supporting the dairy and beef business globally.

Market

High feed costs and low milk prices in all the key markets created difficult conditions, with many customers trending towards breakeven through the year. While there was a recovery in prices in the second half of the fiscal year, customer confidence was slow to return. Certain markets such as Brazil were substantially affected by unusual weather, which disrupted normal breeding seasons.

Performance

The dairy and beef business had a difficult year, experiencing a combination of adverse weather conditions, particularly in Latin America, and lower milk prices, affecting the demand for dairy semen. Overall, volumes for Genus ABS were down 1%, principally driven by Brazil, but partially offset by improvement in Europe. Effective sales management enabled a small improvement in average selling

prices across the Group, with average sales prices up 2% overall, leading to an increase in revenue of 1%.

In North America, profits were up 5% on volumes and blends which were essentially flat on last year, due to a strong focus on increasing efficiencies and cost management. In Europe, 4% growth in volumes was achieved with modest blend increases driven by France and Italy. Profits were 2% up on last year.

Across Latin America, extreme weather conditions affected customers and volumes were down 6% in the region. This decline was driven by Brazil, where the beef breeding season was affected and total volumes were down 10%. In spite of this, average sales prices increased on last year and market share remained stable. Profits declined 13% (down 6% in constant currency).

Reflecting the above, and whilst there was a continued focus on cost management, profits in Genus ABS were down 5% on last year (3% in constant currency) as it invested in technical services and marketing, and revamped its global supply chain function.



FINANCIAL AND OPERATING REVIEW

REVIEW OF OPERATIONS CONTINUED

Genus Asia

	Actual currency			Constant currency	
	2013 £m	2012 £m	Movement %	Movement %	
Revenue	55.5	48.2	15	14	
Adjusted operating profit exc JV	12.3	10.8	14	13	
Adjusted operating profit inc JV	13.1	11.5	14	13	
Adjusted operating margin	22%	22%			

“Asia achieved strong growth across the region”

Genus Asia includes the porcine and bovine businesses across the region. In addition to the businesses in China, the Philippines and India, the region also includes the Group's operations in Russia and Australia.

Market

In China, pork prices were low through the year after the record highs enjoyed last year and it is estimated that a majority of farms were loss making in the spring. The government's inventory purchase scheme in April and May firmed prices and stabilised the market.

Elsewhere, the Russian pig industry experienced a difficult year as import barriers were removed. Slaughter prices dropped by 30% before rallying in May and June, and high feed prices reduced producer profitability. In the Philippines, live pig prices increased by 13% as a result of supply shortfalls, keeping farmers profitable.

Australian milk prices were low through the year, with many producers struggling. As a consequence, there has been less spend on breeding programmes. Milk prices in China, India and Russia were stable.

Performance

The division achieved strong growth across the region in the porcine and dairy and beef businesses. Revenues increased by 15% and operating profits (including joint ventures) by 14% to £13.1m. This was in spite of substantial investment in key skills and infrastructure, to support future growth. We have strengthened the management and supporting functions in the areas of business development, supply chain and technical services.

Volumes grew by 24% in porcine and by 29% in dairy and beef.

The porcine volume growth reflects particularly strong growth in upfront animal sales in China, including the animals transferred to Besun as part of the initial stocking of this 4,250-sow nucleus farm, and in the Philippines, where volumes grew by 54%, as we pursued the policy of converting more customers to the royalty model.

In China, operating profits were up 38% on last year, after bearing the initial start-up costs on the new Chun Hua genetic nucleus farm, which has been established to bring Genus's latest genetics into the Chinese market.



Milk prices were stable in China, India and Russia, and steadily increased in most of our other key dairy markets in Asia, with the exception of Australia. This, combined with growing demand, resulted in the volume of semen sold by our dairy and beef business increasing by 29%. Semen produced locally from studs in China, India and Russia was the key driver of this growth, supplemented by higher volumes of imported semen from Genus's global studs. Our Australian business struggled against the backdrop of low milk prices and volumes were down 9%.

Considerable strategic progress was made in the region during the year and Genus continues to pursue joint venture opportunities in China, to maximise the opportunities presented by this expanding market.



Genus Research and Development

	Actual currency			Constant currency	
	2013 £m	2012 £m	Movement %	Movement %	
Research	2.7	2.2	23	23	
Porcine product development	14.7	12.1	21	21	
Bovine product development	10.6	10.8	(2)	1	
	28.0	25.1	12	12	

“Investment in research and product development for the year increased by 12% to £28.0m.”

Investment in research and product development for the year increased by 12% to £28.0m. This reflected higher research expenditure, as well as further investment in product development to ensure our products meet customer needs and keep us ahead of our competitors.

Genus's research activities during the year were focused on the following key programmes: genomic evaluation and selection, gender skew and disease resistance. We continue to make progress in all these areas.

Porcine Product Development

Porcine product development costs rose principally as a result of higher feed costs, net of decreased slaughter revenue, as part of the running of the two nucleus farms in North America, and increased investment in additional product validation trials, focused on demonstrating our product differentiation.

Leveraging our extensive proprietary database of over 14 million performance records, we have achieved progress in single-step genomic evaluation in our breeding programme, which is improving selection accuracy and speeding up the rate of genetic



progress. 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.

Bovine Product Development

In dairy product development, we successfully launched proprietary customer-tailored indexes (Real World Data™) for our enterprise and large commercial customers in the US, and have since expanded to incorporate data from Mexico, Chile, Argentina, Brazil and UK. This will provide a platform to tailor differentiated customer-centric products.

Throughout the year, we were committed to increasing the

competitiveness of the core bull programme. ABS bulls continued to perform well in the national rankings of the countries where we progeny-test. In the US, ABS achieved 28 bulls (2012: 28) in the internationally important top 100 Net Merit rankings in the most recent sire summary. The UK had similar results, while Italy contributed with some key bulls that drove additional volume and improved prices. In China, Genus leads the rankings of imported bulls based on overall genetic merit.

Genus also introduced more genomic young sires into its portfolio, initiated an elite female programme to gain greater genetic control and invested in additional facilities to support these programmes.



PRINCIPAL RISKS AND UNCERTAINTIES

Our risk management system identifies and prioritises risks and threats to the achievement of our strategic objectives. We respond to these risks through well-defined mitigation activities, which we regularly assess.

Progress Against 2013 Objectives

Last year, we committed to continuing to improve our risk management system. In particular, we planned to:

- implement Group-wide reviews of selected risks identified on the corporate risk register; and
- arrange for senior operational and financial management to present to the Audit Committee or Board on the risk areas they own.

In 2013, we delivered on these commitments by:

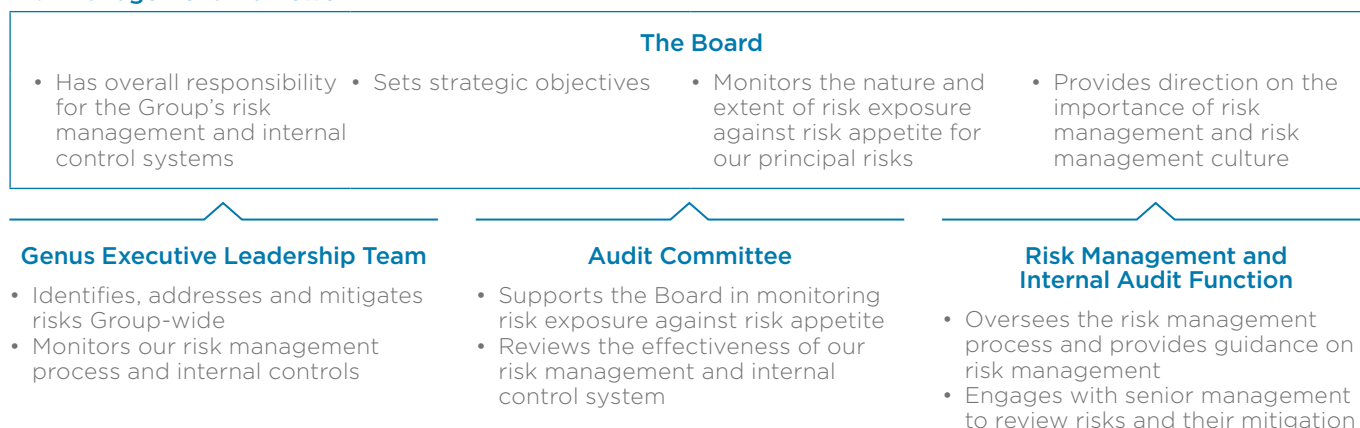
- improving the process of identifying and evaluating risks, by implementing both top-down and bottom-up methods;
- embedding risk management into our major projects and change initiatives, to ensure we respond to changes in our operating environment;
- simplifying our internal risk-reporting process and further aligning it to our decision-making process; and
- providing regular updates to the Audit Committee and Board by risk owners.

Our Priorities in 2014

In 2014, we will continue to review, refine and enhance our risk management system. In particular, we plan to:

- further embed risk management into our day-to-day decision-making process; and
- test many of our risk mitigation activities as we deliver our risk-based FY14 internal audit plan, to provide assurance that these are operating effectively.

Risk Management Framework



Strategic Risks

Risk Description	Mitigation
Product Development and Competitive Edge <ul style="list-style-type: none"> • Development programme fails to produce best genetics for customers • Increased competition in developed and emerging markets drives down market share and margins 	<ul style="list-style-type: none"> • Formal communication process, to ensure development is aligned with customer requirements • Dedicated product development team, with clear objectives and measurable targets • Technical services and support for customers, to enable them to make best use of our products • Frequent benchmarking of performance against competitors in customers' systems
Commercialisation of Research <ul style="list-style-type: none"> • Failure to focus research initiatives on commercially important areas • Failure to lead on 'game-changing' technology or to bring new initiatives to commercial viability 	<ul style="list-style-type: none"> • Regular oversight of research by R&D Portfolio Management Team and executive management • Allocation of appropriate budget to research and development • Regular Board updates on key development projects
Capturing Value Through Acquisitions <ul style="list-style-type: none"> • Failure to identify appropriate investment opportunities or perform sound due diligence • Failure to successfully integrate an acquired business 	<ul style="list-style-type: none"> • Board review of all investment opportunities and approval of transactions • Rigorous due diligence process • Structured post-acquisition integration planning and execution



Strategic Risks continued

Risk Description	Mitigation
<p>Emerging Markets</p> <ul style="list-style-type: none"> Failure to appropriately develop business in China and emerging markets 	<ul style="list-style-type: none"> Experienced management team, blending local and expatriate executives Separate Asia business unit, reporting directly to CEO, ensures appropriate focus on region High level of Board oversight Dedicated development, technical services and veterinary staff within emerging markets Adoption of joint venture business model in appropriate regions, with a robust process in place for selecting joint venture partners Global species team supports the growth initiatives and ensures compliance with global standards

Operational Risks

Risk Description	Mitigation
<p>Intellectual Property Protection</p> <ul style="list-style-type: none"> Genus-developed genetic material, methods and technology could become freely available to third parties 	<ul style="list-style-type: none"> Global cross-functional process, to identify and protect intellectual property 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 genetically test animals, to determine genetic origin
<p>Bio-security and Continuity of Supply</p> <ul style="list-style-type: none"> Loss of key livestock, owing to disease outbreak Loss of ability to move animals or semen freely (including across borders) owing to, for example, disease outbreak, environmental incident or international trade sanctions 	<ul style="list-style-type: none"> Formal bio-security standards, featuring movement controls, veterinary inspection and independent bio-security reviews Independent reviews of bio-security measures, to assess standards and ensure compliance Products sourced from increasing number of facilities in different countries, to avoid over-reliance on single production site
<p>Human Resources</p> <ul style="list-style-type: none"> Failure to attract or retain skills and experience within executive, management and employee cohorts 	<ul style="list-style-type: none"> Comprehensive talent and people plans, covering recruitment, performance management, reward, organisation design, talent, communication and engagement Regular review of senior management performance and remuneration at Remuneration Committee, with external advice where appropriate
<p>Business Continuity</p> <ul style="list-style-type: none"> Unavailability of key research, production or administrative site Failure of IT system 	<ul style="list-style-type: none"> Business Continuity Plans in place for key locations Testing programme established, to ensure continuity plans are effective 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 in place

Financial Risks

Risk Description	Mitigation
<p>Agricultural Market and Commodity Prices Volatility</p> <ul style="list-style-type: none"> Fluctuations in agricultural markets affect customer profitability and demand for our products and services Increase in our operating costs, owing to commodity pricing volatility 	<ul style="list-style-type: none"> Global footprint balances our exposure across different markets Porcine royalty model mitigates impact of cyclical price reductions or cost increases in hog production Hedging transactions fix pricing of inputs and outputs, where appropriate
<p>Pensions</p> <ul style="list-style-type: none"> 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 affecting size of pension deficit (e.g. mortality rates, investment values etc.) 	<ul style="list-style-type: none"> Actuarial valuations performed as at March 2012 and deficit recovery plans agreed with pension fund trustees Review of investment strategy, to ensure appropriate risk/reward profile Closure of pension funds to future service Monitoring of joint and several liability in the Milk Pension Fund Appointed principal employer for the Milk Pension Fund in 2012 and chair of the group of participating employers

OUR VALUES

PEOPLE FOCUSED



40%

Female workforce at Apex



Developing Skilled and Capable People

Apex is our newest porcine genetic nucleus facility, located in South Dakota, USA. Construction began in 2008 and Apex produced its first litter the following year.

The team now includes 55 full-time employees, making us the largest employer in an area where jobs are highly valued. Around 40% of the team are female.

At such an important facility, it is essential that we have well-trained and capable people. Training begins immediately, with new staff completing eight hours of orientation in their first two days. This covers health and safety, bio-security, animal welfare and a full site tour.

Staff then spend their first month shadowing colleagues, so they can learn the processes and become proficient. During this time, they complete a further three hours of orientation, covering areas such as our Genus University and other online resources. Our successful approach has allowed us to fill all our departmental head positions with local people, who joined us with limited industry experience and who we have developed to take on management roles. The team has built up deep expertise in running this centre of elite porcine genetics, setting world-class standards that are the pride of the business and the industry.



Apex team



CREATING THE FOUNDATIONS FOR GROWTH

In 2013, we aligned the business behind our strategy and recruited high-calibre people to lay the foundations for growth.

Aligning the Business Behind the Strategy

We briefed our 2,400 staff on our vision, values and strategy, so they are clear and confident about our future and their part in it. Our new structure, aligned to our customers and species, has set and networked global standards in Genus PIC and Genus ABS, and has been a key contributor to Genus Asia's accelerated growth. PIC Genetic Services, which works with all our PIC businesses, is recognised as an internal beacon of best practice, setting standards and delivering training, so we continually raise performance.

We introduced performance management for our leaders, setting stretching objectives and having high quality performance conversations and performance ratings, to help employees calibrate their achievements. This has ensured that leaders are clear on their accountabilities and goals. Changes to remuneration for the Genus Executive Leadership Team ('GELT') have been cascaded to managers' rewards, aligning them with strategic delivery.

We have also defined and shared the competencies we need in two vital areas, key account management and technical service, and are using them for recruitment, performance and development.

Resourcing for Growth

Genus is committed to recognising, developing and recruiting new talent.

During the year, we strengthened GELT with high-quality recruits. Stephen Wilson replaced John Worby, who retired as Group Finance Director. Saskia Korink Romani joined

to develop our marketing function across species and subsequently took on the role of acting Chief Operating Officer, Genus ABS. Tom Kilroy, our new Group General Counsel & Company Secretary, brings intellectual property expertise and global experience.

We also recruited talent across the global teams, strengthening our supply chain function in Genus ABS and our European leadership and product development in Genus PIC. In Asia, we invested significantly in the China team. We recruited local heads for operations in China dairy and porcine, and in Genus ABS India, as well as a new finance director for Asia.

Towards the end of the financial year, we completed our first talent plan, focusing on our top 100 leaders and their successors. Our talent plan takes into account diversity of gender and backgrounds.

Our Priorities for 2014

We will continue to resource for growth, extending the talent and succession plan to around half our employees and focusing on individuals with potential, to deliver on our commitment to develop more leaders from within the business. Our online performance management tool has also been extended, and will cover more than 2,000 staff this year. We will continue to recruit, with investment in product development and sales in dairy, and additions to our marketing, technical services and Chinese teams.

Personal growth is important to our staff, so we will deliver key programmes through Genus University. These include:

- Key Account Manager and Technical Service Academies for Genus ABS and Genus PIC, networking the communities, sharing best practice and raising the bar through global benchmarking and standard setting;



Lindsay Case
Genus PIC - Genetic Services Manager

Lindsay has a doctorate in genetics and has worked for Genus PIC for two years. "What drew me to Genus? The opportunity for a PhD to contribute beyond a strictly technical role, generating genuine appreciation and excitement about what we do from both our customers and the industry. Genus's technical leadership and customer-centricity makes it unique."



- management development programmes for our leaders; and
- tailored development for our senior leaders and people with long-term potential in the business.

We will perform our first in-house employee survey, creating action plans based on the feedback. We also aim to improve internal communication, with each business sharing its customer successes and financial performance, and networking the teams through technology.

We have had a very solid year of delivery, with full commitment from the management team to delivering our key initiatives. We embark on the second year of our people plan with much more experience behind us and a clear understanding of the priorities needed to continue to support our strategic delivery.





United States



Raymond Karls
Genus ABS – Livestock
Manager, DeForest Madison

Raymond has a degree in Business Mid-Management and started working for ABS while still in high school. "I've stayed because they've treated me well, I've been able to progress my career and, most of all, because I've had good people to work with and for. Now I'm excited to play my part in making our vision a reality."



Germany



Kerstin Reiners
Genus PIC – Western Europe
Commercial Director

Kerstin has a doctorate in agriculture and recently rejoined Genus, having worked for PIC from 2007 to 2011. "I want to build a team that offers the best customer service and the best results for Genus. Collaborating with colleagues internationally is also exciting. It helps us to better understand our markets and to adapt innovative strategies locally, backed by strong products and R&D."



China



Angel Antonio C. Manabat
Genus Asia – PIC China
Technical Services Director

Angel has a doctorate in veterinary medicine and recently transferred from the Philippines to China. "What excites me is the leadership's determination that we will be always better, year after year, and that Genus's values are practiced at all levels of the organisation. Here in China, these values are important as what we do will determine Genus's future in the region."



Mexico



Luis González Martínez
Genus ABS Mexico
General Manager

Luis has a master's degree in dairy management. He founded ABS's Mexican business unit and turned it into the market leader. "It is very satisfying to work for a global company interested in feeding the world, in collaboration with highly skilled professionals. Forming teams focused on solving customers' needs has been a priority for me and has shown results. New challenges make us look for innovative solutions."



Italy



Pierpaolo Dordoni
Genus ABS Italia
General Manager

Pierpaolo has a master's degree in dairy science. Since he became general manager in 1998, Genus ABS's Italian business has quadrupled in size and become market leader. "I joined because I wanted to work for an international company and get a broader view of the industry that has always been my passion. It's inspiring to contribute to nourishing the world."



China



Jer Geiger
Genus Asia – PIC China
Health Assurance Director

Jer is a doctor of veterinary medicine and grew up on a family farm in Illinois. "I've been involved with breeding stock sales all my life and PIC's values are exactly those I expect of myself. With our commitment to technology and professionalism, why would I work anywhere else? People with PEP (passion, enthusiasm and professionalism) are everywhere in PIC."



Providing the Highest Standards of Care

Our animals are our business, so we take excellent care of them.

The housing at our bull stud facility in Dekorra, Wisconsin, is designed to provide the best animal welfare and protect our employees' safety.

The barns are globally qualified, so they meet the highest standards for international trade, animal health and bio-security. Side-curtain ventilation allows maximum air flow and the animals are freely housed in individual pens, giving them the greatest freedom of movement. We clean and rebed the pens three times a week. All feed is grown in fields free from animal waste and we store the feed securely, eliminating bio-security threats from wildlife.

The livestock workers at Dekorra average 27 years of service and the facilities are led by Darel Smith, who has worked for ABS for more than 30 years. To protect their wellbeing, we provide continuous training in safety, including bull handling, working in confined spaces and first responder training.



Bull stud facility in Dekorra, Wisconsin

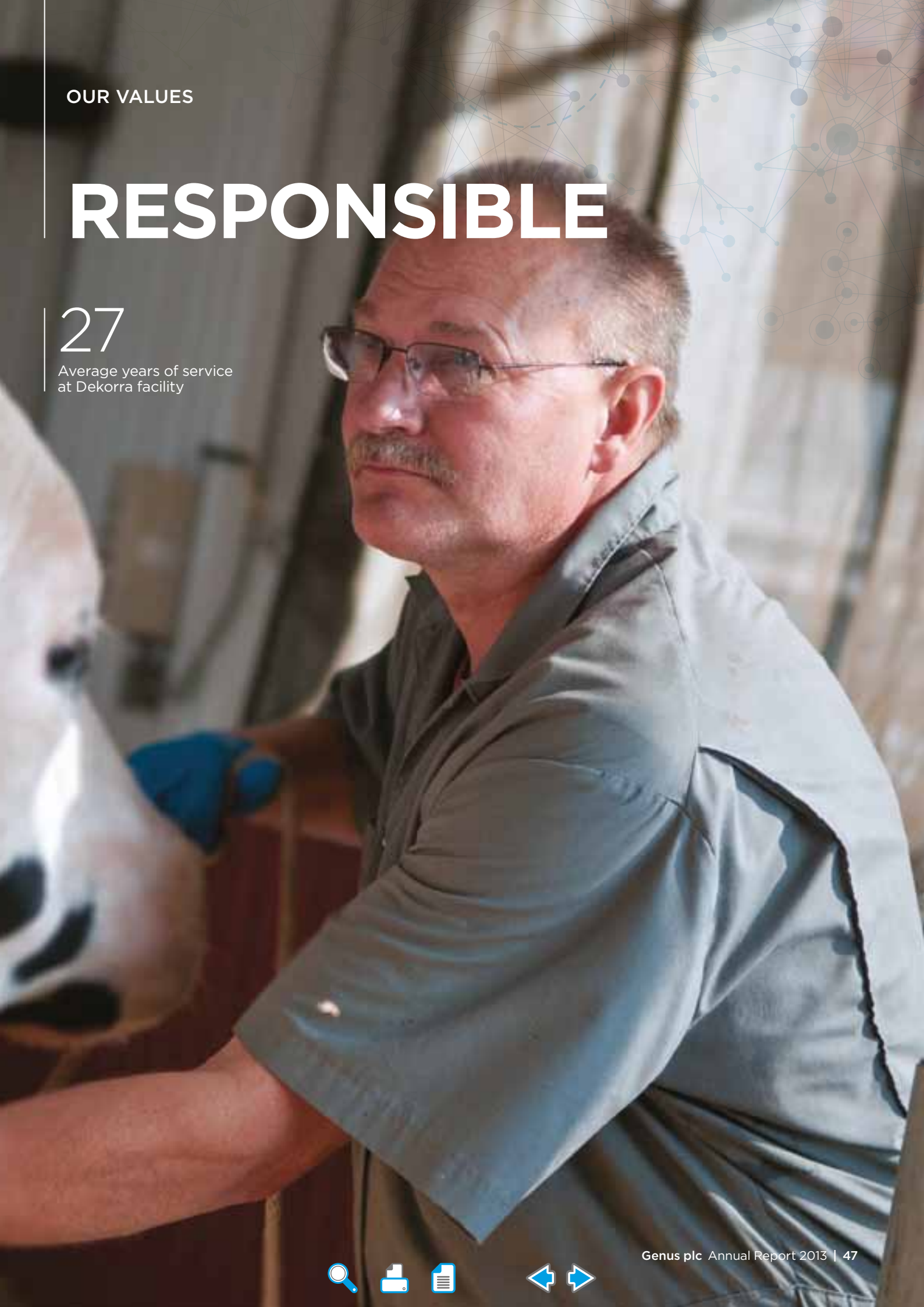


OUR VALUES

RESPONSIBLE

27

Average years of service
at Dekorra facility



A RESPONSIBLE BUSINESS

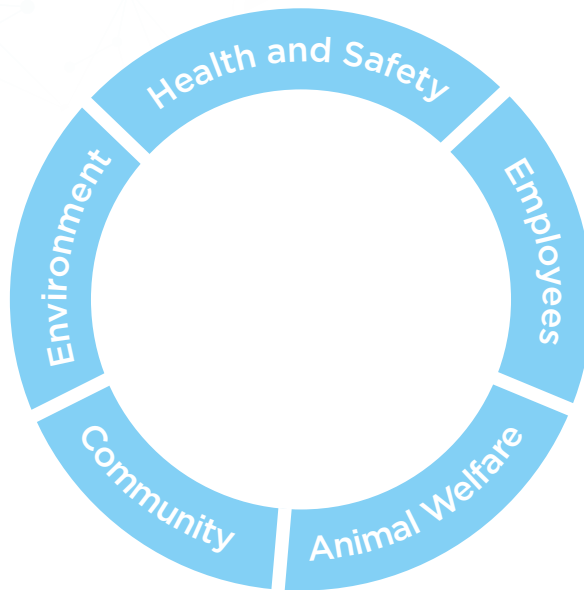
Corporate Responsibility Objectives – 2013/14

Health and Safety

- Roll out our health and safety framework and principles
- Improve internal communication and engage employees
- Visit all facilities to ensure compliance with standards and regulations

Environment

- Increase the proportion of Genus PIC farms that have their waste management systems independently checked
- Obtain baseline soil test data for Genus PIC's locations outside North America
- Consider processes to use manure from Genus ABS as a compost that could be resold or recycle it through a bio-digester



Employees

- Give every employee the opportunity to develop their career, with an annual discussion and a commitment to first look internally to fill a role
- Develop all staff by equal access to training, including life skills, IT and communication
- Ask staff how they feel about working for Genus and act on their feedback
- Provide interesting, valuable and secure work within local communities

Community

- Develop the pool of potential employees, by helping local populations to improve their education and skills
- Work with local communities to support specific social initiatives

Animal Welfare

- Roll out Pork Quality Assurance style training to all production staff in Genus PIC's owned facilities
- Begin construction of a bio secure bull admittance facility and vehicle disinfection station at Genus ABS

As the global population grows, food security will become increasingly important. Genus's role is reflected in our vision and makes enhancing food affordability, safety and quality, improving animal welfare and reducing the environmental impact of protein production key priorities for us.

To ensure we operate in the right way and derive the business benefits, we are establishing a committee to lead our efforts. It will set our strategy and objectives, ensure we implement them around the business and monitor performance.

It will be chaired by Tom Kilroy, our Group General Counsel & Company Secretary, and include health and safety, environmental and animal welfare representatives from around the world. The Board has overall accountability for corporate responsibility and the committee will report to the Board twice a year.

Health and Safety

Health and safety is critically important and we continue to develop our approach. We have a global team of health and safety advisors and are working to align our efforts and share best practice.

During the year, our first Global Health and Safety Conference focused on incident trends, risk

assessment, training, communication and aligning for the future. We developed a new Health and Safety General Policy Statement, detailing responsibilities at all levels. A further 17 policies, which set out our health and safety framework and principles, will be rolled out worldwide in the coming year.

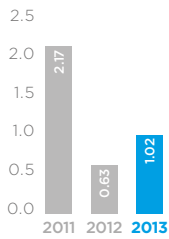
We look to continuously improve. In PIC Spain, for example, we enhanced our systems for confined space entry, while in Europe, we launched a campaign to highlight common hazards.

The chart on page 49 shows our minor incident rate over the last three years. The increase in 2013 was due to greater staff awareness of our



Safety Management System ('SMS'), an online tool used to monitor, evaluate and report incidences and trends worldwide. When incidents are reported, we look to resolve the causes and to put corrective action in place, such as more focused training and communication.

Rate of Minor Incidents Per 100 employees



Incidents that resulted in lost time, restricted work, or major medical treatment.

Our strategy for the coming year is to build a uniform internal communication approach, to engage employees in health and safety. Monthly management reports will allow us to measure success and to quickly resolve and prevent issues, while quarterly employee newsletters will explain health and safety successes and opportunities. As we roll out our global policies, we will bring the principles alive through training.

In 2014, we will also use our global SMS to track facility audits and their outcomes. We have more than 50 facilities, ranging from offices to production units. Our goal is to visit every facility at least once, to ensure we meet the highest standards and follow regulations. In most locations, a site-level safety committee reviews the facility audit reports, the actions required and the results of those actions.

Genus's best practice farm and animal handling protocols reflect our industry leadership. In 2014, we will focus on incorporating all protocols into one uniform structure and making them more readily available to staff.

The Environment

Genus is committed to conducting business in ways that are sensitive to the environmental needs of our local communities. Our locations therefore integrate environmental management into their systems and procedures.

Monitoring and reporting our environmental performance is integral to our operations and our risk management programme.

We assess the environmental risks associated with existing and new facilities, and establish controls to keep risks at acceptable levels. We train employees at our facilities in environmental compliance and have comprehensive environmental protocols at our facilities, which are subject to independent checks. During the year, we had independent checks at PIC's farms in North America and the Besun farm in China.

Genus ABS is required to comply with local legislation governing manure storage, and the rate and timing of manure application to land on which we grow feed crops. We complete annual audits and file reports with the relevant authorities as required.

Our Employees

Genus aims to be valued by its employees and its local communities. We work hard to provide interesting and valuable jobs, with the opportunity to develop careers nationally and internationally. We place considerable emphasis on attracting, recruiting and developing the people we need, and no matter their educational background, give all the opportunity to be considered for more senior roles. We offer fair and market competitive pay and benefits in every country we operate in, and make compliance with our standards and local laws a priority. More details can be found in the Our People section on pages 41 to 42.

Animal Welfare

The Genus Animal Welfare Code of Conduct ensures we provide the highest level of care for our herds. All employees who handle our animals are trained and qualified, and we design and maintain our facilities to ensure best practice. Fully qualified inspectors also provide regular health assessments. All staff are required to report any incidents of animal mishandling and we require regular written statements that no incidents have been observed. The case study on page 46 gives one example of how we put our approach into practice, at our bull stud facility in Dekorra, Wisconsin.

Community

We actively encourage our businesses to engage with their

Case study



Supporting Our Local Community

In the Philippines, poverty is a serious problem. Children as young as four are forced to make a living by rooting through festering rubbish dumps to find recyclable items. PIC Philippines supports the work of PCF, a charity that improves the lives of thousands of Filipino children and their families. It offers education, training, daily meals, health and spiritual care and employment for adult family members.

PIC has created an annual Scholarship Programme, to allow a PCF beneficiary to obtain a college education in agricultural business. We also run fundraising events, encouraging employees, customers and partners to donate, to support PCF's vital work.

local communities and to pursue programmes that will improve education and life chances, with a view to boosting our pool of potential employees. The case study on this page shows one example of our work in the Philippines.



BOARD OF DIRECTORS & COMPANY SECRETARY



Bob Lawson
Non-Executive
Chairman



Karim Bitar
Chief Executive



Stephen Wilson
Group Finance
Director

Board appointment

November 2010

September 2011

January 2013

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 and 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.

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, he worked across Asia and in Europe, and also held management roles at Johnson & Johnson and the Dow Chemical Company.

Stephen Wilson joined the Board in January 2013 and was appointed Group Finance Director on 1 March 2013. He was previously Executive Vice President and Chief Financial Officer of Misys plc, the financial services software provider that was a FTSE 250 company until its acquisition by Vista Equity Partners. Prior to Misys, Stephen was Vice President and CFO of IBM United Kingdom Limited. He is a Fellow of the Chartered Institute of Management Accountants and is a Non-Executive Director and Chairman of the Audit Committee of Xchanging plc. He holds a degree in Mathematics from the University of Cambridge.

Committee memberships

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

Member of the Nomination Committee.





Nigel Turner
Senior Non-Executive
Director

January 2008

Nigel Turner joined the Board in January 2008 and is Chairman of the Remuneration Committee. He was 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.

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



Mike Buzzacott
Non-Executive
Director

May 2009

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.

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



Professor Barry Furr, OBE
Non-Executive
Director

December 2006

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's 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.

Member of the Audit, Remuneration and Nomination Committees.



Tom Kilroy
Group General Counsel
& Company Secretary

July 2013

Tom Kilroy joined Genus in July 2013. He was previously Executive Vice President, General Counsel & Company Secretary of Misys plc, the financial services software company, and also for a period was Acting CEO. Prior to that, he spent a number of years with GE Healthcare, a division of the General Electric Company. He began his legal career in the City of London and is admitted as a solicitor in England and Wales. He graduated from Oxford University with a BA (Hons) in Metallurgy & Materials Science.



GENUS EXECUTIVE LEADERSHIP TEAM



*Left to right:
Tom, Saskia, Denny, Jerry, Bill,
Catherine, Stephen and Karim.*

Over the last year, we have enhanced the Genus Executive Leadership Team ('GELT'), appointing executives who bring new skills and expertise to an already strong team. GELT sets our vision and culture, leads our strategic delivery and demonstrates the values at the heart of our business.

GELT's Responsibilities

In 2012, GELT developed Genus's vision and values, which are described on pages 1 and 6. We have now fully embedded them in the business, giving the entire Genus team a clear and compelling purpose and direction.

GELT ensures organisational alignment, engagement and efficient execution throughout the Group. This involves crucial commercial, scientific, operational and people decisions. Equally important is GELT's stewardship of Genus's reputation, ethical working and compliance.

GELT is focused on delivering the following:

- **corporate strategy** – developing and implementing our strategy to achieve sustained growth, and strengthening key capabilities such as our world-class product development;
- **operations management** – driving organisational results, with operational excellence; ensuring core processes are reliable and efficient; regularly reviewing R&D plans; managing risk, including risk mitigation; and managing the Genus balanced scorecard, including customer equity metrics;
- **people** – developing high-performing teams by rigorous selection, development and setting stretching goals, together with nurturing talent to bring through the next generation of leaders; and
- **resources** – astute and judicious investment in the business, including capital expenditure and human resources.

Divisional Structure

In FY 2013, we implemented a new divisional structure, which is aligned to our strategy. This has proved highly effective, supporting the acceleration of our strategy and growth, particularly in developing markets. Through a matrix design, we have leveraged our global expertise to network best practice, set global standards and raise performance across the business units and Asia. This has enabled us to deliver a solid year of performance in the following areas:

- insight-driven research;
- strong product development;
- strategic marketing;
- sales and technical services, targeted at key customer segments;
- supply-chain optimisation; and
- continued focus on developing markets.

GELT's members are as follows:

Karim Bitar
Chief Executive

Stephen Wilson
Group Finance Director

Tom Kilroy
Group General Counsel &
Company Secretary

See pages 50 and 51 for Karim's, Stephen's and Tom's biographies.





Bill Christianson

Chief Operating Officer, Genus PIC

Bill has doctorates in Veterinary Medicine and Philosophy from the University of Minnesota. He joined Genus in 1993. Before his current appointment in July 2012, 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.

Saskia Korink Romani

Acting Chief Operating Officer, Genus ABS

Saskia joined Genus in January 2013. For the previous ten years, she worked for Cargill Inc., most recently as the Vice President of Marketing for Cargill's animal nutrition business. Prior to this, she ran their Cocoa and Chocolate Business Unit in Latin America. Saskia has a broad international background, working across Europe, Latin America and North America, and brings significant business experience having been at Boston Consulting Group for seven years, with her last position being principal at the Sao Paulo office. She is originally a physicist, beginning her career in engineering and packaging design with Unilever PLC's former Van den Bergh Foods business, now part of their Foods division. She has an MBA from Columbia Business School.

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 over 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, and 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 to his current role on 1 July 2012.

Dr Denny Funk

Chief R&D and 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. Before 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.

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 Tesco's roll-out into Asia, Central Europe and the United 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.





“Corporate governance plays a vital role in business success, and I am pleased to report that the standard of governance in Genus remains high.”

Corporate governance plays a vital role in business success, and I am pleased to report that the standard of governance in Genus remains high.

Good corporate governance allows boards to direct their companies effectively, entrepreneurially and prudently, to deliver long-term success. The strategy and business must therefore be the starting point for the Company’s governance approach. Corporate governance should be a facilitator, providing the framework within which the Company can operate successfully.

Complying with the Code

The UK Corporate Governance Code (the ‘Code’) supports this view. We strongly believe that its principles-based approach is the right one. It gives companies the flexibility to develop governance arrangements that suit them and allows shareholders to judge if those arrangements are appropriate.

We have continued to comply with all the provisions in the 2010 edition of the Code, which was the applicable standard for this financial year. The 2012 Code will apply from our next financial year onwards and we expect to be fully compliant with it.

Evaluating the Board’s Effectiveness

Complying with the Code, however, is only one element of good governance. It is also important that the Board operates effectively and this year we had a rigorous external evaluation. This found that the Board works well, with a number of particular strengths as well as areas where we can develop. More information about the evaluation can be found on page 56.

Strengthening Our Management Team

There was one change to the Board during the year. John Worby retired as Group Finance Director, with Stephen Wilson joining us to take up the role. We were delighted to recruit Stephen, who brings strong financial and business development skills, experience of working in large global enterprises and a record of building sound finance teams.

Since the end of the financial year, Tom Kilroy has joined Genus as Group General Counsel & Company Secretary. Tom brings essential legal and commercial skills to the Group, including valuable experience of optimising and protecting intellectual property.

Considering Diversity

As Genus grows, we need to ensure that the Board evolves to keep pace. We are therefore beginning the process of recruiting a Non-Executive Director with an international background. We are fully aware of Lord Davies’s recommendations about gender diversity and always take this into account when recruiting. We also need to consider diversity in its broadest sense and ensure that we have the right spread of skills for the business. This year’s evaluation found that the Directors have a complementary mix of skills and experience, which enable a knowledgeable dialogue about the Group and its markets.

Summary

In summary, the Board is committed to maintaining high standards of corporate governance. We will continue to develop our governance framework, so we can effectively support the successful implementation of our strategy.

Bob Lawson
Chairman

CORPORATE GOVERNANCE STATEMENT

Board Membership and Roles

The Board is responsible for managing the Group. We currently have two Executive Directors, an independent Non-Executive Chairman and three other independent Non-Executive Directors. The Directors' biographies appear on pages 50 and 51.

The Board has approved clearly defined roles and responsibilities for our Chairman and Chief Executive. Bob Lawson, our Chairman, is primarily responsible for running the Board. Karim Bitar, our Chief Executive, is responsible for achieving our operational and financial targets and for implementing our strategy.

Nigel Turner is our Senior Non-Executive Director. He is available to shareholders with concerns they cannot resolve through our Chairman, Chief Executive or Group Finance Director.

To ensure we properly manage our business and implement our strategy, the Board delegates day-to-day operating decisions to the Chief Executive, Group Finance Director, other members of the Genus Executive Leadership Team ('GELT') and their management teams. In turn, they recommend strategy and plans to the Board, make routine decisions on resources and ensure we have robust operational and financial controls. The Board regularly invites members of our business unit management teams to present to the Board and to take part in aspects of strategic reviews.

The Board believes the Directors have the right experience and calibre to make effective judgements about our strategy, performance, resourcing and conduct. We ensure the Directors receive the training they need, and all Directors have access to advice and services from the Group General Counsel & Company Secretary, as well as to independent professional advice.

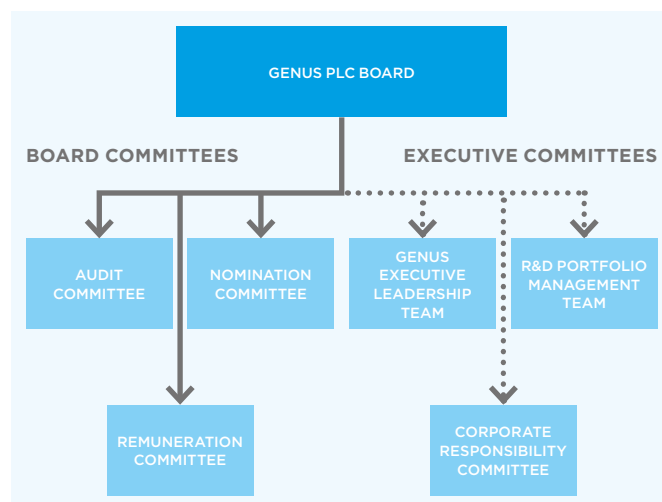
The chart below shows the length of time each of our Directors has served on the Board:

Name	Date of Appointment
Bob Lawson	November 2010
Karim Bitar	September 2011
Stephen Wilson	January 2013
Nigel Turner	January 2008
Mike Buzzacott	May 2009
Professor Barry Furr, OBE	December 2006

To ensure the Board works effectively, the Directors receive Board packs well in advance of meetings. The Group General Counsel & Company Secretary makes sure that we follow Board procedures and that we comply with all of our statutory and regulatory obligations.

How the Board is Structured

The diagram shows the Board and its sub-committees, as well as the committees that report directly to the Board – GELT, our new Corporate Responsibility Committee and the Research & Development Portfolio Management Team ('R&D PMT').



Details of the Audit, Remuneration and Nomination Committees can be found in their respective statements on pages 59 to 74. Terms of reference for these committees are available on our website: www.genusplc.com.

GELT's membership and its responsibilities are described on pages 52 and 53, while the remit of the Corporate Responsibility Committee is set out on page 48.

The R&D PMT replaced the Science Committee at the start of this financial year. It enables comprehensive oversight of our R&D programme and gives our business units direct involvement in prioritising our R&D initiatives, to ensure we meet customer needs today and tomorrow. The R&D PMT meets twice a year. Key discussions this year included:

- implementing a Group-wide ideas submission process, to ensure we consider and progress new ideas that could lead to value-added products and services;
- reviewing and prioritising continuing and new research ideas with Genus PIC and Genus ABS, which confirmed our focus areas as genomic selection, disease resistance and gender skew;
- establishing a Scientific Computing division within R&D, to allow us to more efficiently accomplish scientific computing tasks, including the input, storage and processing of big data; and
- reviewing and updating the business about our growing intellectual property portfolio.

The Board's Activities

The Board's Remit

We have a formal schedule of matters which are reserved for the Board's approval. These include:

- setting and monitoring our Group strategy;
- reviewing our trading performance;
- ensuring we have adequate funding;
- examining major capital expenditure projects and possible acquisitions;
- approving material contracts;
- formulating policy on key issues; and
- reporting to shareholders.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Attendance at Meetings

The table below shows the Directors' attendance at Board and committee meetings. As well as its regular meetings, the Board can hold additional meetings to consider time-critical issues.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Non-Executive Chairman				
Bob Lawson	10 (10)	3*	7 (7)	1 (1)
Executive Directors				
Karim Bitar	10 (10)	3*	7 (7)	1 (1)
John Worby**	5 (5)	1*	3*	1*
Stephen Wilson**	5 (5)	2*	3*	n/a
Non-Executive Directors				
Nigel Turner	10 (10)	3 (3)	7 (7)	1 (1)
Mike Buzzacott	10 (10)	3 (3)	7 (7)	1 (1)
Barry Furr	10 (10)	3 (3)	6 (7)	1 (1)

Note: Figures in brackets indicate the maximum number of Board or committee meetings the Director could have attended.

* Attendance by invitation.

** John Worby retired from the Board on 31 March 2013. Stephen Wilson joined the Board on 14 January 2013 and succeeded John Worby as Group Finance Director on 1 March 2013.

The Board's Activities During the Year

The Board's main activities during the year are described below:

Leadership

- Appointment of Stephen Wilson as Group Finance Director
- Appointment of Tom Kilroy as Group General Counsel & Company Secretary

Strategy

- Held strategic update away day with GELT
- Regular updates on potential joint venture and acquisition opportunities
- Update on competitor landscape
- Review of the Shennong joint venture farm
- Approval of a new 100% Genus, 1,000 sow capacity nucleus farm stocked with the latest genetics
- Updates on the Besun joint venture progress

Research & Development

- Regular updates on R&D developments and new initiatives

Performance

- Regular updates on business performance and market conditions

Employees

- Review of the new performance management framework, work levels, our new structure and how we are aligning rewards with strategy.
- Regular updates on recruitment to key roles, with a further update at the August 2013 Board meeting
- Update, after the year end, on the Talent Review undertaken

Effectiveness

- External Board evaluation carried out by Boardroom Review

Evaluating the Board

Board Effectiveness Review Cycle

We have a three-year cycle for evaluating the Board's effectiveness, using both internal and external evaluations.

Year 1

External Board effectiveness review produces an action plan for areas of focus

Year 2

Follow up questionnaires by same external evaluation consultant, to monitor progress with the focus areas

Year 3

Internal questionnaires and interviews with the Chairman and Group General Counsel & Company Secretary

The Review Process

This year, the Board underwent a formal, rigorous and independent external review. This was carried out by Dr Tracy Long of Boardroom Review, who has no other connection with the Group. The Chairman agreed the scope of the review, which included individual interviews with each Board member and attendance and observation at the April 2013 Board meeting. Boardroom Review gave feedback individually and at the May Board meeting.

The review explored three key aspects:

- the work of the Board (strategy, risk and control, and performance management);
- the Board environment (culture and composition); and
- the use of Board time (planning and allocation).

The Review's Conclusion

During the review, the Board demonstrated particular strengths in the following areas:

- Board culture and contribution, and the style of chairmanship;
- clear strategy, including knowledge of the consumer landscape and shareholders' views;
- internal and external financial reporting, the Audit Committee and the oversight of risk;
- the executive culture and approach to remuneration; and
- prioritisation of issues and quality of information.



The evaluation also found that the Board's size encourages close dialogue between Directors and a flexible approach. The balance of formal and informal time throughout the year enhances the Board's dynamics.

Progress Against the 2012 Evaluation

The Board made progress against the areas for development identified in the 2012 review. In particular:

- the Board increased the number of meetings at the Group's global operations by meeting at DeForest, USA, and Cremona, Italy. This enabled the Board to gain a greater understanding of the geographic and operational opportunities in these areas. Site and customer visits ensure the Non-Executive Directors are better informed and send a positive message to employees;
- the Board continued to increase the strategic element of its meetings by scheduling annual strategic update away-days with GELT, with the first taking place in January 2013; and
- the Board increased its focus on succession planning and people development by being regularly updated.

Areas of Focus for 2013/14

The evaluation identified areas for the Board to consider this year, including:

- the evolution of the Board's composition, including international experience and gender diversity;
- the quality of discussion and information regarding the competitive landscape;
- a deeper review of Executive succession planning; and
- improving reporting cycles and communication and the use of Board time.

In addition, the Board has set itself the following priorities for the coming financial year:

- continuing its global site visits, in line with the 2012 Board review outcome;
- developing the Board in the area of corporate responsibility ('CR'), aligning CR with the Group's strategic objectives and establishing the new CR Committee, as described on page 48;
- continuing to ensure its development in governance; and
- increased focus on the talent review.

Shareholder Relations

We have a continuing dialogue with institutional investors through our investor relations programme. The Chief Executive and Group Finance Director meet frequently with institutional shareholders and private client brokers, with the Chairman also attending some meetings.

The Board discusses feedback from these meetings, including feedback obtained for us by independent brokers and our advisors. This allows all Directors to understand major shareholders' views. The Chairman and Senior Non-Executive Director also maintain contact with major shareholders.

The Annual General Meeting ('AGM') gives the Board an opportunity to communicate with both private and institutional investors, and we welcome their involvement. 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 AGM on 15 November 2013.

Risk Management and Internal Control

Risk Management

The Board is ultimately responsible for identifying the major business risks we face. Genus has an established risk management system, which identifies, evaluates and prioritises the risks and uncertainties which could affect the Group, and reviews the controls and risk mitigations we have in place. The system applies to all of our worldwide businesses, our divisional business reviews, GELT, the Audit Committee and the Board.

We further enhanced our management of business risk in the year, through risk management workshops with divisional management teams, improved reporting of risks and Board presentations on certain specific risk areas.

The key risks identified and our mitigating actions to control these risks are summarised on pages 40 and 41.

Internal Control

The Board is responsible for our internal control system and for reviewing its effectiveness. The Board, with the Audit Committee's assistance, has reviewed the effectiveness of our internal control system and our financial, operational and compliance controls and risk management. This assessment considered all significant internal control aspects which arose during the year.

The assessment considered our internal audit work programme and management reports prepared at the time our interim and final reports and financial statements were approved. It assessed whether we had identified, evaluated, managed and controlled significant risks, whether any significant weaknesses had arisen and whether we had taken the necessary remedial action. The management reports were based on the output of detailed risk workshops conducted by the Group centrally and regionally in the year, and responses to comprehensive questionnaires issued to each of our business units and regional management.

In addition, the assessment considered risk events and controls that we had recognised through other day-to-day risk management activities, namely the divisional business reviews, GELT meetings, Main Board meetings and insurers' reviews.

While these assessments routinely identify areas for improvement, the Board has neither identified nor been advised of any failings or weaknesses which it has determined to be material or significant.

Our Internal Control System

An internal control 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. The key elements of our internal control systems are as follows:

Management Structure

The Board delegates authority to operate the Group's subsidiary companies to the Chief Executive, GELT and their management teams, within limits set by the Board.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Appointments to our most senior management positions require the Board's approval. We also have formal empowerment levels, which set out delegation of authority, authorisation levels and other control procedures. Operating standards set by GELT and their management teams supplement these procedures, as required for each subsidiary's type of business and its location.

GELT meets regularly to review the Group's performance against its budget, strategy and other key factors. In addition, the Chief Executive, Group Finance Director, Group General Counsel & Company Secretary and the Group Financial Controller hold monthly business review meetings with each business unit.

Quality and Integrity of Personnel

High-quality people are an essential part of the control environment, as is maintaining our ethical standards. We ensure the integrity and competence of our employees through high recruitment standards, post-recruitment training courses and a consistent global approach to performance management.

Information and Financial Reporting Systems

Our planning and financial reporting procedures include detailed operational budgets for the year ahead, along with three-year strategic plans, which the Board reviews and approves. We monitor performance throughout the year, through monthly reporting of financial results, key performance indicators and variances, updated full-year forecasts and information on key business risks. This allows us to take action as necessary to address business issues.

The main internal control and risk management processes related to our preparation of consolidated accounts are Group-wide accounting policies and procedures, segregation of duties, a robust consolidation and reporting system, various levels of management review and centrally defined process control points and reconciliation processes.

Investment Appraisal

We regulate our capital expenditure through our budget process and predetermined authorisation levels. Detailed written proposals must be submitted to the Board for expenditure above certain levels.

We carry out due diligence work for business acquisitions and subject major projects and all acquisitions to timely post-implementation reviews. This allows us to investigate and correct any underperformance against expectations or any significant overspends.

Internal Audit

Our Head of Internal Audit and Risk Management is responsible for our internal audit activities, which are provided by a mix of in-house and external resources. During the year, they completed a risk-based audit programme agreed by the Audit Committee. The results of these audits and the follow up of resulting actions are reviewed by the Audit Committee and communicated to the external auditors.

The regions and businesses complete risk and control self assessments twice a year, which are reviewed by Internal Audit to identify internal control deficiencies and corrective actions required. The results of this exercise are communicated to senior management and the Audit Committee.



AUDIT COMMITTEE REPORT



Mike Buzzacott
Chairman of the Audit Committee

“We design an annual work programme and agenda to ensure we fulfil our commitments.”

The Committee’s main objectives are to monitor the integrity of the Company’s financial reporting, evaluate its system of risk management and internal control, and oversee the performance of the internal audit function and the external auditors. We design our annual work programme and agenda to ensure we fulfil these commitments.

Membership and Governance

The Audit Committee is composed of Non-Executive Directors and is appointed by the Board to provide a wide range of financial and commercial expertise, appropriate to fulfil the Committee’s duties. The Committee continues to meet the UK Corporate Governance Code’s requirement that at least one member should have recent and relevant financial experience.

The Committee has formal terms of reference, approved by the Board, which comply with the UK Corporate Governance Code. The Committee reviews its terms of reference annually and refers any amendments to the Board for approval. The terms of reference are available on our website: www.genusplc.com.

The Committee met three times during the financial year and invited the Company’s Chairman, Chief Executive, Group Finance Director, Group Financial Controller, Head of Internal Audit and Risk Management and senior representatives of the external auditors to attend its meetings. The Committee also held separate private sessions with external audit, internal audit and the Group Finance Director.

Committee Role and Key Areas of Responsibility

The Committee’s role and responsibilities include reviewing and monitoring:

- the financial reporting process;
- the integrity of the Group’s financial statements;
- the Company’s reporting to shareholders;
- the effectiveness of the Group’s accounting systems and control environment, including risk management and the internal audit function; and
- the effectiveness and independence of the Group’s external auditors, including any non-audit services they provide to the Group.

The Committee is also responsible for ensuring that the Group has suitable arrangements for employees to raise concerns in confidence, and for reviewing the Group’s systems and controls for preventing bribery.

The Committee reports its findings to the Board, identifying any necessary actions or improvements and recommending the steps to be taken.

- Reviewing of annual and half-year financial statements
- Evaluating critical accounting policies, key assumptions and judgements
- Monitoring the quality of disclosures and compliance with financial reporting standards

- Monitoring of independence and objectivity
- Agreeing scope and fees
- Monitoring level of non-audit services
- Evaluating performance



- Monitoring and evaluating the adequacy and effectiveness of the risk management and internal control systems

- Approval of scope and plans
- Monitoring of management implementation of remedial actions
- Evaluating performance



AUDIT COMMITTEE REPORT

CONTINUED

The Committee's Main Activities During the Year

At its three meetings during the year, the Committee focused on:

Financial Reporting

The Committee reviewed, with both management and the external auditors, the appropriateness of the half-year and annual financial statements. The reviews included critical accounting policies, key assumptions and judgements, the quality of disclosures and compliance with financial reporting standards, all material issues affecting the financial statements and any correspondence from the Financial Reporting Council in relation to financial reporting.

The Committee also reviewed the Annual Report and Accounts as a whole, to ensure it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Monitoring Business Risks

The Committee reviewed the Group-wide risk management process, which is designed to identify, evaluate and mitigate risks. The Committee discussed with the Chief Executive and Group Finance Director, in the presence of the external auditor, the risks identified, management's plans to mitigate them and any potential impact on the financial statements.

In addition, the Committee reviewed the Group's tax strategy and pension arrangements.

Internal Control System

The Committee conducted its annual review of the effectiveness of the Group's internal controls and disclosures, and reviewed internal audit's findings at each scheduled meeting. The Committee's review of internal controls included the Group's whistleblowing policy and bribery prevention procedures.

External Audit

The Committee reviewed and agreed the scope and fees for the external auditor's audit work, and held detailed discussions of the results of their audits. The Committee continued its practice of meeting with the external auditor, without management being present. It also further reviewed the external auditor's objectivity and independence and the Company's policy on engaging the external auditor to supply non-audit services.

The Committee assessed the external auditor's performance, based on questionnaires completed by key financial staff and Committee members. This assessment covered the external auditor's fulfilment of the agreed audit plan, the auditor's robustness and perceptiveness in their handling of key accounting and audit judgements, the content of their reports and cost effectiveness.

Internal Audit

The Committee reviewed and agreed the internal audit function's scope, terms of reference, resource and activities. The Committee received regular reports from the Head of Internal Audit and Risk Management on internal audit's work and management's responses to proposals made in internal audit's reports during the year. The Committee reviewed the internal audit function's performance and continued to meet the Head of Internal Audit and Risk Management without management being present.

Committee Evaluation

The Committee reviews its performance and effectiveness annually. During the financial year, the Committee used a questionnaire to consider its effectiveness. The key areas assessed included understanding of roles and responsibilities, monitoring the integrity of financial reporting, reviewing the Company's system of internal control and risk management, and monitoring the effectiveness of internal and external auditors.

External Auditor's Appointment

Deloitte LLP were first appointed as the Group's external auditor for the period ended 30 June 2006, following a formal tender process. The current audit partner's first audit period was the financial year ended 30 June 2011.

The Committee reviewed the nature and fees for the external auditor's non-audit services and compliance with the Company's Non-Audit Services by Auditors Policy. The Committee is satisfied that using Deloitte for such services does not impair their independence as the Group's external auditor.

The Committee further reviewed the performance and effectiveness of the external auditors. As a consequence of its satisfaction with Deloitte's independence and effectiveness, the Committee has recommended to the Board that the external auditor be reappointed for a further year.



Mike Buzzacott
Chairman of the Audit Committee
2 September 2013





“The Remuneration Committee takes an active interest in shareholders’ views and developments in best practice.”

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors’ Remuneration Report for 2012/13. This report covers the remuneration of Executive and Non-Executive Directors.

Consistent with the revised reporting framework published by the Department for Business, Innovation & Skills, we have split the report that follows this Annual Statement into two sections:

- a Directors’ Remuneration Policy Report, which sets out the Group’s remuneration policy for Executive and Non-Executive Directors; and
- an Annual Report on Remuneration, which discloses how we applied our remuneration policy in the year ended 30 June 2013.

As required by current legislation, we will be seeking your support for both parts of the report, through a single advisory vote at the AGM on 15 November 2013. From next year, when the new legislation becomes effective for Genus, we will hold separate votes on the Directors’ Remuneration Policy Report and the Annual Report on Remuneration.

Performance and Reward for 2012/13

As highlighted in the Strategic Review, the year ended 30 June 2013 was a year of change for the Group, as well as another year of growth. Genus has made encouraging progress with implementing its new strategy to capture the very significant growth opportunities in animal genetics markets from 2014 onwards, while delivering solid operational performance in challenging markets.

The Group implemented its new organisational structure, including establishing global business units, along with a number of successful initiatives to improve product differentiation, such as our single-step genomic evaluation process. At the same time, the Group delivered year on year profit growth of 2% and a reduction in net debt of 6%. From an operational perspective, in light of the substantial investments in creating the platform for future growth and the high feed costs and challenging markets relative to the previous year, the Remuneration Committee considers this to be a robust result.

In light of their performance during the year against very challenging targets, the proportions of maximum annual bonuses earned by the Executive Directors were in the range of 26% to 31%.

Looking at our long-term performance, the 2009/2010 financial year Performance Share Plan (‘PSP’) awards, which measure performance over the three years ending 30 June 2013, will vest at 100%. Our annualised growth in adjusted EPS over the period was 11% above the movement in the Retail Price Index, which means that the Group achieved the maximum performance requirement, resulting in full vesting. Given the challenging economic conditions and high input costs during this period, the executive management team delivered an exceptional result over this period.

Remuneration Policy for 2013/14

As reported in last year’s Directors’ Remuneration Report, we undertook a full review of remuneration policy in early 2012, to ensure our policy supports the Group’s new strategy. As a result of this review, we introduced a number of modifications to policy for the year under review, which included seeking and receiving shareholder approval for an amendment to our long-term incentive plan at the 2012 AGM.

Given last year’s review, we will not be making substantive changes to our remuneration policy for the current financial year. The Remuneration Committee did review the current policy’s ongoing suitability and concluded that weighting pay towards long-term performance remains appropriate for a growth-focused company. In addition, the current policy worked effectively during 2012/13, in attracting and retaining the high calibre of talent required to deliver our growth strategy.

continued overleaf >



DIRECTORS' REMUNERATION REPORT LETTER FROM THE CHAIRMAN CONTINUED

The Remuneration Committee also remains comfortable that the current policy does not encourage undue risk taking, as the performance metrics are fully aligned with targeted improvements in the Group's key performance indicators, incentive pay is subject to clawback provisions and part of the annual bonus must be deferred into the Company's shares. These features, allied to our share ownership guidelines, ensure that our remuneration policy is aligned with long-term shareholders' interests.

Shareholders' Views

The Remuneration Committee takes an active interest in shareholders' views and developments in best practice. For example, we introduced part deferral of annual bonus into shares and share ownership guidelines in the year under review, to better align policy with current best practice.

The key issue raised around the time of last year's AGM related to the amendment to our long-term incentive plan. As a result of the feedback we received during a consultation with shareholders, we amended the proposed performance target so that the financial target was subject to a non-financial underpin. This will enable the Remuneration Committee to reduce the vesting result, if progress against the Group's strategic business targets has been unsatisfactory.

The Committee will undertake its next annual review of remuneration in advance of setting remuneration policy for 2014/15. We will continue to take shareholders' views into account in this and subsequent reviews.

On behalf of the Board, I would like to thank shareholders for their continued support. If you wish to contact me in connection with the Group's senior executive remuneration policy, please email me at remunerationchair@genusplc.com.

The Committee looks forward to your support of our remuneration policy at the 2013 AGM.



Nigel Turner
Senior Independent Director and Chairman of the Remuneration Committee

This Directors' Remuneration Report has been prepared so that it complies with the Companies Act 2006 and Schedule 8 of the Large and Medium Sized Companies and Group's (Accounts and Reports) 2008 Regulations, which set out the disclosures required for directors' remuneration as at the reporting date, as well as in accordance with the requirements of the Listing Rules and the Financial Conduct Authority.

The current legislation requires the auditor to report to the Company's members on the 'auditable parts' of the Directors' Remuneration Report and to state whether, in their opinion, the parts of the report that have been subject to audit have been properly prepared in accordance with the legislation. We have highlighted the parts of this report which have been audited.

The Annual Report on Remuneration sets out what our Directors were paid in respect of the year under review. The Directors' Remuneration Policy Report sets out the policy that will apply in 2013/14, which is the same broad policy that applied in the year under review and, subject to ongoing review, for subsequent years. The report has been approved by the Board and signed on its behalf by the Chairman of the Remuneration Committee.

DIRECTORS' REMUNERATION POLICY REPORT (UNAUDITED INFORMATION)

The key objectives of Genus's Executive remuneration policy are that:

- pay should be competitive to ensure that we can recruit and retain the highest calibre individuals;
- fixed pay (base salary, pension and benefits) should take account of comparable external median benchmarks and internal pay relativities;
- incentive pay (short and long-term incentives) should provide the opportunity to earn upper quartile total remuneration, subject to delivery of our above-market long-term growth aspirations;
- incentive pay should be directly linked to the Group's strategy, with targets relating to our key performance indicators (using non-financial 'input' measures and/or 'output' measures such as earnings per share) and should be stretching, in light of our strategic plan;
- incentive structures should be simple and easy to understand, with a clear focus on rewarding long-term sustained growth, rather than volatile performance;
- remuneration policy should be clearly aligned with shareholders' interests, take due account of current best practice guidance and not encourage undue risk taking; and
- policy principles for Executive Directors should apply to the members of the Genus Executive Leadership Team ('GELT'), with appropriate tiering through the wider workforce.

In applying these principles, the Remuneration Committee is sensitive to institutional investors' views on the use of benchmark pay data and undertakes benchmarking only periodically. In its use of benchmark pay data, the Committee considers multiple sources, as well as individual performance, calibre and experience, and the Group's performance. The Committee also considers Group-wide salary budgets and the wider economic environment.



The table below summarises the main components of Genus's remuneration policy, which is derived from the above policy principles:

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics
Base Salary			
To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group	<p>Reviewed annually, with increases effective from 1 July</p> <p>Periodically benchmarked against relevant market comparators, reflecting the size and nature of the role, individual performance and experience, increases awarded to other employees, Group performance and broader economic conditions</p>	<p>Salaries for 2013/14 are as follows:</p> <ul style="list-style-type: none"> Chief Executive: £516,500 Group Finance Director: £350,000 <p>Annual increases are generally consistent with the range awarded across the Group</p> <p>Increases above this level (in percentage of salary terms) may be made in certain circumstances, such as a change in responsibility or a significant increase in the role's scale or the Group's size and complexity</p>	None
Benefits			
To provide competitive benefits and to attract and retain high calibre employees	Benefits generally include a car allowance and insured benefits (e.g. life assurance and private medical insurance)	The value of insured benefits will vary year on year, based on the cost of providing insured benefits, and is included in the emoluments table on page 69	None
Pension			
To provide a competitive company contribution that enables effective retirement planning	<p>Only basic salary is pensionable</p> <p>Pension is provided by way of contribution to a personal pension or as a salary supplement in lieu of pension provision</p>	Salary supplements in lieu of pension are provided to a maximum of 25% of basic salary	None
Annual Bonus			
Incentivises achievement of annual objectives which support the Group's short-term performance goals	<p>Payments under the annual bonus plan are subject to:</p> <ul style="list-style-type: none"> compulsory deferral of 25% of any bonus earned into the Company's shares for a period of three years; and clawback provisions, which may apply in the event of a material misstatement of the Group's financial results 	125% of salary	<p>Bonus awards are subject to achievement against a sliding scale of challenging financial targets and personal objectives</p> <p>Financial targets linked to the Group's key performance indicators (e.g. profit and cash generation) govern the majority of bonus payments, with a minority earned based on performance against personal objectives</p> <p>With regard to financial performance targets, bonus is earned on an incremental basis once a predetermined threshold target is satisfied (0% payable) through to a maximum payment for substantial out-performance of the threshold performance targets (100% payable)</p>



DIRECTORS' REMUNERATION REPORT

CONTINUED

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics
Performance Share Plan ('PSP')			
PSP incentivises executives to achieve superior returns to shareholders over a three-year period, to retain key individuals and align interests with shareholders	<p>Eligibility to receive awards is at the discretion of the Remuneration Committee each year</p> <p>Awards vest three years from grant, subject to continued employment and satisfaction of challenging three-year performance targets</p> <p>Clawback provisions may apply in the event of a material misstatement of the Group's financial results</p>	200% of salary	<p>Awards vest subject to achievement against a challenging sliding scale of financial targets, based on growth in earnings per share. Two separate sliding scales of earnings per share targets currently apply to awards</p> <p>Tier 1 Awards</p> <ul style="list-style-type: none"> Chief Executive: 125% of salary Group Finance Director: 100% of salary <p>30% of Tier 1 Awards vest at the threshold performance level, through to full vesting for growing earnings per share by at least 11% above RPI</p> <p>Tier 2 Awards</p> <ul style="list-style-type: none"> Additional 75% of salary above Tier 1 Awards <p>For vesting to take place in respect of Tier 2 Awards, the Company will need to achieve its stated long-term objective of capturing very significant growth opportunities identified in the animal genetics market. Full vesting of Tier 2 Awards requires earnings per share growth to be at least 20% above RPI</p> <p>The awards are also subject to an underpin that enables the Committee to scale back (but not scale up) vesting, if the Group's financial performance over the period is not considered reflective of the progress made against its strategic business targets</p> <p>A complete summary of the performance targets for 2013/14 is included on page 71</p>

Share Ownership Guidelines

To provide alignment between Executives and shareholders	A shareholding of 100% of salary is expected to be achieved, through retention of 50% of the net of tax number of vested shares under the Company's Deferred Share Bonus Plan and PSP. In addition, the Chief Executive will also retain the entire after tax number of Restricted Shares that were granted to him shortly after his appointment (see page 72)	None	None
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Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics
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Non-Executive Directors

To provide compensation that will attract high calibre individuals and which reflects their experience and knowledge

The Chairman's fee is determined by the Committee

The Non-Executive Directors' fees are reviewed periodically by the Board

No Directors take part in meetings where their own remuneration is discussed

Fees are based on the time commitments involved in each role and the fees paid in other similarly sized UK listed companies

Fees are usually reviewed annually

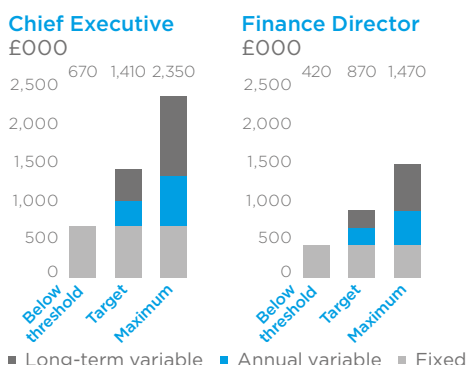
Total fees for 2013/14 are as follows:

- Non-Executive Chairman: £140,000
- Non-Executive Directors: £50,000

Fees include chairing a committee or any additional time commitments or responsibilities. Any increase in Non-Executive Director fees may be above the level awarded to other employees, given that they may only be reviewed on a periodic basis and taking into consideration the above

Remuneration Scenarios for Executive Directors

The charts below show how the composition of the Executive Directors' remuneration varies at different levels of performance under the Group's remuneration policy, as a percentage of total remuneration opportunity and as a total value:



- Long-term variable
 - Annual variable
 - Fixed
- Notes:
1. Chart labels show proportion of the total package comprised of each element of pay
 2. Share price growth has been ignored
 3. As a proxy for 'target' long-term performance, the mid-point of the lower vesting range of EPS targets is assumed to be achieved (EPS growth of RPI + 7.5% p.a.). This level of performance is purely illustrative for the purposes of this chart

How Employees' Pay is Taken Into Account

When setting the Executive Directors' remuneration, the Remuneration Committee takes due account of pay structures elsewhere in the Group. For example, the Committee considers the overall salary increase budget and the incentive structures that operate across the Group.

The Group HR Director facilitates this process, presenting to the Remuneration Committee on pay structures across the organisation, their effectiveness and how they fit the Group's Remuneration Policy. Part of this process includes consulting employees on their views of the current policy, which forms part of the feedback provided to the Remuneration Committee and is used by the HR Director to continually assess the policy's effectiveness.

How Executive Directors' Remuneration Policy Relates to the Wider Group

The remuneration policy summarised above and described in detail below provides an overview of the structure that operates for the Executive Directors.

The same broad structure also operates for the members of GELT.

Below GELT, the same remuneration principles continue to apply. However, the structure and quantum of remuneration vary by work level, with the structures informed by the specialist nature of many employees' roles, as well as market practice and employee feedback.

How Shareholders' Views Are Taken Into Account

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during meetings with shareholders, is then considered as part of the Company's ongoing review of remuneration policy.

As noted earlier, the key issue raised around the time of last year's AGM related to the amendment to our long-term incentive plan. As a result of the feedback received during a consultation with shareholders, the Remuneration Committee amended the proposed performance target so that the financial target was subject to a non-financial underpin. This will enable the Committee to reduce the vesting result, if progress against the Group's strategic business targets has been unsatisfactory.

The Remuneration Committee will review remuneration policy for 2014/15 in light of feedback received in relation to the 2013 AGM. The Committee will consult shareholders if any significant policy changes are proposed in the future.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Service Contracts and External Appointments Policy

Executive Directors

Genus can terminate Executive Directors' service contracts on one year's notice, while Executive Directors must give six months' notice. The contracts do not contain any pre-determined amounts in the event that the Company terminates them. Any payments will reflect the circumstances at the time of termination, taking account of the Executive 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 AGM on 15 November 2013.

Non-Executive Directors

All Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board, taking into account the time they devote 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 by either the Company or the Non-Executive Director, and to annual re-election at the Company's AGM, in accordance with the UK Corporate Governance Code.

Specific 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)
Stephen Wilson*	12 December 2012	n/a	12 (from Company) 6 (from Executive)
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 2015	1

Notes:

* Appointed to the Board on 14 January 2013 and became Group Finance Director on 1 March 2013.

** Retired from the Board on 31 March 2013.

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 Director's skills and experience. Upon appointment as Group Finance Director in February 2009, John Worby was permitted to retain his existing Non-Executive Directorships of Cranswick plc and Smiths News plc. John Worby was permitted to retain the associated remuneration of £67,800 in the last financial year up to the date of his retirement. When Stephen Wilson was appointed in January 2013, he was permitted to retain his existing Non-Executive Directorship of Xchanging plc and was permitted to retain the associated remuneration of £23,000 in the period since his appointment.

ANNUAL REPORT ON REMUNERATION (UNAUDITED INFORMATION)

The Role of the Remuneration Committee

The Company has established a Remuneration Committee (the 'Committee') which complies with 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 other members of GELT. The Committee's full terms of reference 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 2013, the Committee met seven times and considered the following matters:

- the continuing appropriateness of the remuneration policy and the remuneration arrangements for the Executive Directors and GELT;
- salary levels for the Executive Directors and GELT members;
- the terms of the 2012/13 Executive Annual Bonus Plan and of the individual bonuses payable in light of the Group's and individual's performances in respect of 2011/12;
- the individual long-term share incentive awards under the Company's 2004 Performance Share Plan and 2004 Executive Share Option Plan;
- the performance measures and targets to apply to these awards;
- testing of the performance conditions and approval of the associated vesting levels of long-term share incentive awards granted in the 2009/2010 financial year;
- approving the retirement terms of John Worby;
- the remuneration terms of Stephen Wilson on appointment;
- the Directors' Remuneration Report for the financial year ending 30 June 2012; and
- 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 (part of Aon plc) to provide benchmarking advice on the remuneration packages for the Executive Directors, members of GELT and the Non-Executive Directors. New Bridge Street is a member of the Remuneration Consultants Group and complies with its Code of Conduct. Aon plc acts as insurance broker to the Group.

The Committee considered New Bridge Street's performance during the year, in terms of the quality and independence of its advice, the potential for conflicts of interest (which are actively managed within Aon plc) and its knowledge and understanding of market practice. Having reviewed these factors, the Committee decided to retain New Bridge Street as its advisers.

Shareholder Voting at the 2012 AGM

At last year's AGM, the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	38,010,695	91.14
Against	3,695,544	8.86
Total number of shares in respect of which votes were validly made	41,706,239	100
Abstentions	770,064	

Implementation of Policy for 2013/14 (Unaudited Information)

Base Salary

The Committee reviews the Executive Directors' basic salaries prior to each financial year, taking into account individual and corporate performance, an assessment of comparator companies, wider economic conditions and levels of increases applicable to the Group's other employees.

The Executive Directors' current salary levels (with effect from 1 July 2013) are as follows:

- Karim Bitar: £516,500 (no change from prior year); and
- Stephen Wilson: £350,000 (as determined on appointment on 14 January 2013).

The Committee determined that no further salary increases would be made to the Chief Executive and Group Finance Director at the 1 July 2013 review. The average salary increase for UK based employees reflects a cost of living adjustment.

The salary set on appointment for the Group Finance Director reflected his calibre and experience, and the need to secure an individual with the necessary capabilities to work alongside the Chief Executive, to deliver the anticipated higher rates of growth being targeted from 2014 (as detailed in the Strategic Review).

When setting pay, the Committee periodically considers external benchmark data for comparable roles in companies of broadly similar size, international scope of operations and complexity. Given there are few direct comparator listed companies, the Committee considers general market data. The Committee is careful in its use of benchmark pay data (for example, 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, such as the experience, calibre and performance of the individual and salary increases across the Group.

Pension and Other Benefits

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 Stephen Wilson a taxable pension allowance of 25% and 15% of basic salary per annum respectively.

Performance-Related Annual Bonus

The Company bonus scheme for the 2013/14 financial year for its Directors and senior Executives will incentivise and reward the delivery of challenging adjusted profit growth targets (60% of the bonus opportunity) and cash generation (20% of the bonus opportunity) and personal targets (20% of the bonus opportunity).

These metrics capture performance against a range of key performance indicators. Profit works as an 'output' metric that captures our success against a range of other KPIs, which we assess on an ongoing basis, such as growing volumes and revenue while maintaining appropriate profit levels per transaction and royalty rates. Cash targets measure our success in generating funds to invest in growing the business. Progress with implementing our new strategy forms a central part of the personal performance targets for each position.

DIRECTORS' REMUNERATION REPORT CONTINUED

For the 2013/14 financial year, the bonus structure will continue to operate on a similar basis to that which operated in 2012/13.

Straight line vesting takes place between performance points. Given last year was a record for the Group, and noting the growth premium in this year's budget compared with last year, this year's financial targets are considered appropriately demanding.

Personal targets are structured to be similarly challenging to our financial targets. They are linked to the successful implementation of elements identified in the strategic review, with the targets being both quantifiable and stretching. Achievement of these targets is central to unlocking the growth potential we are proposing to target through the revisions to our PSP described below.

The Annual Report on Remuneration for 2013/14 will include retrospective disclosure of the targets set, subject to the information not being considered seriously prejudicial to the Group.

In relation to bonus earned against the targets described above, 25% will be deferred by way of shares for a period of three years and will vest subject to continued employment, other than in certain good leaver circumstances. Deferral ensures there is a continued link between achieving our short-term financial targets and the longer-term delivery of our growth strategy. Clawback provisions apply to the annual bonus, which will enable the Committee to claw back any element of bonuses that should not have been paid, in the event of a material misstatement of the Group's annual results.

The maximum bonus opportunity remains at 125% of salary for the Chief Executive. For the current year, the Group Finance Director will also be subject to a maximum bonus opportunity of 125% of salary. This mirrors the maximum opportunity available at his previous employer and operated from his date of appointment to the Board. The Remuneration Committee therefore considered it appropriate to equalise the bonus potential of the Group's two lead executives.

Long-Term Incentives

Long-term share awards are granted under the Genus plc 2004 PSP which was amended, following shareholder approval at the 2012 AGM, to enable awards in normal circumstances to be granted at up to 200% of salary. This amendment was described in detail in last year's Notice of AGM and was made to better align our remuneration structure with our overall remuneration policy and incentivise the delivery of our long-term growth strategy. The changes provided the potential for higher levels of long-term reward, for delivering the higher rates of growth targeted by the Group's new strategy from 2014. In addition, the primary performance metric, adjusted earnings per share ('EPS') growth, was made more challenging through the introduction of a strategic underpin.

Under the PSP, incentives can take the form of conditional share awards or nil cost options, with vesting based on achievement against challenging growth in EPS performance, normally tested over a three-year period.

Consistent with the awards granted during the year under review, it is anticipated that the awards in 2013/14 will be at 200% of salary for the Chief Executive and 175% of salary for the Group Finance Director.

The performance targets anticipated to apply to the awards to be granted this year are as follows:

Tier 1 Awards

The range of targets anticipated to apply to awards with a value of 125% of salary for the Chief Executive and 100% of salary to the Group Finance Director are:

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

* 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.

Tier 2 Awards

The range of targets anticipated to apply to awards above the Tier 1 levels, with a value of 75% of salary for each Executive Director, are 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 +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.

Tier 2 awards, which are subject to more demanding targets are, in part, aspirational and require the Group to continue to deliver faster progress in a number of areas, for example accelerating the pace of genetic improvements, operating a more tailored business model or further expansion in the large markets of Brazil, Russia, India and China. However, the Remuneration Committee considers it appropriate to provide a tangible incentive for the delivery of our high growth agenda. The potential vesting under the above awards would take place in 2016, following the required higher growth feeding through the Group's financial results as per the conclusions of the strategy review detailed in the Strategic Review.



The Committee considers it appropriate to maintain the current range of targets for the Tier 1 awards, to continue to provide a clear incentive to deliver our established growth trajectory, so that we have a balanced approach to incentivising growth.

In addition to the targets described above, the awards will also be subject to an underpin that requires the Remuneration Committee to be satisfied that the Group's financial performance over the performance period fairly reflects our progress against our 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 vests.

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

EPS is being retained as the primary performance metric since it is well understood by our Executives and remains the key financial measure of the Group's long-term growth. The strategic business underpin ensures that there is not an excessive focus on EPS and incentivises strong financial performance at the same time as maintaining clear focus on delivering our strategic milestones.

Non-Executive Director Fees

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

Position	Fees
Chairman	£140,000
Other Non-Executive Directors	£50,000

There were no increases from the fees paid in 2012/13.

The fees payable to Non-Executive Directors include any fees for chairing our Board Committees, which are described in the Corporate Governance Report.

Aggregate Directors' Remuneration

The total amounts for Directors' remuneration were as follows:

	2013 £000	2012* £000
Emoluments	1,205	1,111
Bonus schemes	317	812
	1,522	1,923
Gains on exercise of share options and awards	893	2,153
Total	2,415	4,076

* Total amounts for 2012 include remuneration for Richard Wood who retired as CEO from the Company with effect from 30 September 2011.

Directors' Emoluments

	Salary and fees £000	Bonus* £000	Benefits*** £000	Total 2013 £000	Total 2012 £000
Executive Directors					
Karim Bitar	517	198	144	859	1,021
Stephen Wilson	165	59	31	255	n/a
John Worby**	233	60	38	331	579
Non-Executive Directors					
Bob Lawson	140	-	-	140	140
Nigel Turner	50	-	-	50	47
Mike Buzzacott	50	-	-	50	47
Barry Furr	50	-	-	50	47
Total	1,205	317	213	1,735	1,881

* Bonus earned in respect of the year under review (i.e. 2012/13) with the payments to John Worby and Stephen Wilson based on the proportion of the bonus year for which they were employed.

** John Worby retired with effect from 31 March 2013. John Worby received an additional £17,000 for consultancy work carried out since his retirement as detailed on page 70.

*** Cash allowance in lieu of pension and pension entitlement has been included.

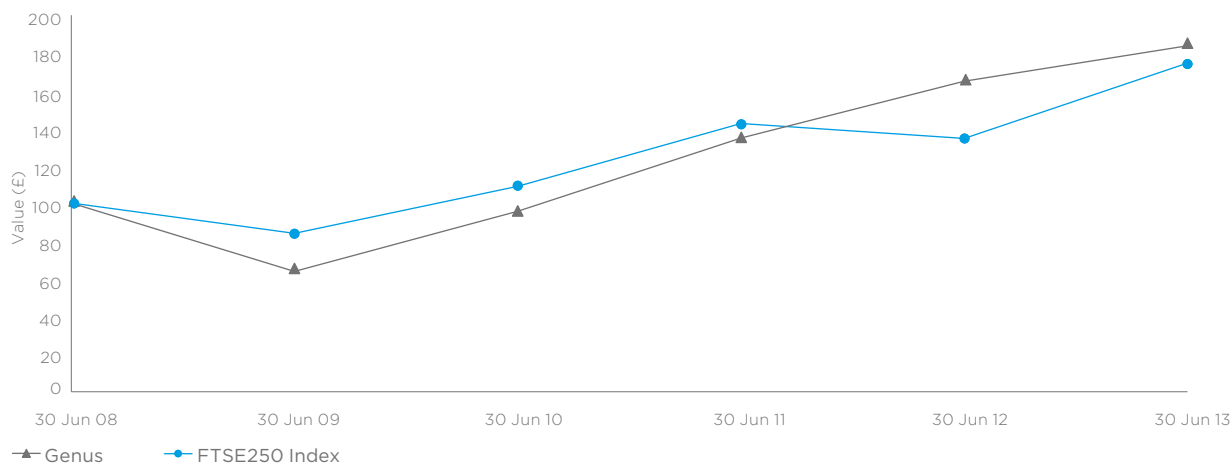


DIRECTORS' REMUNERATION REPORT CONTINUED

Assessing Pay and Performance

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

Total Shareholder Return



This graph shows the value, by 30 June 2013, of £100 invested in Genus plc on 30 June 2008 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.

Source: Thomson Reuters

Material Contracts

There have been no other contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

Retirement of John Worby

John Worby ceased to be a Director on 31 March 2013. Consistent with the terms of the relevant incentive plans, he was treated as a 'good leaver' on his retirement. His outstanding long-term incentive awards granted on 10 September 2010, 9 September 2011 and 7 December 2012 were subject to pro-rata reductions and will be tested for performance at the end of the relevant performance period (see page 73), with his bonus in respect of the 2012/13 financial year payable in cash, as opposed to being deferred into the Company's shares. There was no compensation for loss of office relating to his retirement from the Board.

Following his retirement from the Board on 31 March 2013, John Worby has continued to provide consultancy services relating to the establishment of a joint venture with one of the Group's partner companies. Given his role in progressing the joint venture while a Group employee, specifically in relation to its terms and conditions, and the ongoing benefit of his specialist input in these areas, it was considered important to retain his input for a period of time. Between the date of his retirement and 30 June 2013, he has received fees of £17,000 for eight and a half days of consultancy work. In the period to 2 September 2013, he undertook no further consultancy work. He will remain available to provide further input to joint venture work until 31 December 2013, at the Group's request, at a rate of £2,000 per day.

Details of Variable Pay Earned in Respect of 2012/13

As detailed in last year's Directors' Remuneration Report, the 2012/13 bonuses for Executive Directors were calculated by reference to a performance against a challenging sliding scale of profit, cash/debt and personal targets.

Bonuses earned against the targets set at the start of the year were equivalent to 38% of salary or 31% of maximum potential for Karim Bitar, 26% of salary and maximum potential for John Worby (based on salary earned to the date of his retirement on 31 March 2013) and 36% of salary or 29% of maximum potential for Stephen Wilson (based on his salary from date of appointment through to the end of the 2012/13 financial year).

In 2012/13, the Executive Directors each achieved 7% of the Company's target for growth in adjusted profit (60% of the bonus opportunity) and 57% of the Company's target for cash generation (20% of the bonus opportunity). In relation to personal objectives, the Remuneration Committee determined that Karim Bitar, John Worby and Stephen Wilson achieved 75%, 50% and 70% respectively (in each case 20% of the bonus opportunity).

In line with our policy, 25% of the bonuses earned, other than for John Worby, were deferred into the Company's shares for a period of three years. John Worby's bonus was paid in cash, given his retirement from the Board, and he received 'good leaver' treatment under the terms of the bonus plan.



Performance Share Awards Granted in 2012/13

The Performance Share Awards granted were as follows:

Executive	Number of shares comprising award	Face/Maximum Value of Awards at Grant Date (% salary)*	% of Award Vesting at Threshold**	Performance Period
Karim Bitar	75,420	£1,030,991 (200)	15.00	01.07.12–30.06.15
Stephen Wilson	43,063	£612,356 (175)	17.14	01.07.12–30.06.15
John Worby	39,608	£541,441 (175)	17.14	01.07.12–30.06.15

* The closing share price from the day prior to the awards being granted has been used to determine the maximum face value of the awards. This was £13.67 for Karim Bitar and John Worby (award granted on 7 December 2012) and £14.22 for Stephen Wilson (award granted on 28 February 2013).

** The different vesting percentages at the threshold performance level relate to the fact that part of the award is granted subject to the Tier 1 targets detailed below with the balance subject to the Tier 2 targets also detailed below.

The awards will vest subject to the achievement of a challenging sliding scale of earnings per share growth targets and a strategic underpin. The targets were set out in full in last year's Directors' Remuneration Report and the 2012 Notice of AGM, along with the rationale for the range of targets set and the choice of performance metric.

The award granted to Stephen Wilson was agreed at the time of his appointment and is consistent with the Company's policy operated for Karim Bitar and John Worby in the year under review. There were no special recruitment awards granted to Stephen Wilson on joining the Company.

The performance targets are as follows in relation to the above awards:

Tier 1 Awards

The range of targets applicable to awards with a value of 125% of salary for the Chief Executive and 100% of salary to the previous and current Group Finance Director 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 +8%	70%
RPI +4%	30%	RPI +9%	80%
RPI +5%	40%	RPI +10%	90%
RPI +6%	50%	RPI +11%	100%
RPI +7%	60%		

* 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.

Tier 2 Awards

The range of targets applying to an additional award with a value of 75% of salary were 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 +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.



DIRECTORS' REMUNERATION REPORT CONTINUED

Summary of Scheme Interests

The Directors at 30 June 2013 had the following beneficial interests in share awards and share options:

Karim Bitar

Grant Date	Award	Vesting Period	Share Price at Grant	At 30 June 2012 Number	Exercised in year Number	At 30 June 2013 Number
(1) 9 September 2011	Restricted Stock	9 September 2011 to 31 January 2013	977.83p	40,574	40,574	–
(2) 9 September 2011	PSP	9 September 2011 to 8 September 2014	977.83p	63,917	–	63,917
(3) 7 December 2012	PSP	7 December 2012 to 6 December 2015	1,369.66p	–	–	75,420
Total				104,491	40,574	139,337

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 him 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. Of the further 40,574 shares that vested on 25 February 2013, 21,162 were sold at 1,438.313 pence per share to cover tax and National Insurance liabilities with the remaining 19,412 shares being retained by Karim Bitar.

The performance targets applying to (2) were as per the Tier 1 targets, set out on page 71, for the awards granted during the year under review. In respect of (3), the targets were as per Tiers 1 and 2, set out on page 71.

Stephen Wilson

Grant Date	Award	Vesting Period	Share Price at Grant	At 30 June 2012 Number	Exercised in year Number	At 30 June 2013 Number
(1) 28 February 2013	PSP	28 February 2013 to 29 February 2016	1,422.333p	–	–	43,063
Total				–	–	43,063

The performance targets applying to (1) were as per Tiers 1 and 2, set out on page 71, for the awards granted during the year under review.

John Worby

Grant Date	Award	Vesting Period	Share Price at Grant	At 30 June 2012 Number	Exercised in year Number	At 30 June 2013 Number
(1) 3 March 2009	PSP	3 March 2009 to 2 March 2012	635.67p	43,262	–	43,262
(2) 15 September 2009	PSP	15 September 2009 to 14 September 2012	654.5p	42,017	21,008	21,009
(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	–	30,680
(5) 7 December 2012	PSP	7 December 2012 to 6 December 2015	1,369.66p	–	–	39,608
Total				153,639	21,008	172,239



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

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

* 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 performance targets applying to (4) were as per the Tier 1 targets, set out on page 71, for the awards granted during the year under review. In respect of (5), the targets were as per Tiers 1 and 2, set out on page 71.

Under (1) above, the award vested on a 100% basis under the PSP on 5 March 2012 as to 86,523 conditional nil-cost share options. On 14 March 2012, John Worby exercised and sold 43,261 shares at a price of 1,318.41 pence per share. The remaining 43,262 share options that vested 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% on 17 September 2012. 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 vesting in full. On 26 September 2012, 21,008 ordinary shares of 10 pence each in the Company were sold at a price of 1,474.68 pence per Share. This sale represents the exercise by John Worby of one half of his vesting entitlement. The remaining 21,009 share options that vested have been retained by John Worby and have not been exercised.

Treatment of John Worby's Outstanding Share Awards on Retirement

Since the Remuneration Committee considered John Worby to be a 'good leaver' by virtue of his retirement from the Board on 31 March 2013, he was permitted to retain his outstanding share awards, reduced pro-rata to reflect time served, rounded to the end of the financial year. All awards continue to be subject to the satisfaction of unchanged performance targets and there will be no acceleration of vesting. The details of how this applies to each outstanding award are as follows.

The award granted on 10 September 2010 was not pro-rated. Performance was tested over each of the relevant performance periods to 30 June 2013, following the end of the current financial year and resulted in vesting at 100%.

The award granted on 9 September 2011 was reduced by one third. The remaining amount of the award will be subject to performance testing over each of the relevant performance periods to 30 June 2014.

The award granted on 7 December 2012 was reduced by two thirds. The remaining amount of the award will be subject to performance testing over each of the relevant performance periods to 30 June 2015.

Dilution

The current dilution under all share plans is 7.1% in ten years, which compares with the Association of British Insurers' limit of 10% in ten 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 PSP on behalf of the Executive Directors and certain senior management. As at 30 June 2013, 111,181 ordinary shares in the Company were held by the trust.

Directors' Interests

The Directors who held office at 30 June 2013 had the following interests in the Company's shares:

	At 30 June 2013 Number	At 30 June 2012 Number
Bob Lawson	5,150	5,150
Karim Bitar	36,963	17,551
Stephen Wilson	3,000	-
Nigel Turner	15,000	15,000
Mike Buzzacott	3,000	3,000
Barry Furr	8,000	8,000
Total	71,113	48,701

There were no changes in the Directors' interests between 30 June 2013 and the date of this report.

Company Share Price

The market price of the Company's shares on 30 June 2013 was 1,369 pence and the low and high share prices during the financial year were 1,252 pence and 1,594 pence respectively.

Approval

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



Nigel Turner
Chairman of the Remuneration Committee
2 September 2013

NOMINATION COMMITTEE REPORT



Bob Lawson
Chairman

“The Committee met once during the year, to consider the appointment of our Group Finance Director.”

Chairman's Overview

The Committee is responsible for proposing candidates for appointment to the Board. Its duties include regularly reviewing the Board's structure, size and composition, including the skills, knowledge and experience the Board needs. We then make recommendations to the Board if changes are needed, taking into account succession planning for Directors and other senior executives, and the Group's challenges and opportunities.

Membership and Governance

The Nomination Committee is chaired by Bob Lawson and includes Nigel Turner, Mike Buzzacott, Barry Furr and Karim Bitar.

The Committee has written terms of reference, which cover the authority delegated to it by the Board. These are available from our website: www.genusplc.com.

Activities During the Year

The Committee met once during the year, to consider the appointment of our Group Finance Director.

Appointment of Group Finance Director

In identifying a new Group Finance Director, we sought candidates with the following attributes:

- experience of operating in a listed company environment;
- a global perspective and intercultural sensitivity;
- experience of driving continual improvement in a successful organisation; and
- highly developed business and commercial acumen, pragmatism and a strong detail orientation.

Candidates also needed to demonstrate strategic thinking, the ability to operate as a true business partner, a strong results orientation, team leadership, and collaboration and influencing skills.

Stephen Wilson was the outstanding candidate and we were pleased to appoint him to the role. The Board considered that Stephen's financial and business development skills, his experience of working in large global enterprises and his record of building strong finance teams will greatly benefit the Group.

Induction

Following his appointment, Stephen underwent a tailored induction programme to effectively introduce him to the business. The programme's objectives were for Stephen to:

- learn about the organisation and build relationships with the finance team, the Genus Executive Leadership Team and the Board;
- understand the key drivers of our porcine and bovine businesses;
- understand key financial matters; and
- build relationships with key investors, analysts, banks and other advisors.

The programme included visits to our businesses around the world, Board and Audit Committee meetings, introductions to key teams and an investor roadshow.

Diversity

The Board understands the importance of gender diversity and we are committed to increasing the participation of women at all levels of our business. We recognise Lord Davies's recommendations and the value that diversity brings to boards.

However, the Board must view diversity in its broadest sense, meaning that we want a broad range of relevant skills and experience. We therefore base appointments on an objective assessment of the Group's needs, its strategy and the Board's current skills and experience. This requires us to make appointments solely on merit, so we have the right Board composition to direct the Group effectively.

Bob Lawson
Chairman

2 September 2013



OTHER STATUTORY DISCLOSURES

Directors

The Directors listed on pages 50 and 51 served throughout the year, with the exception of Stephen Wilson, who joined the Board on 14 January 2013 and succeeded John Worby as Group Finance Director on 1 March 2013. John Worby retired from the Board on 31 March 2013.

In compliance with the UK Corporate Governance Code, all Directors will offer themselves for re-election at the next AGM, details of which can be found in the Notice of AGM at the end of this report.

Supplier Payment Policy

Our policy is to agree terms of payment with suppliers for each transaction, ensure that suppliers know these terms and ensure that we abide by them. The Group's trade creditors at 30 June 2013 were equivalent to 31 days' purchases (2012: 26 days), based on the average daily amount invoiced by suppliers during the year.

Charitable and Political Contributions

During the year, we made charitable donations of £2,000 (2012: £nil). The Group does not make political contributions.

Capital Structure

Note 30 gives details of the Company's authorised and issued share capital and any movements in the issued share capital during the year.

The Company has one class of ordinary share. All issued shares are fully paid and each share has the right to one vote at the Company's general meetings. There are no specific restrictions either on the size of a holding or on the transfer of shares, which are both governed by our Articles of Association and prevailing legislation. No person has any special rights of control over the Company's share capital.

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.

Substantial Shareholdings

As at 30 August 2013, we were aware of the following material interests in the Company's ordinary shares:

Fund Manager	Shareholding	%
Lansdowne Partners	5,626,689	9.28
Baillie Gifford & Co Limited	5,219,633	8.61
M&G Investments	3,767,892	6.21
NFU Mutual	3,341,664	5.51
Legal & General Investment Mgt	2,219,910	3.66
Norges Bank Investment Mgt	2,149,750	3.55

No other person has notified an interest in the Company's ordinary shares, which is required to be disclosed to us.

Authority to Acquire the Company's Own Shares

At the end of the year, the Directors had authority, under the shareholders' resolutions of 8 November 2012, until the earlier of 18 months after the passing of such resolutions or the conclusion of the Company's next AGM, 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 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 9 November 2012 and the date of this report.

Going Concern

As described more fully in the Directors' Responsibilities Statement on page 76, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the Financial Statements.

Provision of Information to the Company's Auditors

Each of the Directors 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 Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM.

Approved by the Board



Tom Kilroy
Group General Counsel & Company Secretary
2 September 2013

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 ('EU') 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 Strategic Report on pages 2 to 49 sets out the Group's position and prospects, in particular:

- The Group's business activities, Business Model, strategy, their performance and position are set out on pages 2 to 39.
- The financial position of the Group including cash flows, liquidity position, borrowing facilities and treasury risk management policies are set out in note 25.
- The risk factors facing the Group and mitigating actions in place are described on pages 40 and 41.

In addition, note 25 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' Responsibilities Statement

The Directors confirm to the best of their knowledge:

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

By order of the Board:



Karim Bitar
Chief Executive
2 September 2013

Stephen Wilson
Group Finance Director
2 September 2013



INDEPENDENT AUDITOR'S REPORT

GROUP FINANCIAL STATEMENTS

Independent auditor's report to the members of Genus plc

We have audited the Group Financial Statements of Genus plc for the year ended 30 June 2013 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 auditor's 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 auditor

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 2013 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 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.



Edward Hanson (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom
2 September 2013

GROUP INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 £m	2012 £m
Revenue from continuing operations	5, 6	345.3	341.8
Adjusted operating profit from continuing operations	5	45.9	45.8
Net IAS 41 valuation movement on biological assets (includes exceptional credit of £nil (2012: £23.0m))	15	(4.9)	38.8
Amortisation of acquired intangible assets	14	(5.2)	(5.2)
Share-based payment expense	29	(2.8)	(3.1)
		33.0	76.3
Exceptional items			
– Release/(additional) pension provision	7	7.0	(20.1)
– Integration and restructuring	7	(2.8)	(2.0)
Operating profit from continuing operations	8	37.2	54.2
Share of post-tax profit of joint ventures and associates	17	2.8	2.3
Net finance costs	10	(1.9)	(2.1)
Profit before tax from continuing operations		38.1	54.4
Taxation	11	(11.1)	(14.8)
Profit for the year from continuing operations		27.0	39.6
Attributable to:			
Owners of the Company		27.0	39.5
Minority interests		–	0.1
		27.0	39.6
Earnings per share from continuing operations	13		
Basic earnings per share		44.7p	65.9p
Diluted earnings per share		44.3p	65.0p
Non statutory measure of profit			
Adjusted operating profit from continuing operations		45.9	45.8
Pre-tax share of profits from joint ventures and associates excluding net IAS 41 valuation movement	17	3.2	2.8
Adjusted operating profit including joint ventures and associates		49.1	48.6
Net finance costs	10	(1.9)	(2.1)
Adjusted profit before tax from continuing operations		47.2	46.5
Adjusted earnings per share from continuing operations	13		
Basic adjusted earnings per share		55.0p	53.5p
Diluted adjusted earnings per share		54.3p	52.7p



GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 £m	2013 £m	2012 £m	2012 £m
Profit for the year			27.0		39.6
Items that may be reclassified subsequently to profit or loss					
Foreign exchange translation differences		13.8		(7.0)	
Fair value movement on net investment hedges		(2.4)		1.1	
Fair value movement on cash flow hedges		0.2		(0.2)	
Tax relating to components of other comprehensive income	11	(3.1)		(1.2)	
			8.5		(7.3)
Items that may not be reclassified subsequently to profit or loss					
Actuarial loss on retirement benefit obligations		(8.4)		(27.2)	
Tax relating to components of other comprehensive income	11	1.4		6.4	
			(7.0)		(20.8)
Other comprehensive income/(expense) for the year			1.5		(28.1)
Total comprehensive income for the year			28.5		11.5
Attributable to:					
Owners of the Company			28.5		11.4
Minority interests			-		0.1
			28.5		11.5

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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 2011 – previously reported	6.0	112.0	(0.1)	24.2	(0.3)	129.8	271.6	0.3	271.9
Prior year adjustment (see note 2)	–	–	–	–	–	2.4	2.4	–	2.4
Balance at 30 June 2011 – restated	6.0	112.0	(0.1)	24.2	(0.3)	132.2	274.0	0.3	274.3
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)	143.0	277.6	0.4	278.0
Foreign exchange translation differences, net of tax	–	–	–	10.1	–	–	10.1	–	10.1
Fair value movement on net investment hedges, net of tax	–	–	–	(1.8)	–	–	(1.8)	–	(1.8)
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	–	–	–	–	–	(7.0)	(7.0)	–	(7.0)
Other comprehensive income/ (expense) for the year	–	–	–	8.3	0.2	(7.0)	1.5	–	1.5
Profit for the year	–	–	–	–	–	27.0	27.0	–	27.0
Total comprehensive income for the year	–	–	–	8.3	0.2	20.0	28.5	–	28.5
Recognition of share-based payments, net of tax	–	–	–	–	–	3.0	3.0	–	3.0
Issue of ordinary shares	0.1	–	–	–	–	–	0.1	–	0.1
Dividends	12	–	–	–	–	(9.1)	(9.1)	–	(9.1)
Balance at 30 June 2013	6.1	112.1	(0.1)	25.4	(0.3)	156.9	300.1	0.4	300.5



GROUP BALANCE SHEET

AS AT 30 JUNE 2013

	Note	2013 £m	2012* £m	2011* £m
Assets				
Goodwill	14	67.8	66.4	68.3
Other intangible assets	14	68.3	71.2	75.6
Biological assets	15	224.0	223.0	187.0
Property, plant and equipment	16	45.0	41.7	40.8
Interests in joint ventures and associates	17	11.4	9.2	8.5
Available for sale investments	18	0.1	0.1	0.2
Derivative financial assets	25	-	0.3	-
Deferred tax assets	19	20.4	23.1	15.6
Total non-current assets		437.0	435.0	396.0
Inventories	20	34.9	30.2	33.5
Biological assets	15	40.5	36.8	27.3
Trade and other receivables	21	78.9	70.2	68.7
Cash and cash equivalents	22	18.4	18.6	18.3
Income tax receivable		0.4	0.8	1.0
Asset held for sale		0.3	0.3	0.3
Total current assets		173.4	156.9	149.1
Total assets		610.4	591.9	545.1
Liabilities				
Trade and other payables	23	(51.7)	(48.9)	(47.3)
Interest-bearing loans and borrowings	26	(7.5)	(8.2)	(4.0)
Provisions	24	(1.1)	(1.4)	(0.2)
Obligations under finance leases	27	(1.2)	(0.9)	(0.9)
Current tax liabilities		(6.7)	(4.6)	(5.5)
Derivative financial liabilities	25	(0.8)	(0.2)	(0.4)
Total current liabilities		(69.0)	(64.2)	(58.3)
Interest-bearing loans and borrowings	26	(60.7)	(64.6)	(80.5)
Retirement benefit obligations	28	(65.0)	(67.3)	(23.6)
Provisions	24	(0.1)	(1.1)	(1.2)
Deferred tax liabilities	19	(113.1)	(114.8)	(106.2)
Derivative financial liabilities	25	(0.1)	(0.6)	(0.2)
Obligations under finance leases	27	(1.9)	(1.3)	(0.8)
Total non-current liabilities		(240.9)	(249.7)	(212.5)
Total liabilities		(309.9)	(313.9)	(270.8)
Net assets		300.5	278.0	274.3
Equity				
Called up share capital	30	6.1	6.0	6.0
Share premium account		112.1	112.1	112.0
Own shares	30	(0.1)	(0.1)	(0.1)
Translation reserve	30	25.4	17.1	24.2
Hedging reserve	30	(0.3)	(0.5)	(0.3)
Retained earnings		156.9	143.0	132.2
Equity attributable to owners of the Company		300.1	277.6	274.0
Minority interest		0.4	0.4	0.3
Total equity		300.5	278.0	274.3

* See note 2 for details of restatement to the 2012 and 2011 balance sheets.

The Financial Statements of Genus plc (registration number 02972325) were approved by the Board of Directors on 2 September 2013.

Signed on behalf of the Board of Directors

Karim Bitar
Chief Executive

Stephen Wilson
Group Finance Director



GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 £m	2012 £m
Net cash flow from operating activities	31	24.0	32.6
Cash flows from investing activities			
Dividends received from joint ventures and associates		0.6	0.5
Purchase of trade and assets		–	(0.2)
Purchase of property, plant and equipment		(6.7)	(7.1)
Purchase of intangible assets		(1.9)	(1.8)
Proceeds from sale of property, plant and equipment		1.1	1.1
Net cash outflow from investing activities		(6.9)	(7.5)
Cash flows from financing activities			
Drawdown of borrowings		20.8	7.5
Repayment of borrowings		(26.3)	(21.6)
Payment of finance lease liabilities		(1.3)	(1.0)
Equity dividends paid		(9.1)	(10.7)
Issue of ordinary shares		0.1	0.1
(Decrease)/increase in bank overdrafts		(2.0)	0.9
Net cash outflow from financing activities		(17.8)	(24.8)
Net (decrease)/increase in cash and cash equivalents		(0.7)	0.3
Cash and cash equivalents at start of the year		18.6	18.3
Net (decrease)/increase in cash and cash equivalents		(0.7)	0.3
Effect of exchange rate fluctuations on cash and cash equivalents		0.5	–
Total cash and cash equivalents at 30 June	22	18.4	18.6



NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 Strategic Review. The Group Financial Statements for the year ended 30 June 2013 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.

Restatement in the 2012 and 2011 balance sheet

The balance sheet comparatives for the years ended 30 June 2012 and 30 June 2011 have been restated to recognise trade receivables due under royalty contract when they become receivable.

In order to rectify the position, the prior period balance sheet at 30 June 2012 has been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised), a balance sheet at 30 June 2011 is also presented together with related notes. The amounts involved are an increase in trade receivables at 30 June 2012 of £3.7m (2011: £3.7m), an increase in deferred tax liabilities at 30 June 2012 of £1.3m (2011: £1.3m) and an increase in shareholders' equity at 30 June 2012 of £2.4m (2011: £2.4m).

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

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' Responsibilities 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 2013 the Group had net debt of £52.9m (2012: £56.4m) and undrawn committed borrowing facilities of £63.7m. In August 2013, the Group completed a bank refinancing exercise, which now includes an option to increase the existing credit facility by an additional US\$50m. The new credit facilities are now due to expire on 30 September 2017. 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.



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

2. Basis of preparation continued

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, adjusted profit before tax and adjusted earnings per share

Adjusted operating profit, adjusted operating profit before tax from continuing operations and adjusted earnings per share 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 intercompany loans designated as long-term funding are taken to the foreign currency translation reserve, together with any related taxation.

The principal exchange rates were as follows:

	Average			Closing		
	2013	2012	2011	2013	2012	2011
US Dollar/£	1.57	1.59	1.60	1.52	1.57	1.61
Euro/£	1.21	1.19	1.16	1.17	1.24	1.11
Brazilian Real/£	3.22	2.86	2.65	3.35	3.17	2.51
Mexican Peso/£	20.16	20.90	19.47	19.76	21.06	18.83



3. Significant accounting policies

Business combinations

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

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

Goodwill

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

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

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

Research and development

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

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

The Group's development activities 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.



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies continued

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% (2012: 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: 'upfront' and 'royalty'. Under upfront sales, the full fair value of the animal is receivable at point of transfer to the customer. Under royalty sales, the pig is regarded as comprising 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 royalty 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, bulls with a genomic evaluation and bulls on test is based on expected future net cash flows from the sale of semen, the bull's harvest, and is discounted at a current market-determined pre-tax rate. Proven bulls being those who have completed their evaluation and where the bull's semen is actively marketed, Genomic bulls are those marketed on an estimated genetic value. The fair value of the bovine herd and semen inventory managed by the Group has been adjusted where a third party has a revenue share in the sale of semen from a particular bull. The significant assumptions determining the fair values are the expected future demand for semen, estimated production value, the expected marketable life of each bull and, in addition for bulls on test, the percentage whose production is expected to be actively marketed. In assessing the sales price, management uses statistical data for the bulls produced by independent authorities, in all its major markets, three times a year. In addition, estimates are also used to determine into which markets the semen will be sold, and domestic and export prices. The fair value of bulls that have not yet entered the Group testing programme is equivalent to their acquisition and rearing costs.

Porcine – the fair values of porcine biological assets encompasses both the animals owned entirely by Genus and the retained interest in the genetics of those animals sold under royalty arrangements. The fair value of animals owned by the Group is calculated using average live weights of the animals plus a premium where it is considered that they will be saleable for their favourable genetic characteristics. The value attributed to the live weight of the pigs and the premium for genetics is based on recent transaction prices achieved by the Group. The significant assumptions in determining fair values are the expected life of the breeding animals, the percentage of production animals which are expected to be saleable as breeding animals and the expected sales prices. The fair value of the retained interest in the genetics of those animals sold under royalty contracts is initially based on the fair values achieved by the Group in recent transactions from direct sales of similar animals, less the values received 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 porcine animals within the pure line herds, being the repository of Genus's proprietary genetics, are valued as a single unit of account using a discounted cash flow model applied to the future outputs of the herds at current prices. The significant assumptions are the number of future generations from which output is attributable to the current herds, the fair value prices achieved on sales, the expected useful lifespan and productivity of the animals, and the discount rate applied.

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.



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies continued

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 substantively enacted at the balance sheet date, together with any adjustments to tax payable in respect of previous years.



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

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

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

Share-based payments

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

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' equity 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 pension schemes

The Group operates defined benefit pension 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.

Under the joint and several liability, the Group will recognise initially any changes in its share of any orphan assets and liabilities in the income statement. Any actuarial gains and losses in the orphan assets and liabilities after the initial recognition will be recognised in the period in which they occur directly into equity through the Group Statement of Changes in Equity.



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies continued

Derivative financial instruments and hedging activities

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, foreign exchange rate risk and commodity prices. The Group uses interest rate swaps to hedge interest rate risk, forward exchange contracts to manage foreign exchange risk and forward commodity contracts to manage commodity price 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 and forward commodity contracts are 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:

- IAS 12 'Income Taxes'

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 19, IAS 27, IAS 28 and IAS 32
- IFRS 7 'Financial Instruments: Disclosures'
- 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. Expected returns on plan assets will be replaced by a net finance cost in the income statement, consequently reducing the profit for the period by £3.7m and accordingly other comprehensive income increased by £3.7m. A prior period restatement will reflect these amendments in next year's annual report.

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.

Bovine: The key judgements are in respect of the forecast sales volumes, the expected unit prices, the useful lifespan of the animals and the discount rate applied.

Porcine: The key judgements and assumptions are in respect of the useful lifespan of the animals, the expected proportion to slaughter, the mix of boars and gilts and, in the case of the animals within the pure line herds, the number of future generations from which output is attributable to the current herds, the fair value prices achieved on sales, the expected useful lifespan and the productivity of the animals, and the discount rate applied. 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.

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 several 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.



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

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

	2013 £m	2012 £m
Genus PIC	133.5	137.2
Genus ABS	146.8	145.4
Genus Asia	55.5	48.2
Research and Development		
Research	–	–
Porcine Product Development	9.5	11.0
Bovine Product Development	–	–
	9.5	11.0
	345.3	341.8

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.

Operating profit

	2013 £m	2012 £m
Genus PIC	48.2	46.5
Genus ABS	22.8	24.1
Genus Asia	12.3	10.8
Research and Development		
Research	(2.7)	(2.2)
Porcine Product Development	(14.7)	(12.1)
Bovine Product Development	(10.6)	(10.8)
	(28.0)	(25.1)
Segment operating profit	55.3	56.3
Central costs	(9.4)	(10.5)
Adjusted operating profit	45.9	45.8

Other segment information

	Depreciation		Amortisation		Additions to non-current assets	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Genus PIC	0.4	0.7	5.2	5.2	0.4	0.6
Genus ABS	1.3	1.2	0.6	0.6	2.1	3.7
Genus Asia	0.5	0.3	–	–	0.5	0.4
Research and Development						
Research	–	0.2	–	–	0.8	0.4
Porcine Product Development	1.9	1.8	–	–	0.9	0.8
Bovine Product Development	0.1	0.1	–	–	3.3	2.4
	2.0	2.1	–	–	5.0	3.6
Segment total	4.2	4.3	5.8	5.8	8.0	8.3
Central	1.1	0.8	–	–	2.6	2.0
Total	5.3	5.1	5.8	5.8	10.6	10.3



	Segment assets		Segment liabilities	
	2013 £m	2012 £m	2013 £m	2012 £m
Genus PIC	194.6	192.4	(45.4)	(50.1)
Genus ABS	118.5	124.3	(28.1)	(15.6)
Genus Asia	36.5	30.9	(9.0)	(5.9)
Research and Development				
Research	1.1	-	-	(0.3)
Porcine Product Development	80.6	72.7	(36.8)	(33.6)
Bovine Product Development	166.3	157.9	(51.6)	(53.3)
	248.0	230.6	(88.4)	(87.2)
Segment total	597.6	578.2	(170.9)	(158.8)
Central	12.8	13.7	(139.0)	(155.1)
Total	610.4	591.9	(309.9)	(313.9)

Other exceptional items of £4.2m gain (2012: £22.1m cost), relate to Genus PIC and Central segments. 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.

In the prior year an exceptional credit of £23.0m which arose 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.

Geographical information

The following is an analysis of the Group's revenue by geographical segments:

Revenue

	2013 £m	2012 £m
North America	127.5	126.2
Latin America	47.9	51.7
Europe	114.4	115.7
Asia	55.5	48.2
	345.3	341.8

Non-current assets (excluding deferred taxation and financial instruments)

	2013 £m	2012 £m
North America	274.8	253.0
Latin America	40.8	51.7
Europe	82.3	89.1
Asia	18.7	17.8
	416.6	411.6

6. Revenue

	2013 £m	2012 £m
Sale of animals, semen and veterinary products	275.1	276.0
Royalties	62.4	57.6
Consulting services	7.8	8.2
	345.3	341.8
Interest income (see note 10)	0.8	1.1
Total	346.1	342.9



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

7. Exceptional items

Operating income/(expenses):

	2013 £m	2012 £m
Release/(additional) pension provision	7.0	(20.1)
Integration and restructuring	(2.8)	(2.0)
Other exceptional items	4.2	(22.1)
Exceptional credit – IAS 41 (see note 15)	–	23.0
Total exceptional items	4.2	0.9

During the year, the multi-employer Milk Pension Fund ('MPF') triennial valuation as at 31 March 2012 was completed and a new funding agreement between the employers was agreed. In addition, two participating employers exited the scheme and made cash payments of £31m. These changes gave rise to an exceptional credit of £7.0m. This credit reflects Genus's share of deficit repair contributions agreed in the valuation and the effect of the two employers' exits, compared with the pension provision of £20.1m made in the previous year to recognise the risk that some employers could be unable to meet their share of the deficit.

The integration and restructuring charge of £2.8m (2012: £2.0m) relates principally to a refocusing of the European porcine business as it continued to reduce direct farm operations, whilst widening its restructuring programme in line with the Group's global strategy. The fundamental aims of the restructure were to increase the rate of genetic progress, and to tailor the business model to meet the current and emerging needs of our customers. Where the business was historically split by country, this was reorganised into four distinct regions based on customer behaviours and the physical cross-border flow of animals. At the same time support services such as supply chain, technical service and genetic services have been centralised, ensuring improved alignment to long-term goals.

In the prior year an exceptional credit of £23.0m arose 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.

8. Operating profit

Operating costs comprise:

	2013 £m	2012 £m
Cost of sales excluding net IAS 41 valuation movement on biological assets and amortisation of multiplier contract intangible assets	(140.4)	(141.0)
Net IAS 41 valuation movement on biological assets (includes exceptional credit of £nil (2012: £23.0m))	(4.9)	38.8
Amortisation of multiplier contract intangible assets	(0.2)	(0.2)
Cost of goods	(145.5)	(102.4)
Other cost of sales	(80.2)	(82.0)
Amortisation of customer relationship intangible assets	(3.0)	(3.0)
Cost of sales	(83.2)	(85.0)
Research and Development expenditure	(28.0)	(25.1)
Amortisation of technology intangible assets	(2.0)	(2.0)
Research and Development costs	(30.0)	(27.1)
Administrative expenses	(50.2)	(47.3)
Share-based payment expense	(2.8)	(3.1)
Amortisation of software	(0.6)	(0.6)
Exceptional items within administrative expenses	4.2	(22.1)
Total administrative expenses	(49.4)	(73.1)
Total operating costs	(308.1)	(287.6)



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

	2013 £m	2012 £m
Net foreign exchange losses	0.1	0.3
Depreciation of owned fixed assets	4.3	4.5
Depreciation of assets held under finance leases and hire purchase contracts	1.0	0.6
Gain on disposal of fixed assets	(0.3)	-
Operating lease rentals		
– plant and machinery	0.9	1.4
– other	6.3	5.6
Employee costs (see note 9)	97.2	95.0
Cost of inventories recognised as an expense	58.7	54.6

Auditor's remuneration is as follows:

	2013 £m	2012 £m
Fees payable to the Company's auditor for the audit of the Company's Annual Report and Financial Statements	0.1	0.1
Fees payable to the Company's auditor and associates for the audit of the Company's subsidiaries	0.5	0.4
Total audit fees	0.6	0.5
Tax services	0.2	0.5
Other services	0.2	0.1
Total non-audit fees	0.4	0.6
Total fees to the Group's auditor	1.0	1.1
Fees payable to other auditors of Group companies	-	0.1

Non-audit services principally comprise tax advisory and tax compliance support services. These services fall within the non-audit 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:

	2013 £m	2012 £m
Wages and salaries	86.4	83.8
Social security costs	6.7	7.1
Contributions to defined contribution pension plans	1.8	1.6
(Income)/expenses related to defined benefit pension plans	(0.1)	0.1
Share-based payment expense	2.4	2.4
	97.2	95.0

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

	2013 Number	2012 Number
Genus PIC	507	504
Genus ABS	1,138	1,202
Genus Asia	382	367
Research and Development	77	78
Central	38	38
	2,142	2,189
Included in the totals above:		
UK	656	694

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



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

10. Net finance costs

	2013 £m	2012 £m
Interest payable on bank loans and overdrafts	(1.6)	(1.9)
Amortisation of debt issue costs	(0.5)	(0.5)
Other interest payable	(0.1)	(0.2)
Net interest cost on derivative financial instruments	(0.5)	(0.6)
Total interest expense	(2.7)	(3.2)
Interest income on bank deposits	0.1	0.2
Net interest income in respect of pension scheme liabilities	0.7	0.9
Total interest income	0.8	1.1
Net finance costs	(1.9)	(2.1)

11. Income tax expense

	2013 £m	2012 £m
Current tax expense		
Current period	12.3	9.9
Adjustment for prior periods	(0.3)	(1.5)
Total current tax expense in the Group Income Statement	12.0	8.4
Deferred tax expense		
Origination and reversal of temporary differences (see note 19)	(0.9)	8.1
Adjustment for prior periods	–	(1.7)
Total deferred tax (income)/expense in the Group Income Statement	(0.9)	6.4
Total income tax expense excluding share of income tax of equity accounted investees	11.1	14.8
Share of income tax of equity accounted investees	0.6	0.6
Total income tax expense in the Group Income Statement	11.7	15.4

Reconciliation of effective tax rate

	2013 %	2013 £m	2012 %	2012 £m
Profit before tax		38.1		54.4
Income tax at UK corporation tax of 23.75% (2012: 25.5%)	23.75	9.0	25.50	13.9
Effect of tax rates in foreign jurisdictions	8.10	3.1	12.50	6.8
Non-deductible expenses	2.90	1.1	2.00	1.1
Tax exempt income and incentives	(5.80)	(2.2)	(3.10)	(1.7)
Change in tax rate	(2.10)	(0.8)	(4.20)	(2.3)
Movements in recognition of tax losses	3.10	1.2	1.70	0.9
Change in unrecognised temporary differences	1.45	0.6	(0.60)	(0.3)
Tax over provided in prior periods	(0.70)	(0.3)	(5.90)	(3.2)
Tax on undistributed reserves	–	–	0.40	0.2
Total income tax expense in the Group Income Statement	30.70	11.7	28.30	15.4

The tax rate for the year depends upon the mix of profits by country, particularly upon the high level of profits generated in North America, and the ability of the Group to recognise deferred tax assets in respect of losses in some of the Group's smaller territories. The prior year deferred tax credit in the prior 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 £1.3m (2012: £2.6m).



Income tax recognised directly in equity

Tax in relation to:

	2013 £m	2012 £m
Foreign exchange differences on long-term intra-Group currency loans	(0.2)	0.3
Gain on financial instruments	0.1	-
Actuarial movement on retirement benefit obligations	(1.4)	(6.4)
Translation of biological assets, intangible assets and finance leases	3.2	0.9
Income tax on income and expense recognised directly in equity	1.7	(5.2)
Share-based payment expense	(0.6)	(0.4)
Total income tax recognised directly in equity	1.1	(5.6)

12. Dividends

Amounts recognised as distributions to equity holders in the year:

	2013 £m	2012 £m
Final dividend		
For the year ended 30 June 2011 of 13.3 pence per share	-	8.0
For the year ended 30 June 2012 of 10.1 pence per share	6.1	-
Interim dividend		
For the year ended 30 June 2012 of 4.5 pence per share	-	2.7
For the year ended 30 June 2013 of 5.0 pence per share	3.0	-
	9.1	10.7

A final dividend of 11.1 pence per share has been proposed by the Directors for 2013. 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**

	2013	2012
Basic earnings per share	44.7p	65.9p

The calculation of basic earnings per share from continuing operations for the year ended 30 June 2013 is based on the profit attributable to ordinary shareholders from continuing operations of £27.0m (2012: £39.6m) and a weighted average number of ordinary shares outstanding of 60,344,000 (2012: 60,055,000), calculated as follows:

Weighted average number of ordinary shares (basic)

	2013 000s	2012 000s
Issued ordinary shares at start of the year	60,296	59,933
Effect of own shares held	(204)	(148)
Shares issued on exercise of stock options	100	37
Shares issued in relation to Employee Benefit Trust	152	233
Weighted average number of ordinary shares in year	60,344	60,055



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

13. Earnings per share continued

Diluted earnings per share from continuing operations

	2013	2012
Diluted earnings per share	44.3p	65.0p

The calculation of diluted earnings per share from continuing operations for the year ended 30 June 2013 is based on profit attributable to ordinary shareholders from continuing operations of £27.0m (2012: £39.6m) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 60,952,000 (2012: 60,883,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2013 000s	2012 000s
Weighted average number of ordinary shares (basic)	60,344	60,055
Dilutive effect of share options	608	828
Weighted average number of ordinary shares for the purposes of diluted earnings per share	60,952	60,883

Adjusted earnings per share from continuing operations

	2013	2012
Adjusted earnings per share	55.0p	53.5p
Diluted adjusted earnings per share	54.3p	52.7p

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 £33.2m (2012: £32.1m) as follows:

	2013 £m	2012 £m
Profit before tax from continuing operations	38.1	54.4
Add/(deduct):		
Net IAS 41 valuation movement on biological assets	4.9	(38.8)
Amortisation of acquired intangible assets	5.2	5.2
Share-based payment expense	2.8	3.1
(Release)/additional pension provision	(7.0)	20.1
Integration and restructuring costs	2.8	2.0
Net IAS 41 valuation movement on biological assets in joint ventures and associates	(0.2)	(0.1)
Tax on joint ventures and associates	0.6	0.6
Adjusted profit before tax	47.2	46.5
Adjusted tax charge	(14.0)	(14.4)
Adjusted profit after taxation	33.2	32.1
Effective tax rate on adjusted profit	29.7%	31.0%



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 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
Additions	–	–	–	–	–	1.9	1.9	–
Effect of movements in exchange rates	–	0.2	1.5	1.7	0.1	–	1.8	1.4
Balance at 30 June 2013	40.4	3.9	55.3	99.6	6.7	6.7	113.0	67.8
Amortisation and impairment losses								
Balance at 1 July 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	–
Amortisation for the year	2.0	0.2	3.0	5.2	0.6	–	5.8	–
Effect of movements in exchange rates	–	0.1	0.7	0.8	–	–	0.8	–
Balance at 30 June 2013	15.2	1.7	24.6	41.5	3.2	–	44.7	–
Carrying amounts								
At 30 June 2013	25.2	2.2	30.7	58.1	3.5	6.7	68.3	67.8
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

Additions in the year to intangible assets of £1.9m relates to costs capitalised in respect of a development project.

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:

	2013 £m	2012 £m
Genus PIC	44.5	43.7
Genus ABS	16.1	15.3
Genus Asia	7.2	7.4
	67.8	66.4

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



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

14. Intangible assets continued

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% (2012: 2.5%) has been used to extrapolate cash flows beyond the budget and strategic plan period.

The post-tax WACC of 8.0% (2012: 8.0%) has been applied to cash flow projections, which equates to a pre-tax rate of approximately 11.4% (2012: 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	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
Increases due to purchases	5.4	89.0	94.4
Decreases attributable to sales	–	(131.2)	(131.2)
Decrease due to harvest	(27.2)	(9.4)	(36.6)
Changes in fair value less estimated sale costs	12.2	57.5	69.7
Effect of movements in exchange rates	4.4	4.0	8.4
Balance at 30 June 2013	147.0	117.5	264.5
Non-current biological assets	147.0	77.0	224.0
Current biological assets	–	40.5	40.5
Balance at 30 June 2013	147.0	117.5	264.5

Bovine biological assets include £3.2m (2012: £1.6m) 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% (2012: 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 £36.9m (2012: £41.4m) 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 £73.0m (2012: £73.2m) in respect of these contracts comprising £10.6m (2012: £15.6m) on initial transfer of animals to customers and £62.4m (2012: £57.6m) in respect of royalties received. Decreases attributable to sales during the period of £131.2m (2012: £141.5m) include £28.9m (2012: £31.9m) 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 at the Group's required rate of return adjusted for the greater risk implicit in including output from future generations. This adjusted rate has been assessed as 11.0% (2012: 11.0%). The number of future generations which have been taken into account is seven (2012: seven) and their estimated useful lifespan is 1.4 years (2012: 1.4 years).

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 £28.9m (2012: £29.7m).

Year ended 30 June 2013

	Bovine £m	Porcine £m	Total £m
Net IAS 41 valuation movement on biological assets*			
Changes in fair value of biological assets	12.2	57.5	69.7
Inventory transferred to cost of sales at fair value	(21.5)	(9.4)	(30.9)
Biological assets transferred to cost of sales at fair value	–	(43.7)	(43.7)
	(9.3)	4.4	(4.9)

Year ended 30 June 2012

	Bovine £m	Porcine £m	Total £m
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

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

** An exceptional credit of £23.0m arose in 2012 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

	2013	2012
Bovine		
Quantities at period end		
Number of proven bulls	282	288
Number of genomic bulls	84	63
Total number of marketable bulls in stud	366	351
Number of doses of semen in inventory – stud	8.8m	8.4m
Total number of bulls in development	1,648	1,701
Number of doses of semen in inventory – bulls in development	1.9m	1.9m
Amounts during the year		
Fair value of agricultural produce – semen, harvested during the period	£27.1m	£21.1m
Porcine		
Quantities at period end		
Number of pigs (own farms)	136,201	133,295
Number of pigs despatched on a royalty basis and valued at fair value	40,560	60,273
Amounts during the year		
Fair value of agricultural produce – semen, harvested during the period	£9.4m	£8.6m



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

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 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
Additions	2.3	6.4	8.7
Disposals	(1.6)	(2.5)	(4.1)
Effect of movements in exchange rates	0.9	1.0	1.9
Balance at 30 June 2013	36.8	40.2	77.0
Depreciation and impairment losses			
Balance at 1 July 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
Depreciation for the year	1.9	3.4	5.3
Disposals	(1.1)	(2.1)	(3.2)
Effect of movements in exchange rates	0.5	0.6	1.1
Balance at 30 June 2013	12.1	19.9	32.0
Carrying amounts			
At 30 June 2013	24.7	20.3	45.0
At 30 June 2012	24.4	17.3	41.7
At 30 June 2011	25.8	15.0	40.8

Leased plant and machinery

At 30 June 2013 plant, motor vehicles and equipment included assets held under finance leases with a carrying value of £6.2m (2012: £4.7m, 2011: £4.2m). The associated depreciation charge for the year was £1.0m (2012: £0.6m, 2011: £0.5m).

17. Equity accounted investees

The Group's share of profit after tax in its equity accounted investees for the year was £2.8m (2012: £2.3m).

The carrying value of the investment is reconciled as follows:

	2013 £m	2012 £m
Balance at 1 July	9.2	8.5
Share of post-tax profits of joint ventures and associate retained	2.8	2.3
Dividends received	(0.6)	(0.5)
Effect of movements in exchange rates	–	(1.1)
Balance at 30 June	11.4	9.2



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

Year ended 30 June 2013

Net assets	Ownership	Current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
Agroceres – PIC Suinos (Brazil)	49%	3.5	3.6	3.1	10.2	(1.1)	(1.1)	9.1
Hybridschweine Cooperations GmbH (Germany)	50%	0.2	–	–	0.2	–	–	0.2
Hu Mei Pig Improvement Company Ltd (China)	50%	2.1	–	–	2.1	–	–	2.1
		5.8	3.6	3.1	12.5	(1.1)	(1.1)	11.4

Income statement	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Expenses £m	Operating profit £m	Taxation £m	Profit after tax £m
Agroceres – PIC Suinos (Brazil)	49%	10.5	0.2	(8.3)	2.4	(0.6)	1.8
Hybridschweine Cooperations GmbH (Germany)	50%	5.6	–	(5.5)	0.1	–	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	3.0	–	(2.1)	0.9	–	0.9
		19.1	0.2	(15.9)	3.4	(0.6)	2.8

Year ended 30 June 2012

Net assets	Ownership	Current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
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

Income statement	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Expenses £m	Operating profit £m	Taxation £m	Profit after tax £m
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



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

18. Available for sale investments

	2013 £m	2012 £m
Fair value	0.1	0.1

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 £13.3m (2012: £11.6m) available for offset against future profits. A deferred tax asset has been recognised in respect of £0.5m (2012: £0.6m) of such losses. No deferred tax asset has been recognised in respect of the remaining £12.8m (2012: £11.0m) due to the uncertainty over the availability of future taxable profits in the relevant jurisdictions.

Deferred tax liabilities totalling £4.3m (2012: £3.0m) 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	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Property, plant and equipment	(0.1)	(0.1)	5.6	6.0	5.5	5.9
Intangible assets	–	(0.6)	20.5	22.0	20.5	21.4
Biological assets	–	–	87.7	86.0	87.7	86.0
Financial instruments	(0.1)	(0.2)	–	–	(0.1)	(0.2)
Retirement benefit obligations	(13.2)	(14.4)	(1.9)	(1.9)	(15.1)	(16.3)
Share-based payments	(1.6)	(1.6)	–	–	(1.6)	(1.6)
Short-term timing differences	(4.9)	(5.6)	1.2	2.7	(3.7)	(2.9)
Tax loss carry-forwards	(0.5)	(0.6)	–	–	(0.5)	(0.6)
Net tax (assets)/liabilities	(20.4)	(23.1)	113.1	114.8	92.7	91.7

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

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The Government has enacted future reduction in the main tax rate down to 21% effective from 1 April 2014 and to 20% by 1 April 2015. As these tax rates were not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with IAS 10, as it is a non-adjusting event occurring after the reporting period.

We estimate that the future rate change to 20% would further reduce our UK deferred tax asset recognised at 30 June 2013 from £7.2m to £6.4m. The actual impact will be dependent on our deferred tax position at that time.

Movement in net deferred tax liabilities during the year

	Balance brought forward 1 July 2012* £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 2013 £m
Property, plant and equipment	5.9	(0.4)	–	–	–	–	5.5
Intangible assets	21.4	(0.8)	(0.4)	–	0.3	–	20.5
Biological assets	86.0	(1.5)	(0.4)	0.8	2.8	–	87.7
Financial instruments	(0.2)	–	–	–	0.1	–	(0.1)
Retirement benefit obligations	(16.3)	2.6	–	–	(1.4)	–	(15.1)
Share-based payments	(1.6)	–	–	–	–	–	(1.6)
Short-term timing differences	(2.9)	(0.4)	–	(0.5)	–	0.1	(3.7)
Tax loss carry-forwards	(0.6)	0.4	–	(0.3)	–	–	(0.5)
	91.7	(0.1)	(0.8)	–	1.8	0.1	92.7



	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	(4.0)	(0.3)	0.1	1.1	0.1	0.1	(2.9)
Tax loss carry-forwards	(2.3)	1.9	0.1	(0.3)	–	–	(0.6)
	90.6	10.5	(2.4)	(1.7)	(6.5)	1.2	91.7

* See note 2 for details of restatement to the 2012 and 2011 balance sheets.

20. Inventories

	2013 £m	2012 £m
Biological assets harvest classed as inventories	24.5	22.4
Raw materials and consumables	0.8	0.8
Goods held for resale	9.6	7.0
	34.9	30.2

21. Trade and other receivables

	2013 £m	2012* £m	2011* £m
Trade receivables	63.6	60.5	59.9
Other debtors	9.9	5.1	3.8
Prepayments and accrued income	3.9	2.9	2.5
Other taxes and social security	1.5	1.7	2.5
	78.9	70.2	68.7

* See note 2 for details of restatement to the 2012 and 2011 balance sheets.

Trade receivables

The average credit period taken on the sales of goods is 67 days (2012: 65 days, 2011: 69 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 (2012: nil, 2011: nil).

At 30 June 2013 £45.3m (2012: £44.4m, 2011: £44.4m) of trade receivables were not yet due for payment.

Included in the Group's trade receivables balance are debtors with a carrying amount of £18.7m (2012: £16.5m, 2011: £15.8m) 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 65 days (2012: 59 days, 2011: 60 days).



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

21. Trade and other receivables continued

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

	2013 £m	2012 £m	2011 £m
0–30 days	8.3	8.2	7.6
31–90 days	6.2	5.0	5.1
91–180 days	2.3	1.9	1.8
Over 180 days	1.9	1.4	1.3
	18.7	16.5	15.8

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

At 30 June 2013 trade receivables are shown net of an allowance for doubtful debts of £3.1m (2012: £3.5m, 2011: £3.5m).

Movement in the allowance for doubtful debts

	2013 £m	2012 £m	2011 £m
Balance at the beginning of the year	3.5	3.5	3.3
Impairment losses recognised	0.6	0.9	1.6
Amounts written off as uncollectible	(0.6)	(0.4)	(0.7)
Impairment losses reversed	(0.5)	(0.3)	(0.8)
Effect of movements in exchange rates	0.1	(0.2)	0.1
Balance at the end of the year	3.1	3.5	3.5

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 £18.3m of receivables denominated in US Dollars (2012: £16.6m, 2011: £11.9m), £10.4m of receivables denominated in Euros (2012: £9.3m, 2011: £11.0m) and £19.7m of receivables denominated in other currencies (2012: £21.2m, 2011: £29.1m).

Other debtors

Included within other debtors is £3.4m (2012: nil) which relates to the Besun Joint Venture farm stocking.

22. Cash and cash equivalents

	2013 £m	2012 £m
Bank balances	18.4	18.6

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 within bank balances above is £1.5m (2012: £4.4m) which is subject to certain local restrictions. The majority is held in China for future investment.

23. Trade and other payables

	2013 £m	2012 £m
Trade payables	18.1	14.9
Other payables and accrued expenses	29.0	28.1
Other taxes and social security	4.6	5.9
	51.7	48.9

Payables denominated in currencies other than Sterling comprise £11.8m of payables denominated in US Dollars (2012: £11.1m), £10.1m of payables denominated in Euros (2012: £9.3m) and £19.4m of payables denominated in other currencies (2012: £19.1m). 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 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
Additional provision in the year	–	0.2	0.2
Utilisation of provision	(0.3)	(1.0)	(1.3)
Release of provision	(0.3)	–	(0.3)
Unwinding of discount	0.1	–	0.1
Balance at 30 June 2013	0.8	0.4	1.2

	2013 £m	2012 £m
Non-current	1.1	1.1
Current	0.1	1.4
Balance at 30 June	1.2	2.5

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 two 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:

	2013 £m	2012 £m
Debt	71.3	75.0
Cash and cash equivalents	(18.4)	(18.6)
Net debt	52.9	56.4
Equity	300.5	278.0
Net debt to equity ratio	18%	20%

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.



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

25. Financial instruments continued

Significant accounting policies continued

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	
	2013 £m	2012 £m
Financial assets		
Trade receivables and other debtors (excluding prepayments)	75.0	67.3
Derivative instruments in non-designated hedge accounting relationships	–	0.3
Cash and cash equivalents	18.4	18.6
Financial liabilities		
Trade payables and other creditors	(51.7)	(48.9)
Derivative instruments in designated hedge accounting relationships	(0.5)	(0.8)
Loans and overdrafts	(68.2)	(72.8)
Leasing obligations	(3.1)	(2.2)
Derivative instruments in non-designated hedge accounting relationships	(0.4)	–

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, interest rates and commodity prices. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign currency risk and commodity price 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
- forward commodity contracts to hedge commodity price risk.

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	
	2013 £m	2012 £m	2013 £m	2012 £m
US Dollar (including leases)	(66.3)	(69.2)	5.3	1.4
Euro	(4.9)	(4.4)	1.4	–
Australian Dollar	–	–	–	0.2



Foreign currency sensitivity analysis

The Group is mainly exposed to movement in the US Dollar, Euro, Brazilian Real and the Mexico 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	
	2013 £m	2012 £m	2013 £m	2012 £m
10% currency movement				
Profit or loss	0.8	0.7	2.4	2.3

	Brazilian Real currency impact		Mexican Peso currency impact	
	2013 £m	2012 £m	2013 £m	2012 £m
10% currency movement				
Profit or loss	0.7	0.7	0.8	0.7

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 2013	Foreign currency 2013	Contract value		Fair value	
			2013 £m	2012 £m	2013 £m	2012 £m
Outstanding contracts						
Buy USD	1.52	USD	(1.5)	-	-	-
Buy Romanian Leu	5.095	RON	(0.2)	(0.6)	-	-
Buy MXN	19.93	MXN	(0.6)	-	-	-
Sell Renminbi	n/a	CNY	-	0.8	-	-
Sell Polish Zloty	5.05	PLN	0.8	0.2	-	-
Buy Euro	0.845	EUR	(1.6)	-	-	-
Sell Euro	n/a	EUR	-	0.8	-	-
Sell AUD	n/a	AUD	-	0.1	-	-
Buy CAD/sell USD	1.02	CAD	(0.1)	-	-	-
Buy USD/sell AUD	0.952	AUD	0.1	-	-	-
Buy USD/sell ARS	5.51	ARS	0.3	-	-	-
Buy USD/sell Chilean Peso	504.58	CLP	0.1	-	-	-
Buy USD/sell COP	1953	COP	0.3	0.3	-	-
Buy USD/sell Euro	1.33	EUR	0.4	0.6	-	-
Buy USD/sell Renminbi	6.21	CNY	1.3	-	-	-
Buy MXN/sell USD	12.54	MXN	(2.5)	(2.4)	(0.1)	0.1
					(0.1)	0.1

Interest rate risk management

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



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

25. Financial instruments continued

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 2013 would decrease/increase by £0.3m (2012: decrease/increase by £0.4m). 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	
	2013 %	2012 %	2013 £m	2012 £m	2013 £m	2012 £m
Outstanding receive floating pay fixed contracts						
USD IRS						
Within one year	–	–	–	–	–	–
Two to five years	1.39	1.40	39.6	44.6	(0.5)	(0.8)

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, soybean meal and winter wheat commodity futures.

	Average price		Notional principal amount		Fair value	
	2013 US\$	2012 US\$	2013 £m	2012 £m	2013 £m	2012 £m
Commodity hedge						
Open contracts from July 2013 to June 2014						
Lean hog futures	0.86	n/a	10.6	n/a	(0.1)	n/a
Corn	5.82	n/a	(3.0)	n/a	(0.3)	n/a
Soybean meal	379	n/a	(1.8)	n/a	–	n/a
Winter wheat	8.18	n/a	(0.6)	n/a	–	n/a
Open contracts from July 2012 to June 2013						
Lean hog futures	n/a	0.86	n/a	5.1	n/a	(0.1)
Corn	n/a	5.53	n/a	(1.3)	n/a	0.2
Soybean meal	n/a	379	n/a	(0.9)	n/a	0.1
Winter wheat	n/a	7.11	n/a	(0.6)	n/a	0.1
			5.2	2.3	(0.4)	0.3



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
2013							
Variable interest rate instruments	1.8	1.3	3.7	5.4	65.2	–	75.6
2012							
Variable interest rate instruments	1.9	2.2	3.6	5.3	70.0	–	81.1

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
2013							
Variable interest rate instruments	0.7	15.9	2.5	–	–	–	18.4
2012							
Variable interest rate instruments	1.1	15.4	3.2	–	–	–	18.6

The Group has access to financing facilities, the total unused amount of which is £63.7m (2012: £59.5m) 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 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
2013						
Interest rate swaps	–	(0.1)	(0.3)	(0.1)	–	(0.5)
2012						
Interest rate swaps	–	(0.1)	(0.3)	(0.5)	–	(0.9)

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

26. Loans and borrowings

	2013 £m	2012 £m
Non-current liabilities		
Unsecured bank loans	60.7	64.6
Obligations under finance leases	1.9	1.3
	62.6	65.9
Current liabilities		
Unsecured bank loans and overdrafts	7.5	8.2
Obligations under finance leases	1.2	0.9
	8.7	9.1
Total interest-bearing liabilities	71.3	75.0

Terms and debt repayment schedule

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

	Currency	Interest rate	2013 £m	2012 £m
Revolving credit facility and overdraft	GBP	1.5%	0.7	1.2
Revolving credit facility and term loan and overdraft	USD	1.7%	62.6	67.0
Revolving credit facility and overdraft	EUR	1.6%	4.3	4.0
Finance lease liabilities	USD	5.0%	3.1	2.2
Unsecured bank borrowings	Other	0%	0.6	0.6
Total interest-bearing liabilities			71.3	75.0

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.

	2013 £m	2012 £m
Loans and borrowings (excluding finance leases) comprise amounts falling due:		
In one year or less or on demand	8.0	8.6
In more than one year but not more than two years	6.6	6.4
In more than two years but not more than five years	54.2	58.9
	68.8	73.9
Less: unamortised issue costs	(0.6)	(1.1)
	68.2	72.8
Current liabilities	(7.5)	(8.2)
Non-current liabilities	60.7	64.6

The credit facilities at the balance sheet date comprised 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.

In August 2013, the Group completed a bank refinancing exercise, which now includes an option to increase the existing credit facility by an additional US\$50m. The new credit facilities are now due to expire on 30 September 2017.

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\$60m (£39.6m) fixed at 1.39%. All indicated rates are exclusive of applicable bank margin.

Also included in the above are unsecured loans of £0.3m (2012: £0.3m) for an agricultural development loan in the US and a £0.2m (2012: £0.3m) loan in Spain. Both of these loans are interest free.



27. Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2013 £m	Interest 2013 £m	Principal 2013 £m	Minimum lease payments 2012 £m	Interest 2012 £m	Principal 2012 £m
Less than one year	1.2	–	1.2	0.9	–	0.9
Between one to five years	1.9	0.1	2.0	1.3	0.1	1.4
	3.1	0.1	3.2	2.2	0.1	2.3

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.

	2013 £m	2012 £m
The Milk Pension Fund – Genus's share	55.7	37.1
The Milk Pension Fund – additional provision	–	20.1
	55.7	57.2
The Dalgety Pension Fund	–	1.4
Other retirement benefit obligations	9.3	8.7
Overall pension liability	65.0	67.3

Overall, the Group expects to pay £6.0m in contributions to defined benefit plans in the 2013-14 financial year.

The Milk Pension Fund ('MPF')

The MPF 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 75% of the MPF (2012: 37% of the MPF and £20.1m 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.

During the year, the multi-employer MPF triennial valuation as at 31 March 2012 was completed and a new funding agreement between the employers was agreed. In addition, two participating employers exited the scheme and made cash payments of £31m. These changes gave rise to an exceptional credit of £7m. This credit reflects Genus's share of deficit repair contributions agreed in the valuation and the effect of the two employers' exits, compared with the pension provision of £20.1m made in the previous year to recognise the risk that some employers could be unable to meet their share of the deficit.

The most recent actuarial valuation of the MPF was at 31 March 2012. 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 2012 valuation were that investment returns on existing assets would be 6.4% per annum before retirement and 4.0% per annum after retirement and that the annual increase in pensions in payment would be 3.4% per annum.



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

28. Retirement benefit obligations continued

The Milk Pension Fund ('MPF') continued

At 31 March 2012, the market value of the fund's assets amounted to £312m. The value of those assets represented approximately 69% of the value of the uninsured liabilities which were £453m at 31 March 2012, after allowing for expected future increases in earnings.

The deficit in the fund as a whole, by reference to the 31 March 2012 valuation, was £141m (of which Genus's notional share was £106m) and this shortfall is being addressed by additional contributions from the participating employers and the exit payment of £31m made in September 2012 by two employers. Under the new funding agreement, the Company has agreed to make deficit repair contributions between £4.5m-£6.4m per annum between 31 March 2013 and 31 March 2016, and rising thereafter by 3.4% for a further nine years until 31 March 2026.

With effect from 30 June 2013, Genus's active members ceased accruing benefits in the fund and became deferred pensioners.

The Group's pension cost for the scheme in 2013 is £nil (2012: £0.1m).

Dalgety Pension Fund ('DPF')

The most recent actuarial valuation of the DPF was at 31 March 2012. 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 2012 valuation were that investment returns on existing assets would be 5.2% per annum before retirement and 3.3% per annum after retirement and that the annual increase in pensions in payment would be 3.5% per annum.

The market value of the available assets at 31 March 2012 was £21.3m. The value of those assets represents approximately 99% of the value of the uninsured liabilities which were £21.6m at 31 March 2012.

Under the new funding agreement, the Company has agreed to make deficit repair contributions of £0.3m per annum until 30 June 2013.

The disclosures required under IAS 19 have been calculated by an independent actuary based on accurate calculations carried out as at 31 March 2012 updated to 30 June 2013. Under the projected unit method the current service cost will increase as the members approach retirement.

There is a £11.1m 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.

The Group's pension cost for the scheme in 2013 is £nil (2012: £nil).

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 2013 under the provisions of IAS 19 were £4.3m (2012: £3.9m) and £5.6m (2012: £5.2m), 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 £6.6m (2012: £6.2m) 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 2013 amounted to £nil (2012: £nil) and the interest on pension scheme liabilities amounted to £0.3m (2012: £0.3m).

The principal assumptions used to calculate the scheme liabilities were that the discount rate would be 4.6% (2012: 4.5%) and that inflation and pension payments would be 3.4% per annum (2012: 2.8%).

For the unfunded retirement health benefit plan, based on the methods and assumptions of IAS 19, scheme liabilities amount to £1.3m (2012: £1.2m) 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 2013 amounted to £nil (2012: £nil) and the interest on plan liabilities amounted to £0.1m (2012: £0.1m).

The principal assumptions used to calculate the plan liabilities were that the discount rate would be 4.6% (2012: 4.5%) and that the long-term rate of medical expense inflation would be 7.4% (2012: 6.8%).



Aggregated position of defined benefit schemes

	2013 £m	2012 £m
Present value of funded obligations (includes Genus's 75% share of the MPF)	347.2	177.2
The MPF – additional provision	–	20.1
Present value of unfunded obligations	8.0	7.4
Total present value of obligations	355.2	204.7
Fair value of plan assets (includes Genus's 75% share of the MPF)	(294.1)	(143.7)
Restrict recognition of asset and recognition of additional liability (Dalgety)	3.9	6.3
Recognised liability for defined benefit obligations	65.0	67.3

Plan assets consist of the following:

	2013 £m	2012 £m
Equities	179.9	85.4
Gilts and corporate bonds	80.9	46.6
Cash	1.0	0.5
Other	32.3	11.2
	294.1	143.7

Movement in the liability for defined benefit obligations

	2013 £m	2012 £m
Liability for defined benefit obligations at the start of the year	204.7	163.0
Recognition of additional liability – MPF	138.5	–
Benefits paid by the plans	(7.2)	(7.6)
Current service costs and interest	8.1	9.2
Actuarial losses recognised in equity	18.1	19.9
Gains on curtailments and settlements	(0.2)	–
(Release)/additional provision – MPF	(7.0)	20.1
Exchange rate adjustment	0.2	0.1
Liability for defined benefit obligations at the end of year	355.2	204.7

Movement in plan assets

	2013 £m	2012 £m
Fair value of plan assets at the start of the year	143.7	146.4
Recognition of additional assets – MPF	138.5	–
Contributions paid into the plans	2.9	2.8
Benefits paid by the plans	(7.2)	(7.6)
Expected return on plan assets	8.8	10.0
Actuarial gains/(losses) recognised in equity	7.4	(7.9)
Fair value of plan assets at the end of the year	294.1	143.7

Amounts recognised in the Group Income Statement

	2013 £m	2012 £m
Current service costs	–	0.1
Interest obligation	8.1	9.1
Expected return on plan assets	(8.8)	(10.0)
Exceptional item – (release)/additional provision – MPF	(7.0)	20.1
Gains on curtailments and settlements	(0.2)	–
	(7.9)	19.3



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

28. Retirement benefit obligations continued

The (income)/expense is recognised in the following line items in the income statement

	2013 £m	2012 £m
Administrative expenses	–	0.1
Curtailed gain in administrative expenses	(0.2)	–
Exceptional item – (release)/additional provision – MPF	(7.0)	20.1
Finance income	(0.7)	(0.9)
	(7.9)	19.3

Actuarial gains and losses recognised directly in equity

	2013 £m	2012 £m
Cumulative loss at the start of the year	42.3	15.1
Actuarial loss recognised during the year	10.6	27.8
Movement in restriction of asset	(2.4)	(0.7)
Exchange rate adjustment	0.2	0.1
Cumulative loss at the end of the year	50.7	42.3

Actuarial assumptions and sensitivity analysis

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

	2013	2012
Discount rate	4.6%	4.5%
Expected return on plan assets	7.1%	6.3%
Medical cost trend rate	7.4%	6.8%
Future pension increases and inflation	3.4%	2.8%

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. In 2013 the mortality tables used are 90% of the SN1A tables, with birth year and 2011 CMI projections, with mortality rates increased by 25% at all ages (2012: 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.

	2013 Years	2012 Years
Retiring at balance sheet date at age 65:		
Male	23.2	21.8
Female	25.7	24.0
Retiring at age 65 in 20 years' time:		
Male	25.0	24.7
Female	27.6	27.0

The overall expected long-term rate of return on assets is 7.1% (2012: 6.3%). 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 £5.0m.



The history of experience adjustment is as follows:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of the defined benefit obligation	355.2	204.7	163.0	157.1	146.0
Fair value of plan assets	(294.1)	(143.7)	(146.4)	(130.9)	(112.0)
Restrict recognition of asset and recognition of additional liability	3.9	6.3	7.0	2.6	1.4
Deficit in the plan	65.0	67.3	23.6	28.8	35.4
Experience adjustments arising on plan liabilities (%)	5.1	10.8	3.0	6.0	(1.6)
Experience adjustments arising on plan assets (%)	2.5	(5.5)	7.0	12.1	(15.5)

29. Share-based payments

The Group recognised total share-based payment expense (including National Insurance contributions of £0.4m (2012: £0.7m)) of £2.8m (2012: £3.1m).

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	21,000	Exercisable	310.5p	10 years
(2) 2004 Company share plan	21 June 2006	12,300	Exercisable	439.75p	10 years
(3) 2004 Company share plan	21 September 2007	9,694	Exercisable	582p	10 years
(4) 2004 Company share plan	19 September 2008	13,359	Exercisable	775.67p	10 years
(5) 2004 Company share plan	15 September 2009	55,026	Exercisable	654.5p	10 years
(6) 2004 Company share plan	10 September 2010	247,878	3 years' service*	729.83p	10 years
(7) 2004 Company share plan	9 September 2011	228,721	3 years' service*	977.83p	10 years
(8) 2004 Company share plan	7 September 2012	154,289	3 years' service*	1334p	10 years
Total share options		742,267			

* 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 earnings per share 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 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
Outstanding at start of year	756p	877,314	680p	805,151
Forfeited during the year	992p	(24,716)	848p	(42,957)
SAR effected during the year	676p	(116,827)	744p	(87,684)
Exercised during the year	641p	(152,912)	671p	(62,566)
Granted during the year	1,334p	159,408	978p	265,370
Outstanding at 30 June	908p	742,267	756p	877,314
Exercisable at 30 June	574p	111,379	528p	111,200

The weighted average share price at the date of exercise for share options exercised during the period was 1,450p. In the year to 30 June 2013, options were granted on 7 September 2012. The aggregate of the fair values of those options granted was £611,000.



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

29. Share-based payments continued

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

Assumptions applied in valuation models at grant date

	2013	2012
Exercise price of options granted in the year (nil for awards)	1,344p	978p
Expected volatility (weighted average volatility)	31%	30%
Option life (expected weighted average life)	6.5 years	6.5 years
Expected dividends	1.34%	1.46%
Risk-free interest rate (based on government bonds)	0.95%	1.7%

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 622,529 conditional share awards which are outstanding at 30 June 2013. These conditional shares were awarded to Executive Directors and senior management on 3 March 2009, 15 September 2009, 10 September 2010, 9 September 2011, 7 December 2012 and 28 February 2013 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 awards 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 2013, awards were granted on 7 December 2012 and 28 February 2013. The aggregate of the fair values of those awards granted was £4,581,000. 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 2013	Number of awards 2012
Outstanding at start of year	451,840	746,122
Exercised during the year	(145,349)	(365,604)
Lapsed during the year	(28,171)	(194,260)
Granted during the year	344,209	265,582
Outstanding at 30 June	622,529	451,840
Exercisable at 30 June	64,271	43,262

30. Capital and reserves

Share capital

	2013 Number	2012 Number	2013 £m	2012 £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	60,648,563	60,295,651	6.1	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:

	2013 Number	2012 Number	2013 £m	2012 £m
Issued under the Executive Share Option Plan	152,912	62,566	–	–
Issued to the Employee Benefits Trust	200,000	300,000	–	–
	352,912	362,566	–	–



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

	2013 Number	Price	2012 Number	Price
Executive Share Option Plan	7,217	310.5p	9,740	439.75p
	6,634	439.75p	7,305	472p
	7,135	472p	5,426	582p
	3,442	582p	40,095	776p
	9,223	776p	-	-
	101,385	654.5p	-	-
	14,383	729.83p	-	-
	3,450	977.83p	-	-
	43	1,334p	-	-
	152,912		62,566	

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:

	2013 Number	2012 Number	2013 £m	2012 £m
Shares allocated but not vested	111,181	56,530	1.5	0.7
Unallocated shares	92,334	92,334	1.3	1.1
	203,515	148,864	2.8	1.8

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 US 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 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 losses recognised in equity	-	(1.2)
Balance at 30 June 2012	(0.5)	17.1
Exchange differences on translation of overseas operations	-	13.8
Loss recognised on net investment hedges	-	(2.4)
Gain recognised on cash flow hedges:		
Interest swaps	0.2	-
Income tax related to losses recognised in equity	-	(3.1)
Balance at 30 June 2013	(0.3)	25.4



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

31. Notes to the cash flow statement

	2013 £m	2012 £m
Profit for the year	27.0	39.6
Adjustment for:		
Net IAS 41 valuation movement on biological assets	4.9	(38.8)
Amortisation of acquired intangible assets	5.2	5.2
Share-based payment expense	2.8	3.1
Share of profit of joint ventures and associates	(2.8)	(2.3)
Finance costs	1.9	2.1
Income tax expense	11.1	14.8
Other exceptional items	(4.2)	22.1
Adjusted operating profit from continuing operations	45.9	45.8
Depreciation of property, plant and equipment	5.3	5.1
Gain on disposal of plant and equipment	(0.3)	–
Amortisation of intangible assets	0.6	0.6
Earnings before interest, tax, depreciation and amortisation	51.5	51.5
Exceptional item cash	(2.8)	(1.0)
Other movements in biological assets and harvested produce	(3.1)	(2.0)
(Decrease)/increase in provisions	(1.3)	0.4
Additional pension contributions in excess of pension charge	(2.9)	(2.7)
Other	(0.1)	(0.7)
Operating cash flows before movement in working capital	41.3	45.5
Increase in inventories	(1.1)	(0.7)
Increase in receivables	(7.3)	(5.3)
Increase in payables	2.0	4.4
Cash generated by operations	34.9	43.9
Interest received	0.1	0.2
Interest and other finance costs paid	(1.6)	(2.2)
Cash flow from derivative financial instruments	(0.5)	(0.6)
Income taxes paid	(8.9)	(8.7)
Net cash from operating activities	24.0	32.6

Analysis of net debt

	At 1 July 2012 £m	Cash flows £m	Foreign exchange £m	Non-cash movements £m	At 30 June 2013 £m
Cash and cash equivalents	18.6	(0.7)	0.5	–	18.4
Interest bearing loans – current	(8.2)	1.2	–	(0.5)	(7.5)
Obligation under finance leases – current	(0.9)	1.3	(0.1)	(1.5)	(1.2)
	(9.1)	2.5	(0.1)	(2.0)	(8.7)
Interest bearing loans – non-current	(64.6)	6.3	(2.4)	–	(60.7)
Obligation under finance lease – non-current	(1.3)	–	(0.1)	(0.5)	(1.9)
	(65.9)	6.3	(2.5)	(0.5)	(62.6)
Net debt	(56.4)	8.1	(2.1)	(2.5)	(52.9)

Included within non-cash movements is £2.0m 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:

	2013 £m	2012 £m
Less than one year	2.8	3.6
Between one and five years	7.1	6.7
More than five years	10.1	1.6
	20.0	11.9

Total future sublease payments receivable relating to the above operating leases amounted to £0.3m (2012: £1.1m).

33. Capital commitments

At 30 June 2013 outstanding contracted capital expenditure amounted to £nil (2012: £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 75% of the Milk Pension Fund. 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)

	2013 £m	2012 £m
Salaries and short-term employee benefits	4.1	4.2
Post-employment benefits	0.2	0.1
Compensation for loss of office	0.2	0.4
Share-based payment expense	1.9	1.8
	6.4	6.5

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.

Other related party transactions

	Transaction value		Balance outstanding	
	2013 £m	2012 £m	2013 £m	2012 £m
Sale of goods and services to joint ventures and associates	3.1	4.7	0.1	0.6

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.



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

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 common stock	(1)	Supply of pigs and semen
PIC Polska Sp. (incorporated in Poland)	PLN1 common stock	(1)	Supply of pigs and semen
Pig Improvement Company Deutschland GmbH (incorporated in Germany)	€1 capital stock	(1)	Supply of pigs and semen
Pig Improvement Company Mexico S.A. de C.V. (incorporated in Mexico)	Peso 1 quota stock	(1)	Supply of pigs and semen
Pig Improvement Company UK Limited	10p ordinary shares	(1)	Supply of pigs and semen
PIC (Zhangjiagang) China (incorporated in China)	US\$1 ordinary shares	(1)	Supply of pigs and semen

(1) Held by subsidiary undertaking.

37. Post balance sheet event

In August 2013, the Group completed a bank refinancing exercise, which now includes an option to increase the existing credit facility by an additional US\$50m. The new credit facilities are now due to expire on 30 September 2017.

In August 2013, the Group provided £3.6m of initial funding to its now operational joint venture ("JV") with Shaanxi Yangling Besun Agricultural Group Co., a leading integrated pork producer in China. Genus is a 49% partner in the JV and expects to make further cash investment in the JV of approximately £5.3m, in the first half of FY14.



INDEPENDENT AUDITOR'S REPORT

PARENT COMPANY FINANCIAL STATEMENTS

Independent auditor's report to the members of Genus plc

We have audited the Parent Company Financial Statements of Genus plc for the year ended 30 June 2013 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 auditor's 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 auditor

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 2013;
- 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 2013.



Edward Hanson (Senior Statutory Auditor) For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom
2 September 2013

PARENT COMPANY BALANCE SHEET

AS AT 30 JUNE 2013

	Note	2013 £m	2012 £m
Fixed assets			
Tangible assets	40	0.9	0.8
Investments in subsidiaries	41	66.4	189.9
		67.3	190.7
Current assets			
Debtors	42	465.4	80.8
Cash at bank and in hand		1.5	0.3
		466.9	81.1
Creditors: amounts falling due within one year	44	(326.0)	(52.1)
Net current assets		140.9	29.0
Total assets less current liabilities		208.2	219.7
Creditors: amounts falling due after more than one year	45	(60.4)	(64.4)
Net assets		147.8	155.3
Capital and reserves			
Called up share capital	48	6.1	6.0
Share premium account	48	112.1	112.1
Own shares	48	(0.1)	(0.1)
Profit and loss account	48	30.0	37.8
Hedging reserve	48	(0.3)	(0.5)
Shareholders' funds	49	147.8	155.3

The Financial Statements of Genus plc (registration number 02972325) were approved by the Board of Directors on 2 September 2013.

Signed on behalf of the Board of Directors



Karim Bitar
Chief Executive

Stephen Wilson
Group Finance Director



NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 2013. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Genus Group.

Fixed assets and depreciation

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

Leasehold land and buildings	period of lease
Equipment	3-20 years

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 substantively enacted at the balance sheet date.

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

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

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

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

Foreign currencies

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



NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

38. Significant accounting policies continued

Treasury shares

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

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

Employee share schemes

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

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

Share-based payments

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

Derivative financial instruments and hedging

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

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

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

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

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

Cash flow hedges

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

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

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



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

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

Debt

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

Finance costs

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

39. Employees

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

	2013 £m	2012 £m
Wages and salaries	4.0	3.8
Social security costs	0.4	1.0
Pension costs	0.2	0.2
Share-based payment expense	1.3	1.6
	5.9	6.6

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

	2013 Number	2012 Number
Administration	19	19

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

40. Tangible fixed assets

	Leasehold land and buildings £m	Equipment – owned £m	Total £m
Cost			
At 1 July 2012	0.2	1.1	1.3
Additions	–	0.3	0.3
At 30 June 2013	0.2	1.4	1.6
Depreciation			
At 1 July 2012	0.1	0.4	0.5
Charge for the year	–	0.2	0.2
At 30 June 2013	0.1	0.6	0.7
Net book value			
At 30 June 2013	0.1	0.8	0.9
At 30 June 2012	0.1	0.7	0.8



NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

41. Investments

	Shares in subsidiary undertaking £m
Cost	
At 1 July 2012	260.5
Additions	11.2
At 30 June 2013	271.7
Provision for impairment	
At 1 July 2012	70.6
Impairment in year	134.7
At 30 June 2013	205.3
Net book value	
At 30 June 2013	66.4
At 30 June 2012	189.9

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	2013 £m	2012 £m
Amounts due within one year			
Amounts owed by Group undertakings		463.4	78.7
Corporation tax recoverable		–	0.3
Other taxes and social security		0.9	0.3
Prepayments and accrued income		0.2	0.1
Derivative financial asset	47	–	0.3
Deferred tax	43	0.9	1.1
		465.4	80.8

At the balance sheet date the amounts owed by Group undertakings were £463.4m (2012: £78.7m). The carrying amount of these assets approximates their fair value. There are impaired receivable balances of £0.4m (2012: £1.5m). Of the amounts owed by Group undertakings, £327.6m (2012: £73.3m) is interest-bearing.

43. Deferred tax

The movements in deferred taxation are as follows:

	2013 £m	2012 £m
At the start of the year	1.1	1.0
(Charge)/credit for the year	(0.1)	0.1
Recognised in equity	(0.1)	–
At the end of the year	0.9	1.1

The amounts provided are as follows:

	2013 £m	2012 £m
Derivatives	0.1	0.2
Share-based payments	0.7	0.7
Other timing differences	0.1	0.2
	0.9	1.1



The amounts unprovided are as follows:

	2013 £m	2012 £m
Losses	1.3	1.4

Unrecognised deferred tax assets

At the balance sheet date, the Company has unused tax losses with a potential tax benefit of £1.3m (2012: £1.4m) 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	2013 £m	2012 £m
Bank loans and overdrafts	46	7.1	7.7
Trade creditors		0.4	0.4
Other creditors including taxation and social security		0.6	0.4
Amounts owed to Group undertakings		313.7	39.3
Accruals and deferred income		3.4	3.9
Derivative financial liabilities	47	0.8	0.4
		326.0	52.1

Included within amounts owed to Group undertakings are amounts of £292.1m (2012: £31.3m) which are interest-bearing and payable on demand.

45. Creditors: amounts falling due after more than one year

	Note	2013 £m	2012 £m
Bank loans and overdrafts	46	60.3	64.0
Derivative financial liabilities	47	0.1	0.4
		60.4	64.4

46. Loans and borrowings

	2013 £m	2012 £m
Loans and borrowings comprise amounts falling due:		
In one year or less or on demand	7.6	8.2
In more than one year but not more than two years	6.6	6.4
In more than two years but not more than five years	53.7	58.2
	67.9	72.8
Less: unamortised issue costs	(0.5)	(1.1)
	67.4	71.7
Amounts falling due within one year	(7.1)	(7.7)
Amounts falling due after more than one year	60.3	64.0

The credit facilities at the balance sheet date comprised 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.

In August 2013, the Group completed a bank refinancing exercise, which now includes an option to increase the existing credit facility by an additional US\$50m. The new credit facilities are now due to expire on 30 September 2017.

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\$60m (£39.6m) fixed at 1.39%. All indicated rates are exclusive of applicable bank margin.



NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 30 JUNE 2013

46. Loans and borrowings continued

Terms and debt repayment schedule

Terms and conditions of outstanding loans and overdrafts (excluding unamortised issue costs) were as follows:

	Currency	Interest rate	2013 £m	2012 £m
Revolving credit facility and overdraft	GBP	1.47%	1.0	1.8
Revolving credit facility, term loan and overdraft	USD	1.65%	62.6	67.0
Secured revolving credit facility and overdraft	EUR	1.58%	4.3	4.0
Total interest-bearing liabilities			67.9	72.8

The above revolving credit facilities are unsecured.

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:

	2013		2012	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Interest rate swap treated as cash flow hedge	(0.5)	(0.5)	(0.8)	(0.8)
Lean hog and feed commodity futures	(0.4)	(0.4)	0.3	0.3
	(0.9)	(0.9)	(0.5)	(0.5)

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 £(3.3)m (net) entered into at 30 June 2013 (2012: £(0.2)m (net)).

The recognised profit included in the profit and loss account on forward exchange contracts taken out in previous years amounted to £nil (2012: £nil). 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

	2013 Number	2012 Number	2013 £m	2012 £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	60,648,563	60,295,651	6.1	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:

	2013 Number	2012 Number	2013 £m	2012 £m
Issued under the Executive Share Option Plan	152,912	62,566	–	–
Issued to the Employee Benefit Trust	200,000	300,000	–	–
	352,912	362,566	–	–



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

	2013 Number	Price	2012 Number	Price
Executive Share Option Plan	7,217	310.5p	9,740	439.75p
	6,634	439.75p	7,305	472p
	7,135	472p	5,426	582p
	3,442	582p	40,095	776p
	9,223	776p	-	-
	101,385	654.5p	-	-
	14,383	729.83p	-	-
	3,450	977.83p	-	-
	43	1,334p	-	-
	152,912		62,566	

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:

	2013 Number	2012 Number	2013 £m	2012 £m
Shares allocated but not vested	111,181	56,530	1.5	0.7
Unallocated shares	92,334	92,334	1.3	1.1
	203,515	148,864	2.8	1.8

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	21,000	Exercisable	310.5p	10 years
(2) 2004 Company share plan	21 June 2006	12,300	Exercisable	439.75p	10 years
(3) 2004 Company share plan	21 September 2007	9,694	Exercisable	582p	10 years
(4) 2004 Company share plan	19 September 2008	13,359	Exercisable	775.67p	10 years
(5) 2004 Company share plan	15 September 2009	55,026	Exercisable	654.5p	10 years
(6) 2004 Company share plan	10 September 2010	247,878	3 years' service*	729.83p	10 years
(7) 2004 Company share plan	9 September 2011	228,721	3 years' service*	977.83p	10 years
(8) 2004 Company share plan	7 September 2012	154,289	3 years' service*	1334p	10 years
Total share options		742,267			

* 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 earnings per share exceeds a minimum of RPI +5% for the same period, unless provisions for 'good leavers' have been met where members retire, leave employment due to ill-health or are made redundant.



NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 30 JUNE 2013

48. Capital and reserves continued

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

	Weighted average exercise price 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
Outstanding at start of year	756p	877,314	680p	805,151
Forfeited during the year	992p	(24,716)	848p	(42,957)
SAR effected during the year	676p	(116,827)	744p	(87,684)
Exercised during the year	641p	(152,912)	671p	(62,566)
Granted during the year	1,334p	159,408	978p	265,370
Outstanding at 30 June	908p	742,267	756p	877,314
Exercisable at 30 June	574p	111,379	528p	111,200

The weighted average share price at the date of exercise for share options exercised during the period was 1,450p. In the year to 30 June 2013, options were granted on 7 September 2012. The aggregate of the fair values of those options granted was £611,000.

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

	2013	2012
Exercise price of options granted in the year (nil for awards)	1,344p	978p
Expected volatility (weighted average volatility)	31%	30%
Option life (expected weighted average life)	6.5 years	6.5 years
Expected dividends	1.34%	1.46%
Risk-free interest rate (based on government bonds)	0.95%	1.7%

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 622,529 conditional share awards which are outstanding at 30 June 2013. These conditional shares were awarded to Executive Directors and senior management on 3 March 2009, 15 September 2009, 10 September 2010, 9 September 2011, 7 December 2012 and 28 February 2013 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 2013, awards were granted on 7 December 2012 and 28 February 2013. The aggregate of the fair values of those awards granted was £4,581,000. 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 2013	Number of awards 2012
Outstanding at start of year	451,840	746,122
Exercised during the year	(145,349)	(365,604)
Lapsed during the year	(28,171)	(194,260)
Granted during the year	344,209	265,582
Outstanding at 30 June	622,529	451,840
Exercisable at 30 June	64,271	43,262



	Share premium account £m	Profit and loss account £m	Hedging reserve £m	Own shares £m
At 1 July 2012	112.1	37.8	(0.5)	(0.1)
Loss for the financial year	–	(1.4)	–	–
Dividends paid	–	(9.1)	–	–
Share-based payments, net of tax	–	2.7	–	–
Fair value movement on cash flow hedges, net of tax	–	–	0.2	–
At 30 June 2013	112.1	30.0	(0.3)	(0.1)

For information on dividends see note 12.

49. Reconciliation of shareholders' funds

	2013 £m	2012 £m
Shareholders' funds at 1 July	155.3	142.3
Retained (loss)/profit for the year	(1.4)	21.3
New shares issued	0.1	0.1
Dividend paid	(9.1)	(10.7)
Share-based payments, net of tax	2.7	2.5
Fair value movement on cash flow hedges, net of tax	0.2	(0.2)
Shareholders' funds at 30 June	147.8	155.3

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 75% of the Milk Pension Fund. 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.

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Financial results					
Revenue from continuing operations	345.3	341.8	309.9	285.3	280.4
Adjusted operating profit from continuing operations*	45.9	45.8	42.2	39.9	38.1
Adjusted operating profit including joint ventures*	49.1	48.6	45.3	42.2	40.2
Adjusted profit before tax*	47.2	46.5	39.0	32.9	32.0
Basic adjusted earnings per share*	55.0p	53.5p	44.8p	36.7p	36.1p
Diluted adjusted earnings per share*	54.3p	52.7p	44.1p	36.2p	35.6p
Operating profit from continuing operations	37.2	54.2	44.8	47.0	33.0
Profit before tax from continuing operations	38.1	54.4	40.8	40.8	26.2
Profit after tax from continuing operations	27.0	39.6	29.2	27.5	17.9
Profit for year	27.0	39.6	29.2	27.5	17.9
Basic earnings per share	44.7p	65.9p	49.0p	46.3p	30.4p
Diluted earnings per share	44.3p	65.0p	48.2p	45.7p	29.9p
Net assets	300.5	278.0	274.3	251.8	204.6
Net debt	52.9	56.4	67.9	80.0	88.0

* 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 2013 Annual General Meeting of Genus plc (the 'Company') will be held at the Apollo Hotel, Aldermaston Roundabout, Basingstoke, Hampshire RG24 9NU on 15 November 2013 at 11.00am for the following purposes:

To consider and if thought fit, to pass the following resolutions, of which numbers 1 to 11 will be proposed as ordinary resolutions and numbers 12 to 14 as special resolutions.

ORDINARY BUSINESS

1. To receive and approve the Company's audited financial statements and directors' and auditor's report for the year ended 30 June 2013.
2. To approve the directors' remuneration report for the year ended 30 June 2013.
3. To declare and approve a final dividend of 11.1 pence per ordinary share, payable to shareholders on the register of members at the close of business on 22 November 2013. An interim dividend of 5.0 pence per ordinary share was paid on 8 April 2013 to shareholders on the register at 15 March 2013.

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 elect Stephen Wilson 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 reappoint 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 auditor's 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 £1,534,083 being 15,340,837 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 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:
 - 12.1 in connection with an offer of such securities by way of rights issue; and



Notice of Annual General Meeting **continued**

12.2 otherwise than pursuant to sub-paragraph 12.1 above up to an aggregate nominal amount of £303,242 being 3,032,428 Ordinary Shares representing not more than 5% of the issued share capital of the Company as at 30 June 2013,

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.

13. 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:
- 13.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 6,064,856 (representing 10% of the Company's issued ordinary share capital as at 30 June 2013);
- 13.2 the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 10 pence;
- 13.3 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
- 13.4 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.
14. 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



TOM KILROY

GROUP GENERAL COUNSEL & COMPANY SECRETARY

8 OCTOBER 2013



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 13 November 2013 (or if the Annual General Meeting is adjourned, members on the register of members not later than 6.00pm on the day that is two working days prior to the reconvened Annual General Meeting). Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Copies of contracts of service and letters of appointment between the directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours until the conclusion of the Annual General Meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this Annual General Meeting to be held on 15 November 2013 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 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



Notice of Annual General Meeting **continued**

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 2013 the Company's issued share capital comprised 60,648,563 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 2013 is 60,648,563. 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 plus network extras. 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.



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ADVISORS

Secretary and Registered Office

Tom Kilroy
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

Baker & McKenzie LLP
100 New Bridge Street
London
EC4V 6JA

Bankers

Barclays Bank PLC
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3HF

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA





Genus plc

www.genusplc.com

Belvedere House, Basing View,
Basingstoke, Hampshire RG21 4HG

Tel: +44 (0)1256 347100

Fax: +44 (0)1256 477385

