

Company Number 2972325

Genus plc

Report and Accounts

31 March 2004



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CHAIRMAN'S STATEMENT

The Group produced record sales of £183.7m, up 6%, with record profit before tax of £8.1m, up 58% on last year, despite a number of exceptionally adverse events in world agricultural markets. Group turnover included gains in all businesses: Bovine Genetics up 2%, Animal Health up 15%, and Development Consulting up 8% on continuing operations. Underlying operating profit in both Animal Health and Development Consulting increased strongly, together contributing £2.4m, up 55% on last year, after excluding a one-off prior year credit of £0.4m and discontinued activities. However, the reported agricultural downturn in the first half of the year extended through several months of the second half because of a single case of BSE in the USA. This slowed the market recovery in the USA and suspended exports to a number of markets for three months. Together with other exceptional market related events in the first half year, as outlined below, these combined to reduce the underlying operating profit before exceptional items from the Bovine Genetics business to £10.6m, a small reduction on last year (2003: £11.2m).

Operating profit before exceptional charges was £9.2m (2003: £8.6m before operating exceptional charges of £0.2m). The exceptional charges of £0.5m related principally to the settlement of a legal claim inherited with the ABS acquisition in 1999 and the costs associated with an aborted acquisition in the first half year.

Interest charges of £1.3m were slightly lower than last year due to lower average debt levels which more than offset the impact of higher interest rates.

Property sales generated exceptional profits of £0.7m, which largely offset non-recurring charges this year.

The net result was an increase in profit before tax to £8.1m (2003: £5.1m) and almost to double basic EPS to 15.5p (2003: 8.3p).

Cash Flow & Gearing

Net debt reduced by £4.7m to £7.5m at 31st March 2004 (2003: £12.2m) because of the continuing strong cash flow from operations generating £10m after £4m of capital expenditure. There was a small decrease in the working capital requirement. Approximately £1.1m was generated from property sales. Cash investments totalling £1.2m were made on an acquisition in Chile, buying out the minority interest in the French subsidiary and in purchasing the Brazilian stud. £1.3m of cash was generated by the issue of shares to meet institutional demand, which is explained in more detail below. Gearing at the year end was 15% compared with 26% at the prior year end.

Share Capital

In pursuit of the Board's intention to increase the company's share liquidity, it has made a number of attempts to restructure the share register over time to achieve more balance. In this pursuit, the company supported a discounted dealing facility for small shareholders. Some 840 shareholders took advantage of the facility and 226,148 shares were acquired and placed with institutions. In addition, the company raised £1.3m in cash by placing 725,000 shares with institutional shareholders and raised a further £1.1m in cash by placing with institutions 1,072,280 shares issued under the company's share option and share saving schemes. Altogether, these measures increased the combined holdings of institutional shareholders to 37%.

Despite this progress, the Board believes further restructuring is needed in order to attain a register that enables the company to derive the full benefits of its quoted status. To this end, the Board has obtained expert advice and will be seeking a Court-approved reorganisation of the share register later in the year.

CHAIRMAN'S STATEMENT

Dividend

On the basis of the confidence the Board has in its long-term strategy for growth, it is recommending a record 18% increase in dividend to 6.5 pence (2003: 5.5 pence). This will be paid on 18th August 2004 to shareholders on the register at the close of business on 23rd July 2004 with an ex-dividend date of 21st July 2004.

Board

One of the strengths of Genus is the depth and breadth of its management team. This was demonstrated when, as announced in August 2003, Philip Acton agreed to deputise as Finance Director until March 2004 when the permanent replacement, David Timmins, was appointed. Philip did this while keeping a watching brief on the Animal Health Business for which he was, and still is, Chief Operating Officer.

We announced in February 2004 that the non-executive director, Tim Yeo, would be resigning at the end of May 2004 following his appointment to two Shadow Ministries.

I would like to thank both Philip and Tim for their contributions and to welcome David to the Board.

On a personal note, I have overseen the development of Genus since its formation as an independent company. In 1996, its first full trading year, Genus was a small, marginally profitable, UK company owned by 29,000 customer/shareholders and trading solely in England and Wales. As we report nine years later, Genus is now a publicly quoted company and the largest Bovine Genetics company in the world. Against that background, it is with regret but with some pride, that I announce my intention to retire at the Annual General Meeting (AGM) in August this year.

I am delighted to announce that, following the AGM, John Hawkins has agreed to replace me as non-executive Chairman. John has been a non-executive director of Genus for more than three years, so brings knowledge of the company together with a wealth of experience in commerce which will be an invaluable asset for the Group as it moves into its next phase of strategic development. John is already non-executive Chairman of Salamander, recently awarded a Queen's Award for Innovation and is a non-executive director of Psion plc.

Recently the Board has developed a new five year corporate strategy for the Group. This aims to drive underlying earnings at a rate in excess of the strong average rate historically achieved. We plan to use the Group's cutting edge biotechnology research to supplement both organic and acquisition growth. The management will be incentivised with a new remuneration policy which will be presented to shareholders for approval at the AGM.

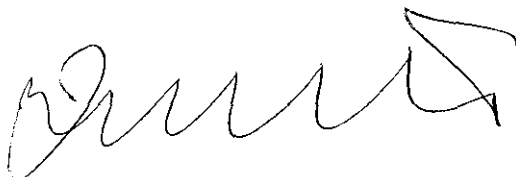
John's experience and strong business acumen will be invaluable in overseeing this strategic plan which will involve the commercialisation of new inventions and local and international acquisitions.

We have already started the search for a non-executive director to fill the vacancy created by John's appointment.

Concluding Comments

I wish the Company every success in what promises to be another exciting stage in its development. I am sure that, under the guidance of John Hawkins, the new five year corporate strategy will deliver significant shareholder value over the coming years.

John Beckett, Chairman



CHIEF EXECUTIVE'S REVIEW

Bovine Genetics – 44% of Group Turnover

This international business uses biotechnology to drive genetic change in beef and dairy cattle. This year, 9.2 million doses of semen (2003: 8.6 million doses) were sold from the Group's five bull studs, located in four continents, to farmers in seventy countries.

The international diversity of the business usually insulates it from country agricultural cycles but, this year, unprecedented market conditions occurred simultaneously in several markets. These combined to create conditions which resulted in uneconomic competitive activity, particularly from co-operatives in the USA.

The principal exceptional factors were:

- A general downturn in the USA
- The worst drought in history in Australia
- The introduction of trade barriers in Japan
- BSE in Canada throughout the year
- A single case of BSE in the USA which slowed the recovering US market in the second half year and halted some exports for three months.
- Strong Sterling and a weak US Dollar.

Genus performed better than its competitors in these difficult market conditions. None of the Genus competitors is a publically quoted company. Two UK subsidiaries of international competitors have been put on the market. Genus has announced its intention to acquire one of these, the other has been put into administration. We believe that many of the larger national co-operatives have reported losses, which may lead to consolidation opportunities.

The Genus business increased its volume by 5% but prices were reduced, particularly in the USA where co-operative competitors offered unrealistically low prices in a drive to gain volume in the depressed market. Sales realisations in the USA increased by 5% but this translated to a decrease of 3% in Sterling terms. The increased volume improved market share in the USA by 1% to 23%. This improvement arose from the steady growth and acceptance of the Group's unique dairy Reproductive Management Service. This system allows large producers to improve the predictability in producing cattle pregnancies while driving up milk output.

By contrast, in Latin America, the changes we made to the structure last year following the collapse of the Argentinian and Brazilian exchange rates have driven through a strong profit recovery. Market share has been increased by 3% to 26% and the business has become strongly profitable.

In Australia, all the integration objectives for the acquired business, RAB, have been met and the new enhanced operation has increased its market share by 5% to 40%, but in a smaller market because of the severe drought conditions which prevailed during the first half of the year.

In summary, Europe and the UK were on plan but in North America, Australia and Japan profits were lower than expected for the above exceptional market reasons.

Research & Development

Last year we increased the R&D spend by £0.9m to £9.0m (2003: £8.1m) to hasten the speed and diversity of the bioscience programme.

The Group commercially targets its research in order to select its portfolio of fundamental biotech projects. In this way, expenditure is spread across a number of short and long-term projects, all with a high chance of commercial success, were a technical solution to be achieved.

CHIEF EXECUTIVE'S REVIEW

Targets fall into clear categories associated with size of the market opportunity, the extent of the technical difficulty for making a breakthrough and the timeframe of likely achievement. Leading projects are summarised below:-

Project	Lead Time	Impact
Increase semen output per bull	Achieved	20-40% extra sales for top bulls, worth £200-£400k per animal/year
Develop technology for other species	2/3 years	Will enable pig semen to be frozen
Increase semen fertility	3 years	Differentiates Genus semen, offers premium pricing and/or greater market penetration
Sexed Semen (several projects)	2/3 years	Differentiates Genus semen. At least doubles the price of semen. Offers potential for multi-species applications
Genetics & Gene Markers	5 plus years	<ol style="list-style-type: none">1. Increases hit rate for selection process2. Allows selection for difficult traits3. Biotech source for sexed semen

The first of the projects has already been successful and has increased the output from top bulls, none of which is now in short supply.

Two simple machines installed sometime ago at the studs in Brazil and in the UK are being used for the purposes of research into sexed semen. Two leading technologies under investigation for commercial application of sexed semen are in early prototype phases.

Animal Health - 44% of Group Turnover

This business, which sells licensed veterinary pharmaceuticals and other products and wholesales veterinary products, increased sales by 15% to £80.4m and its contribution to underlying operating profit increased by 69% to £1.6m.

Like-for-like sales in Veterinary Wholesaling increased by 10% to £71.4m. Margins improved and drove through an increase in profit contribution. However, due to intense price competition, market share reduced slightly during the second half of the year.

Some enhanced system features introduced during the year to the Palm hand held electronic ordering device called "Genuslynx" doubled orders received electronically to just over 50% by the year-end.

New products and services were introduced to differentiate the Genus service from that of the competitors. These included the supply of medical gases for surgeries, veterinary dental equipment and consumables and an intranet service to enable customers to benchmark their performance.

Licensed product turnover increased by 5% and produced an underlying operating profit increase of 11% over last year.

In September 2003, an enhanced version of *id*ENTICHIP was launched. This new chip enables vets simultaneously to take the temperature of the animal at the same time it is uniquely identified. This revolutionary new chip is called *id*ENTICHIP Bio-Thermo. Initially sales rose to over 20% of all chip sales but a temporary manufacturing problem held back growth in the final quarter. An immediate benefit

CHIEF EXECUTIVE'S REVIEW

of this new product will be to differentiate the Genus identification product range from generic competition, so creating a more stable premium priced market for Genus.

Progress has also been made in developing a number of new licensed pharmaceutical products, to add to the Group's intellectual property base and profit growth potential. Sales from Oticyl and Lax-a-Past, the two "over the counter products" launched in the first half of the year, progressed strongly. Negotiations began for access to prescription products in five other therapeutic areas.

Development Consulting - 12% of Group Turnover

This small business, located in the UK, provides consulting services to the UK Government, the EU and to overseas aid agencies for projects generally operated in less developed countries.

Development Consulting increased its turnover by 8% to £22.7m on continuing operations and produced an underlying operating profit of £0.8m, up 33% on its underlying performance last year excluding a one-off credit of £0.4m in the prior year. Amongst the notable projects in progress at the year end were:

1. Reforms to tea production in Sri Lanka for the Asian Development Bank
2. Trade Systems for Ukraine's accession to the WTO for the UK Department of International Development
3. Creation of a Social Security system for Lithuania for the European Commission.

In a departure from past business emphasis this year, the Division led the group to win, in May 2004, a large and prestigious contract to provide the UK Government Department for Environment, Food and Rural Affairs ("Defra") with emergency veterinary and management resources as a contingency for any future Foot & Mouth Disease ("FMD") outbreak.

The contract, which is expected to commence in June 2004 is for an initial period of three years, with a possible extension to five years. In the absence of a FMD outbreak, Genus will receive fees for the maintenance of a trained and equipped resource. The Development Consultancy Division will provide the major contract management and the resources will be led and supplied by other Genus divisions. The equipment, pharmaceuticals and other consumables to maintain the operation will be stored and maintained under ISO 9001 and distributed by Genus.

In the event of a FMD outbreak, Genus will receive additional fees for the delivery of the required FMD management and vaccination services for the duration of the outbreak.

Company Outlook

There is already clear evidence of an upturn in some major agricultural markets. In the USA, the Department of Agriculture has recently issued a report forecasting an upturn in the dairy sector this year. This view is supported by the leading market indicators we track, including wholesale semen prices which increased steadily throughout our fourth quarter, after being in decline for the previous three quarters.

We believe Latin America will continue to be a strong and growing opportunity for Genus provided that the exchange rate remains stable. The Group's stud in Brazil is by far the most prestigious in Latin America. The Genus market share has grown by 3% to 26% and the Group's bulls are consistently top of their rankings. In the coming year, the growth of the Latin American business will benefit from the better control now achievable following the acquisition in March of the business of Genus' exclusive agent in Chile.

We assisted the US State Department in its representations to the Japanese Agricultural Ministry and this eventually resulted in the removal of the tariff and trade protection measures introduced by the Japanese Government in the summer of 2003 with the result that trading is now back to normal.

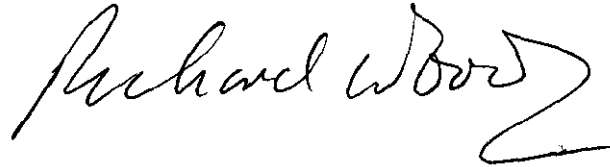
CHIEF EXECUTIVE'S REVIEW

Elsewhere in the world, prospects remain sound for next year, although there is still some uncertainty in Australia over the speed at which farmers will be able to rebuild their herds. As recently announced, the proposed regional acquisition of Supersires Ltd in the UK will provide synergy benefits from product substitution after the cost of integration has been absorbed.

Whilst 2003/4 was an exceptionally difficult and unpredictable year, we expect 2004/5 to be more settled and to herald the return of the historically good progress for the Group's principal business in Bovine Genetics.

We expect both Animal Health and Development Consulting to continue to grow at historical rates.

Richard Wood, Chief Executive

A handwritten signature in black ink that reads "Richard Wood". The signature is written in a cursive style with a large, sweeping flourish at the end.

FINANCE DIRECTOR'S REVIEW

Results

As is discussed more fully in the Chief Executive's review, 2003/4 was a year in which the Group delivered sales growth and record profit before tax despite adverse market conditions. Operating profit before exceptional items and amortisation of goodwill increased by 5% to £10.9m. The Bovine Genetics division returned reduced operating profit for the reasons discussed in the Chief Executive's report, though even in the difficult trading conditions, sales grew by 2.1%. The Consultancy business increased operating profit before goodwill amortisation and exceptional items on continuing operations by £0.2m to £0.8m following the restructuring in March 2003. The Animal Health business improved operating profit before goodwill amortisation by 69% to £1.6m.

The interest charge of £1.3m was slightly down on the prior year. Net debt has been substantially reduced by £4.7m to £7.5m at the year end as a result of strong cash inflow in the second half of the year.

During the year the group sold a number of properties for £1.1m realising a profit of £0.7m.

Profit before tax increased by £3m to £8.1m (2003: £5.1m).

The tax charge only rose by £0.5m from £2.3m to £2.8m due to a reduction in the requirement to provide for deferred taxation on timing differences and the effects of providing for impairments of purchased goodwill in the prior year. Accordingly, the tax rate on profit before tax was 34% (2003: 45%).

Earnings per Share and Dividends

The basic earnings per share increased by 87% to 15.5 pence (2003: 8.3 pence).

The Board has recommended an 18% increase in the dividend to 6.5 pence per share (2003: 5.5 pence per share). This dividend is covered 3 times by underlying earnings (2003: 4 times). The Board continues to take the view that splitting the dividend between interim and final payments is inappropriate, owing to the administrative cost of generating and posting some 29,000 dividend cheques. The dividend will be paid on 18 August 2004, one week earlier than in previous years.

Financing and Cash Flow

Net debt reduced from £12.2m to £7.5m during the year, a reduction of £4.7m. The principal components of this reduction are set out in the table below:

	£m
Net Cash Flow from Operations	14.4
Interest Paid	(1.3)
Tax Paid	(2.5)
Proceeds from Disposal of Properties	1.1
Dividends Paid	(1.9)
Acquisitions	(1.2)
Capital Expenditure (net of other asset disposals)	(3.6)
Issue of Share Capital	2.4
Foreign Exchange Differences	(2.6)
Other Movements	<u>(0.1)</u>
Movement in Net Debt	<u>4.7</u>

FINANCE DIRECTOR'S REVIEW

Treasury

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

The Group's borrowings are of three principal types:

- Bank borrowings, provided by Barclays Bank PLC
- Finance Leases and Hire Purchase contracts, which are used to finance the acquisition of certain fixed assets
- Loan notes, originally issued on the acquisition of VDC plc

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

Interest Rate Risk

The Group borrows principally in US Dollars, Australian Dollars and Sterling. Interest rate swaps may be used to generate the desired interest profile and to manage exposure to interest rate fluctuations. At the year end, no such swaps were in place.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans, loan notes and finance leases. At the year end, 94.7% of the group's borrowings were due to mature within one year and 5.7% between one and two years.

During the year, surplus funds were used to pay down all external US Dollar borrowings.

Short term flexibility is achieved through overdraft facilities, a bank multi-option facility to cover bank guarantees, borrowings and other items of £15m and a bank revolving credit facility of £10m which is available until 30th September 2005. At 31st March 2004, the Group had not drawn on the revolving credit facility.

Foreign Currency Risk

The Group is exposed to two principal types of foreign exchange risk: - transaction risk and translation risk. Transactional exposures arise from operating units selling and/or purchasing goods and services in currencies other than their reporting currency. Where these exposures are large or other than short term, they are typically hedged by the use of forward contracts.

Translation exposure arises on the retranslation of overseas subsidiary companies' profits and net assets into sterling for financial reporting purposes. Retranslation of overseas profits is not hedged, while retranslation of overseas net assets may be hedged by borrowings in the currency of those net assets where the exposure is perceived to be material to the Group's net assets. At the year end, the Group had borrowings in Australian dollars partially hedging the retranslation of its net investment in those currencies.

FINANCE DIRECTOR'S REVIEW

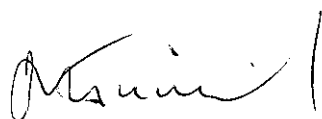
Pensions

Genus' largest pension scheme is the Milk Pension Fund, a UK-based defined benefit scheme which has a number of participating employers. Milk Marque Limited, the principal employer, has given notice of its intention to withdraw from the scheme. Negotiations are ongoing between the participating employers and the Scheme Trustees regarding the basis on which this withdrawal is to be effected.

Under FRS 17, a snapshot of the value of the scheme's assets and liabilities at 31 March 2004 showed the Genus section of the scheme as having a market value of £94.8m representing 93% of accrued benefits. The last full actuarial funding valuation of the Milk Pension Fund was in March 2003, when the actuarial value of the assets was sufficient to cover 104% of the members' accrued benefits.

Acquisition

In March 2004, the Group acquired the trade and certain assets and liabilities of Agrotec ABS Ltda, a Chilean company, for a total consideration of £543,000.



David Timmins, Group Finance Director

Financial Calendar

Dividend record date	23 July 2004
Ex-dividend date	21 July 2004
Annual General Meeting	12 August 2004
Payment of dividend	18 August 2004
Announcement of interim results	November 2004
Financial year end	31 March 2005
Announcement of final results	June 2005

DIRECTORS' PROFILES

DIRECTORS

John Beckett (69), Non-Executive Chairman

John Beckett is a proprietor of Belton Cheese Limited and a businessman from Shropshire. He has held a number of directorships with agricultural and food companies, including serving as Chairman of NWF for eleven years. He is a director of the Royal Association of Dairy Farmers.

Richard Wood (59), Chief Executive

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

David Timmins (51), Group Finance Director

David Timmins is a graduate chartered accountant, qualifying with KPMG in London. He has significant board experience in international public companies and joined Genus from Robotic Technology Systems PLC, where he was Group Finance Director for the previous 5 years. He has lived and worked in the USA and Germany.

Edwin White (63), Non-Executive Director

Edwin White is a Somerset dairy farmer and businessman. He is a director of the Royal Bath and West of England Society, Chairman of the South West Dairy Show and the founder and Chairman of the annual Dairy Industry dinner.

John Hawkins (50), Non-Executive Director

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

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors present their annual report and the financial statements for the year ended 31 March 2004.

RESULTS AND DIVIDENDS

The profit for the year, after taxation and minority interests, amounted to £5,273,000 (2003: £2,754,000). The directors are pleased to recommend the payment of a dividend of 6.5 pence per share amounting to £2,299,000 (2003: 5.5 pence per share amounting to £1,846,000) payable on 18 August 2004 to shareholders on the register at the close of business on 23 July 2004. The profit transferred to reserves is £2,967,000 (2003: £908,000).

ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activities of the Group during the year were the development of new genetic traits in cattle, sold as cattle semen world-wide, artificial insemination of cattle, providing consultancy advice to farmers, food manufacturers, agri-businesses and national and international policy makers, wholesale distribution of veterinary products and marketing of branded products for the small animal sector.

A review of the business and its future developments is contained in the Chief Executive's Review on pages 4 to 7 and the Finance Director's review on pages 8 to 10.

CHARITABLE AND POLITICAL DONATIONS

During the year there were no charitable donations (2003: £nil). There were no contributions for political purposes (2003: £nil).

DIRECTORS AND THEIR INTERESTS

The directors holding office during the year were:

- J H Beckett - non-executive Chairman
- R K Wood - Chief Executive
- D P Timmins - Group Finance Director (Appointed 29 March 2004)
- M R D Roller - Group Finance Director (Resigned 5 August 2003)
- E W White - Senior non-executive Director
- J E Hawkins - non-executive Director
- T S K Yeo - non-executive Director (Resigned 31 May 2004)

The interests of the directors, who held office at the end of the financial year, in the ordinary shares of the company, other than with respect to options to acquire ordinary shares (which are detailed in the analysis of options included in the report on directors' remuneration), are as follows:

	<i>Shareholdings</i>	
	<i>At 31 March 2004</i>	<i>At 31 March 2003*</i>
	<i>No</i>	<i>No</i>
* or subsequent date of appointment		
R K Wood	59,400	-
D P Timmins	-	-
J H Beckett	56,717	46,717
E W White	21,002	21,002
J E Hawkins	-	-
T S K Yeo	20,000	20,000
Total	157,119	87,719

DIRECTORS' REPORT

No changes in directors' interests have arisen since the balance sheet date.

R K Wood, D P Timmins and M R D Roller were employed full-time by the Company. Other than as disclosed on page 12, no directors have any other directorships of companies not in the Genus group. In accordance with the Articles of Association and best practice David Timmins will offer himself for election and John Beckett will retire as a director by rotation at the Annual General Meeting.

RESEARCH AND DEVELOPMENT

Further details relating to the Group's programme of Research & Development are contained in the Chief Executive's review on pages 4 to 7.

EMPLOYMENT POLICIES

The Group's policies respect the individual regardless of sex, race or religion. Full and fair consideration is given to applications for employment from disabled people. The services of employees who become disabled are retained wherever possible and training, career development and promotion opportunities are provided where appropriate.

The Group has a well established structure to communicate with employees at every level and to encourage their involvement regarding the Group's performance and future activities. At the balance sheet date, 28 employees held options over a total of 61,489 shares under the three year Savings Related Share Scheme.

ENVIRONMENTAL POLICY

The directors recognise and accept that concern for the environment is an essential part of business strategy and seek to minimise risk to the environment by effective management of the Group's activities.

SUPPLIERS

The Company endeavours to agree the terms of payment with suppliers prior to placing business. This ensures that suppliers are aware of these terms in advance. It is the Company's policy to settle liabilities by the due date. At 31 March 2004 the Company had no purchases outstanding in trade creditors and the Group had an average of 44 days' purchases outstanding in trade creditors.

MAJOR INTEREST IN SHARES

At the date of this report, the NFU Mutual held interests of 17.7% of the Company's issued ordinary share capital and Friends Provident Life Office held 3.1% of the Company's issued share capital. No other person has notified an interest in the ordinary shares of the Company which is required to be disclosed to the Company in accordance with Sections 198 – 208 of the Companies Act 1985.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

At the Annual General Meeting on 12 August 2004 resolutions 1 to 6 are termed ordinary business, while resolutions 7 and 8 will be special business. The special business covers the directors' authority to allot shares, the partial disapplication of pre-emption rights and the directors' authority to buy back shares as explained below. The resolutions are set out in the Notice of Annual General Meeting on pages 60 to 68.

Resolution 5 gives authority to the directors to allot shares up to a total nominal amount of £770,671 being the nominal value of the authorised ordinary share capital less the nominal value of the issued share capital at the date of the notice of the resolution and representing 21.7% of the equity share capital in issue on that date. The authority will expire at the earlier of 15 months after its passing or the conclusion of the Annual General Meeting to be held in 2005 and replaces similar authorities granted on 21 August 2003 which expire at the conclusion of the forthcoming Annual General Meeting. The directors intend to exercise the authority conferred by this resolution both to allot shares in respect of any options granted under the existing share option scheme, to issue shares under the performance share plan and to allot shares in place of ordinary shares which are purchased by the Company as one or more market purchases on the Alternative Investment Market pursuant to the authority conferred by resolution 8.

DIRECTORS' REPORT

The remuneration committee of the Company, has recently reviewed the reward strategy and use of share incentives currently operated by the Company for its more senior employees. The objective was to consider the ways in which the Company's shares could be used more efficiently to incentivise and motivate employees and executive directors to support the future long term strategy of the Company.

Following this review process the recommendations of the remuneration committee include the implementation of a new option plan, the Genus Plc 2004 Executive Share Option Plan and a new long term incentive plan, the Genus Plc 2004 Performance Share Plan. It is anticipated that the Performance Share plan will provide key persons in the Company with the opportunity to acquire a scaled reward related to company performance, but only where there is long term commitment by those employees and stretching performance targets are met. It is the remuneration committee's view that this will focus the key personnel on the future performance and success of the Company. The Share Option Plan will be used to incentivise a broader management group based on the Company's performance. These proposed plans replace all previous discretionary plans for future awards.

In addition, the remuneration committee has recommended the adoption of a new all employee share plan, the Genus Plc Share Incentive Plan. The plan is a flexible arrangement under which employees can invest in "partnership shares" out of their gross salary (i.e. before tax and national insurance). The Company can also award free shares or free "matching shares" in relation to each partnership share purchased, although it does not currently intend to use these facilities. The shares are placed in a trust for a holding period of up to five years, after which all shares will be released without any liability to income tax or national insurance. The Directors consider that the flexibility offered by the Genus plc Share Incentive Plan, together with the potential tax benefits, will provide the Company with an effective means of using shares as part of the general reward strategy.

Resolution 6.1 seeks authority to establish the Genus plc 2004 Executive Share Option Plan, a summary of the principal features of which is set out in Appendix I to this notice of the Annual General Meeting.

Resolution 6.2 seeks authority to establish the Genus plc 2004 Performance Share Plan, a summary of the principal features of which is set out in Appendix II to the notice of Annual General Meeting.

Resolution 6.3 seeks authority to establish the Genus plc 2004 Share Incentive Plan, a summary of the principal features of which is set out in Appendix III to the notice of Annual General Meeting.

In addition, part (b) of each of Resolutions 6.1, 6.2 and 6.3 enable the directors to adopt similar plans for overseas employees, but making changes where necessary or desirable to take account of overseas tax, securities and exchange control laws.

The proposed rules of the plans are available for inspection at the Company's registered office at da Vinci House, Basing View, Basingstoke, Hampshire, RG21 4EQ from the date of this report to the conclusion of the Annual General Meeting and at the place of the meeting itself for at least 15 minutes prior to and during the meeting.

The passing of resolution 7, a special resolution, will permit the directors, until the earlier of 15 months after its passing or the conclusion of the Annual General Meeting of the Company to be held in 2005, to make issues of equity securities for cash by way of rights issue or similar pre-emptive offer. In addition, they may issue equity securities for cash on a non pre-emptive basis, provided the shares so issued be limited to shares with a nominal value of £353,632, being 10% of the equity share capital in issue on 31 March 2004. £176,816 of this authority (5% of the issued share capital) can only be used to allot ordinary shares in the Company in place of ordinary shares which have been purchased by the Company as one or more market purchases on the Alternative Investment Market of the London Stock Exchange plc pursuant to the authority conferred by resolution 8. The power will, if granted, replace the similar power conferred on the directors on 21 August 2003.

DIRECTORS' REPORT

The passing of resolution 8, a special resolution, will permit the directors, until the earlier of 18 months after its passing or the conclusion of the Annual General Meeting of the Company to be held in 2005, to buy back shares on the open market to a limit of 3,536,328 ordinary shares. The minimum price payable per share is 10p (exclusive of expenses) and the maximum is limited to 105% of the average of the middle market quotation for ordinary shares on the Alternative Investment Market for the five business days prior to the date of purchase (exclusive of expenses).

In the opinion of the directors, the passing of these resolutions is in the best interests of the shareholders.

AUDITORS

Ernst & Young LLP are willing to continue in office as auditors and a resolution to re-appoint them and fix their remuneration, will be put to the forthcoming Annual General Meeting.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

An 'International Accounting Standards Regulation' was adopted by the Council of the European Union (EU) in June 2002. This regulation requires all EU companies listed on an EU stock exchange to use 'endorsed' International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), to report their consolidated results with effect from 1 January 2005. The IASB published 15 revised standards in December 2003 and intends to complete its development of IFRS to be adopted in 2005 by the end of 2004.

A process of endorsement of IFRS has been established by the EU for completion in sufficient time to allow adoption by companies in 2005. The Group has established a project team to plan for and achieve a smooth transition to IFRS. The project team is looking at all implementation aspects, including changes to accounting policies, systems impacts and the wider business issues that may arise from such a fundamental change. The Group expects that it will be fully prepared for the transition in 2005. However, the implementation plan is dependent upon the completion of the standard-setting process by the IASB and the endorsement of such standards by the EU.

The Group has not yet determined the full effects of adopting IFRS. Our preliminary view is that the major differences between our current accounting practice and IFRS will be in respect of accounting for business combinations, agricultural assets, proposed dividends, deferred tax and share-based payments.

By order of the Board


C.J. Vickers
Secretary
3 June 2004

REPORT ON DIRECTORS' REMUNERATION

As a company whose shares are traded on the Alternative Investment Market, the Company is not required to, and does not, comply with Schedule 7A of the Companies Act 1985. The following disclosures are provided on a voluntary basis.

The Remuneration Committee comprises three non-executive directors – John Hawkins (Acting Chairman), John Beckett and Edwin White. The Committee makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for executive directors in order to attract, retain and motivate high quality executives capable of achieving the Group's objectives.

REMUNERATION POLICY

The Remuneration Committee policy for executive directors' pay is to provide basic salaries and benefits of car, fuel and private health insurance at a rate competitive with that paid to directors of similar sized international public companies. Incentives are approached in a similar manner. A short term bonus is paid on the improvement in underlying pre tax profits, subject to a maximum bonus payable of 50% of annual salary. This bonus is pensionable. Long term incentives are driven by achievement of milestones established for the long term strategic plan and take the form of share options. The Remuneration Committee can award share options annually as a proportion of salary in any one year, subject to this not exceeding, in aggregate, four times salary. The shares can only be released if performance criteria are met during a three year period following the grant of the options, as set out below.

The Committee made awards of share options during the year ended 31 March 2004 to the executive directors and to a number of senior managers. The conditions are:

- 1) that the average annual percentage growth in underlying EPS exceeds 6% per annum over the performance period; and
- 2) that the average annual percentage growth in underlying EPS exceeds the average annual percentage increase in RPI by a minimum of 3% per annum over the performance period.

Details of awards to directors are shown in the table of directors' interests on page 18 and details of the performance criteria for other share option schemes are included in note 21 to the accounts.

Two new incentive schemes are being proposed for approval at the Annual General Meeting as stated in the notice of the Annual General Meeting on pages 60 to 68 to replace the existing share option scheme but not prejudicing the rights of existing option holders.

PENSION ARRANGEMENTS

Richard Wood is a member of a defined contribution scheme whereby the Company pays contributions based on 30% of pensionable capped earnings. He also has a FURBS into which the Company made a contribution of £30,000 in the year ended 31 March 2004. The Company paid contributions to Michael Roller's personal pension scheme based on 12% of his gross salary, equivalent to 18% of pensionable capped earnings. The executive directors are provided with life cover for death in service equivalent to four times basic pensionable earnings.

SERVICE CONTRACTS

The service contracts of the executive directors may be terminated by the Company on twelve months' notice. There are provisions for compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

In the event of a change in control the executive directors would be entitled to resign within six months following a change of control and receive compensation amounting to two times gross emoluments including the average of the last three years' bonuses paid to the individual executive director.

REPORT ON DIRECTORS' REMUNERATION

NON-EXECUTIVE DIRECTORS

Fees for the non-executive directors are determined by the Board as a whole having regard to the time devoted to the Company's affairs. The non-executive directors do not participate in any of the Company's incentive schemes. Their appointment is not for a fixed term and they are subject to periodic re-election at the Company's Annual General Meeting by rotation.

DIRECTORS' REMUNERATION

	<i>Salary and fees</i> £000	<i>Compensation for loss of office</i> £000	<i>Benefits</i> £000	<i>Total</i> 2004 £000	<i>Total</i> 2003 £000	<i>Pension</i> 2004 £000	<i>Pension</i> 2003 £000
<i>Executive directors</i>							
R K Wood	204	-	21	225	278	60	59
D P Timmins	2	-	-	2	-	-	-
M R D Roller	57	82	1	140	6	16	-
T P Acton	-	-	-	-	131	-	9
<i>Non-executive directors</i>							
J H Beckett	60	-	-	60	55	-	-
E W White	30	-	-	30	25	-	-
J E Hawkins	30	-	-	30	22	-	-
T S K Yeo	30	-	-	30	13	-	-
Total	413	82	22	517	530	76	68

M R D Roller resigned on 5 August 2003. D P Timmins was appointed on 29 March 2004. T S K Yeo resigned on 31 May 2004.

DIRECTORS' SHARE OPTIONS

The directors at 31 March 2004 had the following interest in share options:

		<i>Exercise price</i>	<i>Share options</i>	
			<i>At 31 March 2004</i>	<i>At 31 March 2003*</i>
			<i>No</i>	<i>No</i>
R K Wood	(1)	50p	-	149,400
	(2)	50p	15,600	15,600
	(3)	175p	89,800	89,800
	(4)	175p	89,800	89,800
	(5)	90p	194,837	194,837
	(6)	173p	43,414	43,414
	(7)	192.5p	153,000	-
			586,451	582,851

* or subsequent date of appointment

No other director at 31 March 2004 had interests in share options.

REPORT ON DIRECTORS' REMUNERATION

The options are exercisable between the following dates:

- (1) 28 August 2000 and 29 August 2007
- (2) 20 March 2000 and 21 March 2007
- (3) 3 November 2002 and 4 November 2009
- (4) 5 March 2003 and 6 March 2010
- (5) 28 November 2004 and 29 November 2011
- (6) 11 June 2005 and 12 June 2012
- (7) 6 June 2006 and 7 June 2013

M R D Roller was granted options over 77,922 shares at an option price of 192.5p during the year prior to his resignation as a director on 5 August 2003.

R K Wood was granted options over 153,000 shares at an option price of 192.5p during the year. He exercised options over 149,400 shares in the year of which 90,000 shares were sold, and the aggregate gains realised of £130,000 were used to cover the subscription costs and taxes payable.

The market price of the Company's shares on 31 March 2004 was 188.5 pence and the high and low share prices during the year were 217.4 pence and 148.0 pence respectively.

Further details on share option schemes and the performance criteria for exercise are shown in note 21.

J E Hawkins
Acting Chairman of the Remuneration Committee

Corporate Governance Statement

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the Code provisions set out in section 1 of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel and the recommendations contained in the Turnbull report.

STATEMENT BY THE DIRECTORS' ON COMPLIANCE WITH THE PROVISIONS OF THE COMBINED CODE

The directors consider that throughout the whole of the financial year the Company has fully complied with all the relevant provisions set out in Section 1 of the Combined Code.

THE WORKINGS OF THE BOARD AND ITS COMMITTEES

The Board is responsible to shareholders for the proper management of the Group and currently comprises an independent non-executive Chairman, the Chief Executive, the Group Finance Director and two other independent non-executive directors. Biographies of the directors appear on page 12. The Board considers that these demonstrate a range of experience and sufficient calibre to bring independent judgement to bear on issues of strategy, performance, resource and standards of conduct which are vital to the success of the Group. A statement of the directors' responsibilities in respect of the accounts and a statement on going concern are given on page 23. The Board meets at least every second month with a schedule of matters reserved for it to decide including setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition possibilities, formulating policy on key issues and reporting to shareholders.

All directors have access to the advice and services of the Company Secretary, John Vickers, or to independent professional advice as required. In addition, the Company ensures that the directors receive appropriate training as and when necessary. To ensure the Board is able to discharge its duties, all directors receive appropriate and timely information, with Board packs being issued to all directors in advance of Board meetings. The Company Secretary ensures that Board procedures are followed and that all applicable rules and regulations are complied with.

The following committees deal with the specific aspects of the Group's affairs:

- The Audit Committee, comprising John Hawkins (Chairman), John Beckett and Edwin White, is formally constituted with a written basis of reference, meets at least twice a year and has particular consideration of the cost effectiveness, independence and objectivity of the external auditors. Meetings are attended by the Group Finance Director and minutes are circulated to all directors.
- The Remuneration Committee, comprising John Hawkins (Acting Chairman), John Beckett and Edwin White meets as required to review the performance of the executive directors, to recommend their remuneration and other benefit packages, including performance related bonus schemes, pension rights and compensation payments, and, in accordance with the Articles of Association, the Board sets the remuneration of the non-executives. The Report on Directors' Remuneration is shown on pages 17 to 19 and provides further details of the Company's policies on remuneration and service contracts.
- The Nomination Committee comprising John Beckett (Chairman), Richard Wood and John Hawkins is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. In appropriate cases, recruitment consultants are used to assist the process.

All directors are subject to re-election every three years in accordance with the Articles of Association.

CORPORATE GOVERNANCE

The Board takes the opportunity at the Annual General Meeting to meet with and communicate to private and institutional investors and welcomes their involvement. The Chairman's Statement on pages 2 and 3 and the Chief Executive's Review on pages 4 to 7 provide a detailed review of the Group's performance and future developments. John Hawkins will answer questions as chairman of the Audit Committee and on behalf of the Remuneration Committee at the Annual General Meeting on 12 August 2004.

INTERNAL CONTROL

The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and provides only reasonable and not absolute assurance against material misstatement or loss. The Board established procedures necessary to implement the guidance 'Internal Control – Guidance for Directors on the Combined Code', (the Turnbull Report) in the period to 31 March 2001 and confirms that key elements of the process have been in place during the year under review and up to the date of this report.

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives within an acceptable risk/reward profile, and confirms that there is an ongoing process for identifying and evaluating the significant risks faced by the Group and the effectiveness of related controls. The process is regularly reviewed by the Board and accords with the Turnbull guidance on internal control. The key elements of this process are:

Identification of business risks

The Board is responsible for identifying the major business risks faced by the Group. The Group Finance Director is responsible for monitoring and reporting areas of significant business risk to the Board and for co-ordinating the management of such risks within each division. Divisional heads are responsible for identification and monitoring of risks within their divisions.

Management structure

Authority to operate the various subsidiary companies is delegated to local management within limits set by the Board. The appointment of executives to the most senior positions within the Group requires the approval of the Board. Functional, operating and financial reporting standards are established by the Group Finance Director for application across the whole Group. The corporate procedures manual sets out delegation of authority and authorisation levels, and other control procedures together with Group accounting policies. These procedures are supplemented by operating standards set by the local management, as required for the type of business and the geographical location of each subsidiary.

Divisional operating boards, comprising the Chief Executive as Chairman, the Group Finance Director, the divisional Chief Operating Officer and other executives meet on a regular basis to review the Division's performance against its budget, long and short term strategies and other key business issues.

Information and financial reporting systems

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

Quality and integrity of personnel

The integrity and competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated throughout the organisation.

CORPORATE GOVERNANCE

Investment appraisal

Capital expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specific levels, detailed written proposals have to be submitted to the Board. Due diligence work is carried out if a business is to be acquired and reviews are carried out after the acquisition is complete. Investigations are performed on any significant overspends and corrective action is taken where required.

Audit committee

The Audit Committee monitors the controls which are in force and considers and determines appropriate action in respect of any control issues raised by the external auditors.

The directors have reviewed the effectiveness of the Group's system of internal control as it operated during the year.

John Beckett, Chairman

A handwritten signature in black ink, appearing to read 'John Beckett', written in a cursive style.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

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.

INDEPENDENT AUDITORS' REPORT
to the members of Genus plc

We have audited the Group's financial statements for the year ended 31 March 2004 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows, Analysis of Changes in Net Debt and the related notes 1 to 32. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities in Relation to the Financial Statements.

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

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

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

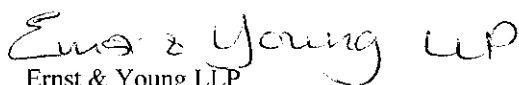
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Manchester

E 3 JUN 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2004

	Notes	Continuing Operations		Discontinued	Total	Total
		Before	Exceptional	Operations	2004	2003
		Exceptional	Items			
		Items				
		£000	£000	£000	£000	£000
TURNOVER						
Continuing operations		183,710	-	-	183,710	169,749
Discontinued operations		-	-	-	-	3,041
	2	<u>183,710</u>	-	-	<u>183,710</u>	<u>172,790</u>
Underlying operating profit/(loss)	2,3	11,359	(503)	(436)	10,420	10,182
Amortisation of goodwill	3	(1,674)	-	-	(1,674)	(1,805)
OPERATING PROFIT/(LOSS)	2,3	9,685	(503)	(436)	8,746	8,377
Of which:						
Continuing operations		9,685	(503)	-	9,182	9,971
Discontinued operations		-	-	(436)	(436)	(1,594)
Continuing operations						
Profit on disposal of properties		-	711	-	711	1,205
Profit on disposal of investment		-	-	-	-	34
Discontinued operations						
Loss on disposal of discontinued operations		-	-	-	-	(3,179)
Interest receivable and similar income	4	5	-	-	5	62
Interest payable and similar charges	5	(1,319)	-	-	(1,319)	(1,357)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		8,371	208	(436)	8,143	5,142
Tax on profit on ordinary activities	6	(3,135)	189	150	(2,796)	(2,325)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,236	397	(286)	5,347	2,817
Minority interests – equity		(74)	-	-	(74)	(63)
PROFIT FOR THE FINANCIAL YEAR		5,162	397	(286)	5,273	2,754
Dividends on equity shares	7				(2,306)	(1,846)
RETAINED PROFIT FOR THE YEAR	22				<u>2,967</u>	<u>908</u>
Earnings per share - underlying	8				19.5p	22.2p
- basic	8				15.5p	8.3p
- diluted	8				15.3p	8.1p
Dividend per share	7				6.5p	5.5p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2004	2003
	£000	£000
Profit for the financial year	5,273	2,754
Exchange difference on the re-translation of net assets of subsidiary undertakings	(4,772)	(1,633)
Exchange difference on borrowings	607	(889)
Tax on exchange differences	-	254
Total recognised gains and losses relating to the year	<u>1,108</u>	<u>486</u>

CONSOLIDATED BALANCE SHEET

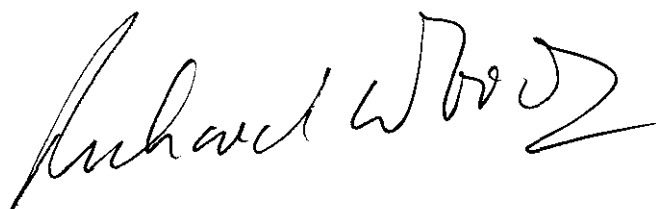
at 31 March 2004

	Notes	2004 £000	2003 £000
FIXED ASSETS			
Intangible assets	10	25,875	28,147
Tangible assets	11	15,876	16,851
Investments	12	241	83
		<u>41,992</u>	<u>45,081</u>
CURRENT ASSETS			
Stocks	13	16,233	17,640
Debtors	14	32,456	32,177
Cash at bank and in hand		4,330	6,831
		<u>53,019</u>	<u>56,648</u>
CREDITORS: amounts falling due within one year	15	44,990	47,636
NET CURRENT ASSETS		<u>8,029</u>	<u>9,012</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>50,021</u>	<u>54,093</u>
CREDITORS: amounts falling due after more than one year	16	605	5,759
PROVISIONS FOR LIABILITIES AND CHARGES	19	681	623
ACCRUALS AND DEFERRED INCOME	20	30	32
EQUITY MINORITY INTERESTS		-	222
NET ASSETS		<u>48,705</u>	<u>47,457</u>
CAPITAL AND RESERVES			
Called up share capital	21	3,536	3,357
Share premium account	22	36,975	34,708
Profit and loss account	22	8,194	9,392
EQUITY SHAREHOLDERS' FUNDS	23	<u>48,705</u>	<u>47,457</u>

Approved by the Board on 3 June 2004
and signed on their behalf

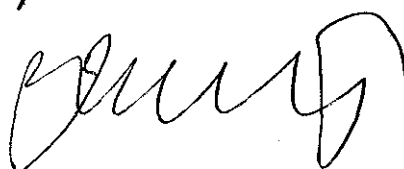
R K Wood

Chief Executive



J H Beckett

Chairman



Genus plc

COMPANY BALANCE SHEET

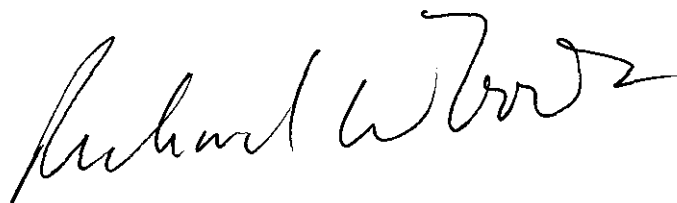
at 31 March 2004

	Notes	2004 £000	2003 £000
FIXED ASSETS			
Investments	12	46,769	40,953
CURRENT ASSETS			
Debtors	14	25,542	34,427
		25,542	34,427
CREDITORS: amounts falling due within one year	15	29,555	31,050
NET CURRENT (LIABILITIES)/ASSETS		(4,013)	3,377
TOTAL ASSETS LESS CURRENT LIABILITIES		42,756	44,330
CREDITORS: amounts falling due after more than one year	16	-	4,151
NET ASSETS		42,756	40,179
CAPITAL AND RESERVES			
Called up share capital	21	3,536	3,357
Share premium account	22	36,975	34,708
Profit and loss account	22	2,245	2,114
EQUITY SHAREHOLDERS' FUNDS		42,756	40,179

Approved by the Board on 3 June 2004
and signed on their behalf

R K Wood

Chief Executive



J H Beckett

Chairman



CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2004

	<i>Note</i>	<i>2004</i> £000	<i>2003</i> £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	14,393	13,454
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received and similar income		5	62
Interest paid and similar charges		(1,028)	(1,180)
Interest element of finance lease and hire purchase rental payments		(291)	(177)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,314)	(1,295)
TAXATION			
Corporation tax paid		(1,374)	(991)
Overseas tax paid		(1,168)	(646)
		(2,542)	(1,637)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(3,986)	(6,005)
Payments to acquire investments		(158)	-
Receipts from sales of tangible fixed assets		1,625	4,693
Receipts from sales of investments		-	34
NET CASH OUTFLOW ON CAPITAL EXPENDITURE		(2,519)	(1,278)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiaries and businesses		(1,234)	(4,838)
Net cash acquired		-	42
		(1,234)	(4,796)
EQUITY DIVIDENDS PAID		(1,853)	(1,576)
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		4,931	2,872

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
for the year ended 31 March 2004

	<i>Note</i>	2004 £000	2003 £000
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		4,931	2,872
FINANCING			
Repayment of loan notes		(979)	(835)
New bank loans		378	-
Repayment of bank loans		(6,133)	(3,541)
Finance leases		160	2,382
Repayments of capital element of finance leases and hire purchase rental payments		(997)	(920)
Issue of ordinary share capital		2,446	602
NET CASH OUTFLOW FROM FINANCING		(5,125)	(2,312)
(DECREASE)/INCREASE IN CASH	25	(194)	560

ANALYSIS OF CHANGES IN NET DEBT DURING THE YEAR

Reconciliation of net cash flow to movement in net debt:

	<i>Note</i>	2004 £000	2003 £000
(Decrease)/increase in cash in year		(194)	560
Repayment of loan notes		979	835
New long term loans		(378)	-
Repayment of bank loans		6,133	3,541
New finance leases		(160)	(2,382)
Repayment of capital element of finance lease contracts		997	920
Change in net debt resulting from cash flows		7,377	3,474
Exchange differences		(2,639)	(24)
Other		-	(219)
Movement in net debt		4,738	3,231
Net debt at 1 April		(12,196)	(15,427)
Net debt at 31 March	25	(7,458)	(12,196)

NOTES TO THE ACCOUNTS

at 31 March 2004

1. ACCOUNTING POLICIES

Basis of preparation

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

Goodwill

For acquisitions made on or after 1 April 1998 positive goodwill is capitalised as an intangible fixed asset and amortised through the profit and loss account over its useful economic life to a maximum of 20 years. It is reviewed for impairment at the end of its first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill arising on acquisitions prior to 1 April 1998 has been eliminated against reserves and has not been re-instated on implementation of FRS 10.

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Basis of consolidation

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

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

Fixed assets, depreciation and amortisation

Fixed assets, with the exception of the MOET herd, are stated at cost less depreciation. Depreciation and amortisation is calculated to write off the assets over their estimated lives on a straight line basis. Milk quota is amortised on a straight line basis over 10 years. The rates of annual depreciation on tangible fixed assets are as follows:

Freehold land	Nil
Freehold buildings	2% - 10%
Equipment	5% - 33 1/3%
Motor vehicles	20% - 30%
Livestock	14% - 50%

The MOET herd is initially stated at cost less any provision for impairment in accordance with FRS 11, which is revised annually. An annual charge for depreciation is not recorded in respect of the MOET herd as the estimated residual value is not materially different from the carrying value.

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

Government grants

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

NOTES TO THE ACCOUNTS

at 31 March 2004

1. **ACCOUNTING POLICIES** (continued)

Leased assets

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over their estimated useful lives. The capital elements of future lease obligations are included as liabilities on the balance sheet. The related finance charges are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding. Rentals under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Cost represents purchase price or production costs including labour and attributable overheads, based on normal levels of activity.

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

Contract revenues and profit recognition

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

Pensions

The Group operates a defined benefit scheme for some of its employees. Pension costs are recognised on a systematic basis to match the costs of providing retirement benefits evenly over the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities is allocated over the average remaining service lives of current employees.

A number of employees are members of defined contribution pension schemes. Contributions are charged to profit and loss as they become payable in accordance with the rules of the scheme. The assets of these schemes are held separately from those of the Group.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. This is subject to deferred taxation assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Group's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

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

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

NOTES TO THE ACCOUNTS

at 31 March 2004

1. ACCOUNTING POLICIES (continued)

Foreign currencies

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

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the re-translation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account, with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against investments in overseas subsidiaries. These are taken directly to reserves together with the exchange difference on the net investment in the subsidiaries. Tax charges and credits attributed to exchange differences on those borrowings are also taken to reserves.

Research and development

The Group's policy is to write off expenditure on research and development as incurred.

Derivative instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The Group also uses interest rate swaps to adjust interest rate exposures.

The Group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

Forward foreign currency contracts

The criteria for forward currency contracts are:

- the instrument must hedge an identified and probable foreign currency asset or liability;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the Group's operations.

The contract rates are used to record the hedged items. As a result, the gains and losses on the hedging instruments are offset against those on the related financial assets and liabilities. Where the instrument is used to hedge a committed or probable future transaction, the gains and losses on the hedging instrument are not recognised until the transaction occurs.

Interest rate swaps

The Group's criteria for interest rate swaps are:

- the instrument must hedge an identified asset or liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing the net interest payable. Interest rate swaps are not revalued to fair value or shown on the Group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

NOTES TO THE ACCOUNTS

at 31 March 2004

2. TURNOVER AND SEGMENTAL ANALYSIS

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

Area of activity	<i>Turnover</i>		<i>Underlying operating profit*</i>		<i>Net assets</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bovine Genetics	80,650	79,002	10,064	11,198	42,648	38,000
Consultancy	22,657	23,930	328	(442)	127	6,554
Animal Health	80,438	69,955	1,624	962	17,770	18,329
	<u>183,745</u>	<u>172,887</u>	<u>12,016</u>	<u>11,718</u>	<u>60,545</u>	<u>62,883</u>
Inter-segmental sales	(43)	(97)	-	-	-	-
Unallocated	8	-	(1,596)	(1,536)	(11,840)	(15,426)
	<u>183,710</u>	<u>172,790</u>	<u>10,420</u>	<u>10,182</u>	<u>48,705</u>	<u>47,457</u>

*before amortisation of goodwill

The results of the discontinued businesses in the year, included above, are tabulated separately on page 35.

Area of activity	<i>Operating profit</i>	
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Bovine Genetics	9,145	10,317
Consultancy	297	(642)
Animal Health	900	238
	<u>10,342</u>	<u>9,913</u>
Unallocated	(1,596)	(1,536)
	<u>8,746</u>	<u>8,377</u>
Non-operating exceptional items		
Bovine Genetics	711	1,266
Consultancy	-	(3,179)
Animal Health	-	(61)
Unallocated	-	34
Net interest	(1,314)	(1,295)
Profit on ordinary activities before taxation	<u>8,143</u>	<u>5,142</u>

NOTES TO THE ACCOUNTS

at 31 March 2004

2. TURNOVER AND SEGMENTAL ANALYSIS (CONTINUED)

Geographical region of origin

	<i>Turnover</i>		<i>Operating profit</i>		<i>Net assets</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
United Kingdom	141,308	131,421	5,593	4,099	41,481	40,820
Europe	6,687	6,231	1,019	1,196	2,742	1,854
North America	34,749	37,128	3,126	3,947	13,408	15,793
Rest of the World	10,026	6,552	604	671	2,914	4,416
	<u>192,770</u>	<u>181,332</u>	<u>10,342</u>	<u>9,913</u>	<u>60,545</u>	<u>62,883</u>
Inter-segmental sales	(9,060)	(8,542)				
Unallocated	-	-	(1,596)	(1,536)	(11,840)	(15,426)
	<u>183,710</u>	<u>172,790</u>	<u>8,746</u>	<u>8,377</u>	<u>48,705</u>	<u>47,457</u>
Non-operating exceptional items			711	(1,940)		
Net interest			(1,314)	(1,295)		
Profit on ordinary activities before taxation			<u>8,143</u>	<u>5,142</u>		

Geographical region of destination

	<i>Turnover</i>	
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
United Kingdom	116,473	107,217
Europe	19,953	17,077
North America	22,721	25,248
Rest of the World	24,563	23,248
	<u>183,710</u>	<u>172,790</u>

Unallocated costs within operating profit are common corporate costs.

Unallocated net liabilities comprise:

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Fixed assets and investments	241	533
Debtors	185	961
Creditors	(240)	(577)
Net Debt	(7,458)	(12,196)
Taxation	(2,269)	(2,079)
Proposed dividends	(2,299)	(1,846)
Minority interest	-	(222)
	<u>(11,840)</u>	<u>(15,426)</u>

NOTES TO THE ACCOUNTS

at 31 March 2004

2. TURNOVER AND SEGMENTAL ANALYSIS (CONTINUED)

The segmental analysis includes the following results from discontinued activities:

	<i>Geographical region of origin</i>				<i>Region of destination</i>	
	<i>Turnover</i>		<i>Operating loss</i>		<i>Turnover</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
United Kingdom	-	2,430	(436)	(1,498)	-	1,237
Europe	-	-	-	-	-	160
North America	-	611	-	(96)	-	1,116
Rest of the World	-	-	-	-	-	528
	-	3,041	(436)	(1,594)	-	3,041

Operating loss for 2003 includes amortisation of goodwill of £169,000.

Area of Activity	<i>Turnover</i>		<i>Operating loss</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Consultancy	-	3,041	(436)	(1,594)

No significant turnover or profits arose from the business acquired in Chile on 24 March 2004. Net assets acquired in the acquisition are outlined in note 12.

3. OPERATING PROFIT

Operating costs comprise:

	<i>Continuing operations</i>	<i>Discontinued operations</i>	<i>2004 Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost of sales	113,755	-	113,755
Distribution costs	37,466	-	37,466
Administrative expenses	23,307	436	23,743

NOTES TO THE ACCOUNTS
at 31 March 2004

3. OPERATING PROFIT (CONTINUED)

	<i>Continuing operations</i>	<i>Discontinued operations</i>	<i>2003 Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost of sales	101,702	3,997	105,699
Distribution costs	32,198	-	32,198
Administrative expenses	25,878	638	26,516
	<u> </u>	<u> </u>	<u> </u>

This is stated after charging/(crediting):

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration		
- audit services	264	215
- non-audit services	59	14
Depreciation of owned fixed assets	2,786	2,535
Depreciation of assets held under finance leases and hire purchase contracts	850	900
Amortisation of milk quota	8	7
Amortisation of goodwill	1,674	1,805
Operating lease rentals		
- plant and machinery	530	507
- land and buildings	824	711
Research and development costs	8,955	8,045
Government grants released	(2)	(1)
Loss/(profit) on sale of fixed assets	183	(304)
	<u> </u>	<u> </u>

£48,000 (2003: £47,700) of auditors' remuneration for audit services relates to the Company.

Exceptional costs comprise:

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Abortive acquisition costs	147	-
Settlement of employment case in USA and related costs	356	-
Relocation of Head Office	-	247
	<u> </u>	<u> </u>
	503	247
	<u> </u>	<u> </u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Bank interest receivable	5	61
Other similar income	-	1
	<u> </u>	<u> </u>
	5	62
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
at 31 March 2004

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Bank loans and overdrafts	1,036	995
Loan notes	75	111
Finance charges payable under finance lease and hire purchase contracts	124	177
Amortisation of issue costs	72	72
Other similar charges	12	2
	<u>1,319</u>	<u>1,357</u>

6. TAXATION

(a) Tax on profit on ordinary activities

The taxation charge for the year is made up as follows:

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
UK corporation tax	1,220	876
Adjustment in respect of previous periods – UK corporation tax	(34)	89
Total UK tax	<u>1,186</u>	<u>965</u>
Overseas tax	1,491	1,114
Adjustment in respect of previous periods – Overseas tax	77	-
Total Overseas tax	<u>1,568</u>	<u>1,114</u>
Total current tax (note 6(c))	<u>2,754</u>	<u>2,079</u>
Deferred tax - origination and reversal of timing differences	137	345
- adjustment in respect of previous periods	(95)	(99)
Group deferred tax (note 19)	<u>42</u>	<u>246</u>
Tax on profit on ordinary activities	<u>2,796</u>	<u>2,325</u>

The tax effect of disposals of properties, investments and businesses amounted to £nil (2003: (£120,000)).

NOTES TO THE ACCOUNTS
at 31 March 2004

6. TAXATION (CONTINUED)

(b) Tax included in Consolidated Statement of Total Recognised Gains and Losses

The tax (credit)/charge is made up as follows:

	2004 £000	2003 £000
UK corporation tax	-	53
Total current tax	-	53
Deferred tax - origination and reversal of timing differences	-	(320)
- adjustment in respect of previous periods	-	13
Total deferred tax (note 19)	-	(307)
	-	(254)

(c) Factors affecting the tax charge for the year

The tax charged for the year is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2004 £000	2003 £000
Profit on ordinary activities before tax	8,143	5,142
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	2,443	1,542
Effects of:		
Expenses not deductible for tax purposes (including goodwill amortisation)	140	556
Tax effect of timing differences arising in the accounts	(154)	(499)
Adjustments to tax charge in respect of previous periods	43	89
Overseas tax rates higher than in UK	378	342
Utilisation of tax losses	(96)	(106)
Losses arising in the year not relieved against current tax	-	155
Total current tax (note 6(a))	2,754	2,079

(d) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances, short term timing differences and losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £876,000. The asset would be recovered if future relevant profits arose when the reversal of timing differences could be used against them.

NOTES TO THE ACCOUNTS
at 31 March 2004

7. DIVIDEND

	2004		2003	
	<i>Per share</i>	<i>£000</i>	<i>Per share</i>	<i>£000</i>
Prior year dividend on shares issued after year end		7		-
Proposed dividend	6.5p	2,299	5.5p	1,846
		<u>2,306</u>		<u>1,846</u>

8. EARNINGS PER SHARE

The basic earnings per share of 15.5p (2003: 8.3p) is based on the profit for the financial year of £5,273,000 (2003: £2,754,000) and the weighted average number of ordinary shares in issue of 34,051,042 (2003: 33,322,000).

The underlying earnings per share of 19.5p (2003: 22.2p) is based on the earnings of continuing operations before amortisation of goodwill and exceptional items as set out below:

	2004	2003
	<i>£000</i>	<i>£000</i>
Profit for the financial year	5,273	2,754
Add: Amortisation of goodwill	1,674	1,805
Exceptional operating items	503	247
Profit on disposal of investment	-	(34)
(Profit)/loss on disposal of properties and businesses	(711)	1,974
Loss on discontinued operations	436	1,425
	<u>7,175</u>	<u>8,171</u>
Less: Associated taxation on adjustments	(539)	(775)
Underlying earnings	<u>6,636</u>	<u>7,396</u>

The directors consider that underlying earnings per share as calculated is an appropriate and consistent measure of the Group's performance.

The diluted earnings per share of 15.3p (2003: 8.1p) is based on profit for the financial year of £5,273,000 (2003: £2,754,000) and on 34,488,843 (2003: 34,175,000) diluted ordinary shares as set out below:

	2004	2003
	<i>000's</i>	<i>000's</i>
Basic weighted average number of shares	34,051	33,322
Dilutive potential ordinary shares:		
Employee share options	438	853
	<u>34,489</u>	<u>34,175</u>

NOTES TO THE ACCOUNTS
at 31 March 2004

9. EMPLOYEES

Staff costs during the year amounted to:

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	26,981	28,358
Social security costs	3,928	5,405
Other pension costs	1,260	1,163
	<u>32,169</u>	<u>34,926</u>

The average number of employees during the year was as follows:

	<i>2004</i>	<i>2003</i>
	<i>No</i>	<i>No</i>
Production and service	670	581
Distribution	430	479
Administration	225	292
	<u>1,325</u>	<u>1,352</u>

Details of directors' emoluments, pensions and share options are included in the Report on Directors' Remuneration on pages 16 to 19.

10. INTANGIBLE FIXED ASSETS

<i>Group</i>	<i>Goodwill</i>	<i>Milk Quota</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 April 2003	37,489	126	37,615
Additions	998	-	998
Exchange rate adjustment	(2,008)	-	(2,008)
	<u>36,479</u>	<u>126</u>	<u>36,605</u>
At 31 March 2004	36,479	126	36,605
Amortisation:			
At 1 April 2003	9,365	103	9,468
Charge in the year	1,674	8	1,682
Exchange rate adjustment	(420)	-	(420)
	<u>10,619</u>	<u>111</u>	<u>10,730</u>
At 31 March 2004	10,619	111	10,730
Net book value:			
At 31 March 2004	<u>25,860</u>	<u>15</u>	<u>25,875</u>
At 1 April 2003	<u>28,124</u>	<u>23</u>	<u>28,147</u>

Goodwill arising on acquisitions is being amortised over the directors' estimate of the useful life of 20 years.

NOTES TO THE ACCOUNTS

at 31 March 2004

10. INTANGIBLE FIXED ASSETS (CONTINUED)

Additions during the year can be summarised as follows:

	£'000
Acquisition of Agrotec SA	307
Buyout of minority in BOVEC SA	58
Investments in Australia	277
Investments in Brazil	356
	<u>998</u>

The investments in Australia relate to payments made pursuant to the agreement to acquire the business of RAB during the prior year. The investment in Brazil represents an additional cost of investment in the business of ABS Pecplan Ltda.

11. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Land and buildings</i>		<i>Motor vehicles and equipment</i>		<i>Livestock</i>	<i>Total</i>
	<i>Freehold</i>	<i>Owned</i>	<i>Leased</i>			
	<i>£000</i>	<i>£000</i>	<i>£000</i>		<i>£000</i>	<i>£000</i>
Cost:						
At 1 April 2003	8,846	12,957	5,338		5,843	32,984
Additions	194	2,030	348		1,414	3,986
Acquisitions	-	39	-		-	39
Disposals	(795)	(1,805)	(542)		(1,287)	(4,429)
Exchange rate adjustment	(113)	(292)	-		(191)	(596)
At 31 March 2004	<u>8,132</u>	<u>12,929</u>	<u>5,144</u>		<u>5,779</u>	<u>31,984</u>
Depreciation:						
At 1 April 2003	1,785	8,980	2,907		2,461	16,133
Charge in the year	271	1,879	435		1,051	3,636
Disposals	(374)	(1,742)	(494)		(719)	(3,329)
Exchange rate adjustment	(7)	(241)	(7)		(77)	(332)
At 31 March 2004	<u>1,675</u>	<u>8,876</u>	<u>2,841</u>		<u>2,716</u>	<u>16,108</u>
Net book value:						
At 31 March 2004	<u>6,457</u>	<u>4,053</u>	<u>2,303</u>		<u>3,063</u>	<u>15,876</u>
At 1 April 2003	<u>7,061</u>	<u>3,977</u>	<u>2,431</u>		<u>3,382</u>	<u>16,851</u>

As at 31 March 2004 and 31 March 2003, the MOET herd was included in the livestock balance at a cost of £1,817,000 and net book value of £509,000.

NOTES TO THE ACCOUNTS
at 31 March 2004

12. INVESTMENTS

<i>Group</i>	<i>Trade Investments</i>		
	<i>Unlisted</i>	<i>Total</i>	
	<i>£000</i>	<i>£000</i>	
Cost:			
At 1 April 2003	83	83	
Additions	158	158	
At 31 March 2004	<u>241</u>	<u>241</u>	
<i>Company</i>	<i>Loans to subsidiary undertakings</i>	<i>Subsidiary undertakings</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 April 2003	-	45,095	45,095
Additions	5,424	392	5,816
At 31 March 2004	<u>5,424</u>	<u>45,487</u>	<u>50,911</u>
Provision for impairment:			
At 1 April 2003 and at 31 March 2004	-	4,142	4,142
Net book value:			
At 31 March 2004	<u>5,424</u>	<u>41,345</u>	<u>46,769</u>
At 1 April 2003	<u>-</u>	<u>40,953</u>	<u>40,953</u>

NOTES TO THE ACCOUNTS
at 31 March 2004

12. INVESTMENTS (CONTINUED)

Analysis of acquisitions during the year

On 24 March 2004 the Group acquired the trade and certain assets of Agrotec ABS Ltda, a company incorporated in Chile, for a consideration of £543,000 inclusive of fees. An analysis of this acquisition is set out below.

	<i>Book value £000</i>	<i>Fair value adjustments £000</i>	<i>Fair value £000</i>	<i>Other acquisitions £000</i>	<i>Total £000</i>
Net assets acquired:					
Fixed assets	39	-	39	-	39
Stocks	325	(174)	151	-	151
Debtors	246	-	246	-	246
Creditors: amounts falling due within one year	(200)	-	(200)	-	(200)
	<u>410</u>	<u>(174)</u>	<u>236</u>	<u>-</u>	<u>236</u>
Goodwill arising on acquisition			307	691	998
			<u>543</u>	<u>691</u>	<u>1,234</u>
Cash consideration inclusive of fees			<u>543</u>	<u>691</u>	<u>1,234</u>

Fair value adjustments comprise the revaluation of stocks to align with Group accounting policies.

No material trading results or cash flows accrued in the period between acquisition and the year end.

Other acquisitions relates to further payments made pursuant to the agreement to acquire the business of RAB during the prior year, an additional cost of investment in the business of ABS Pecplan Ltda and purchase of minority shareholdings in Bovec SA.

13. STOCKS

	<i>Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Consumable stores	8	15
Goods for resale	15,635	16,851
Livestock	590	774
	<u>16,233</u>	<u>17,640</u>

In the directors' opinion the replacement cost of stocks is not materially different from their balance sheet value.

NOTES TO THE ACCOUNTS
at 31 March 2004

14. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	26,054	26,954	-	-
Amounts recoverable on contracts	4,220	2,862	-	-
Other debtors	1,172	1,417	342	-
Amounts owed by subsidiaries	-	-	24,950	33,774
Prepayments and accrued income	1,010	944	-	11
Prepaid corporation tax recoverable	-	-	250	642
	<u>32,456</u>	<u>32,177</u>	<u>25,542</u>	<u>34,427</u>

15. CREDITORS: amounts falling due within one year

	<i>Notes</i>	<i>Group</i>		<i>Company</i>	
		<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans	17	2,170	4,007	2,094	4,007
Bank overdrafts		6,240	5,908	16,950	9,533
Loan notes	17	1,637	2,616	1,637	2,616
Obligations under finance leases	18	1,136	962	-	-
Trade creditors		16,255	19,364	-	-
Payments on account on contracts		3,825	1,007	-	-
Other creditors		842	346	-	-
Corporation and overseas tax		1,670	1,456	-	-
Amounts owed to subsidiaries		-	-	6,282	12,493
Other taxes and social security		2,983	3,510	-	-
Accruals and deferred income		5,876	6,506	293	447
Proposed dividend		2,299	1,846	2,299	1,846
Deferred consideration		57	108	-	108
		<u>44,990</u>	<u>47,636</u>	<u>29,555</u>	<u>31,050</u>

The bank loans and overdrafts are secured by fixed and floating charges over certain of the Group's assets. The loan notes are unsecured and are underwritten by bank guarantees. The loan notes are repayable on request on 30 September 2004.

16. CREDITORS: amounts falling due after more than one year

	<i>Notes</i>	<i>Group</i>		<i>Company</i>	
		<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans	17	233	4,151	-	4,151
Obligations under finance leases	18	372	1,383	-	-
Deferred income		-	225	-	-
		<u>605</u>	<u>5,759</u>	<u>-</u>	<u>4,151</u>

NOTES TO THE ACCOUNTS
at 31 March 2004

17. LOANS

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts falling due:				
In one year or less or on demand	2,596	6,695	2,520	6,695
In more than one year but not more than two years	1,396	3,217	1,320	3,217
In more than two years but not more than five years	157	1,044	-	1,044
	<u>4,149</u>	<u>10,956</u>	<u>3,840</u>	<u>10,956</u>
Less: issue costs	(109)	(182)	(109)	(182)
	<u>4,040</u>	<u>10,774</u>	<u>3,731</u>	<u>10,774</u>
Less: included in creditors - amounts falling due within one year	(3,807)	(6,623)	(3,731)	(6,623)
	<u>233</u>	<u>4,151</u>	<u>-</u>	<u>4,151</u>
	<u><u>233</u></u>	<u><u>4,151</u></u>	<u><u>-</u></u>	<u><u>4,151</u></u>
Loans comprise:				
Bank loans – due within one year	2,170	4,007	2,094	4,007
Bank loans – due after more than one year	233	4,151	-	4,151
Loan notes	1,637	2,616	1,637	2,616
	<u>4,040</u>	<u>10,774</u>	<u>3,731</u>	<u>10,774</u>
	<u><u>4,040</u></u>	<u><u>10,774</u></u>	<u><u>3,731</u></u>	<u><u>10,774</u></u>

18. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these is as follows:

	<i>Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
within one year	1,136	962
within two to five years	372	1,383
	<u>1,508</u>	<u>2,345</u>
	<u><u>1,508</u></u>	<u><u>2,345</u></u>

19. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Provision for deferred taxation	599	623	-	-
Pension costs	82	-	-	-
	<u>681</u>	<u>623</u>	<u>-</u>	<u>-</u>
	<u><u>681</u></u>	<u><u>623</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

NOTES TO THE ACCOUNTS

at 31 March 2004

19. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

The movements in deferred taxation are as follows:

	<i>Group</i> £000	<i>Company</i> £000
At 1 April 2003	623	-
Deferred tax charge in profit and loss account (note 6(a))	42	-
Foreign exchange movement	(66)	-
	<u>599</u>	<u>-</u>
At 31 March 2004	<u>599</u>	<u>-</u>

The amounts provided are as follows:

	<i>Group</i>		<i>Company</i>	
	2004 £000	2003 £000	2004 £000	2003 £000
Capital allowances in excess of depreciation	301	243	-	-
Other timing differences	298	380	-	-
	<u>599</u>	<u>623</u>	<u>-</u>	<u>-</u>

20. ACCRUALS AND DEFERRED INCOME

	<i>Group</i> £000
Deferred government grants:	
At 1 April 2003	32
Released to profit and loss account	(2)
	<u>30</u>
At 31 March 2004	<u>30</u>

21. SHARE CAPITAL

	2004		2003	
	No	£000	No	£000
Authorised Ordinary shares of 10p	43,070,000	4,307	43,070,000	4,307
Allotted and fully paid Ordinary shares of 10p	<u>35,363,284</u>	<u>3,536</u>	<u>33,566,004</u>	<u>3,357</u>

NOTES TO THE ACCOUNTS
at 31 March 2004

21. SHARE CAPITAL (CONTINUED)

The movements in share capital for the year are as follows:

	Notes	2004 Consideration		2003 Consideration	
		No	£000	No	£000
New shares issued		725,000	1,450	350,000	588
Issued under the following share option plans –					
Executive	(1)	108,138	193	-	-
Company Share Option Plan	(1)	354,887	236	-	-
Savings Related	(1)	609,255	567	42,673	14
Repurchased and cancelled		-	-	(75,000)	-
		<u>1,797,280</u>	<u>2,446</u>	<u>317,673</u>	<u>602</u>

(1) Shares issued directly under the share option plans in 2004 were issued at an option price as follows:

Plan	No	Price
Company	274,400	50p
	80,487	123p
Executive	5,710	175p
	11,111	90p
	13,395	173p
	77,922	192.5p
Savings Related	609,255	93p

(2) At 31 March 2004 the Qualifying Employee Share Ownership Trust (“Quest”) held 92,334 shares in the Company (31 March 2003: 92,334). The Quest has waived its rights to dividends from the Company. The market value of shares in the Quest as at 31 March 2004 was £174,000 (31 March 2003: £142,000).

Options outstanding to employees were as follows:

Option scheme	Options granted	Number of shares	Option price per share
(1) Company Share Option Plan	29 August 1997	25,000	50p
(2) Executive Plan	21 March 1997	15,600	50p
(3) 1999 Executive Plan	4 November 1999	141,909	175p
(4) 1999 Executive Plan	6 March 2000	284,030	175p
(5) Savings Related Scheme	1 April 2001	61,489	93p
(6) 2000 Company Share Plan	28 November 2001	604,592	90p
(7) 2000 Company Share Plan	11 June 2002	344,571	173p
(8) 2000 Company Share Plan	19 December 2002	25,000	173p
(9) 2000 Company Share Plan	6 June 2003	343,883	192.5p

NOTES TO THE ACCOUNTS

at 31 March 2004

21. SHARE CAPITAL (CONTINUED)

The options are exercisable between the following dates

- (1) 28 August 2000 and 29 August 2007
- (2) 20 March 2000 and 21 March 2007
- (3) 3 November 2002 and 4 November 2009
- (4) 5 March 2003 and 6 March 2010
- (5) 1 March 2004 and 1 September 2004
- (6) 28 November 2004 and 29 November 2011
- (7) 11 June 2005 and 12 June 2012
- (8) 19 December 2005 and 20 December 2012
- (9) 6 June 2006 and 7 June 2013

The options under (1), (2), (3) and (4) are now exercisable. Shares from (5) have been exercised in the year when members of the scheme have been made redundant and as the scheme has matured. The options under (3), (4), (6), (7), (8) and (9) can only be exercised if over a three year period the average annual percentage growth in EPS exceeds either 6% or a minimum of 3% above RPI for the same period, unless provisions for "good leavers" have been met when members retire or are made redundant. The Company has taken advantage of the exemption of UITF 17 as revised in not applying UITF 17 to its SAYE scheme.

22. RESERVES

	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>
<i>Group</i>		
At 1 April 2003	34,708	9,392
Retained profit for the year	-	2,967
Premium on shares issued	2,267	-
Exchange rate difference on re-translation of net assets	-	(4,165)
At 31 March 2004	<u>36,975</u>	<u>8,194</u>
<i>Company</i>		
At 1 April 2003	34,708	2,114
Retained profit for the year	-	1,883
Premium on shares issued	2,267	-
Exchange rate difference on re-translation of loans	-	(1,752)
At 31 March 2004	<u>36,975</u>	<u>2,245</u>

The profit attributable to members of the parent company was £4,189,000 (2003: loss £2,216,000).

The cumulative amount of goodwill written off to reserves at 31 March 2004 is £1,368,000 (2003: £1,368,000).

NOTES TO THE ACCOUNTS
at 31 March 2004

23. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2004	2003
	£000	£000
<i>Group</i>		
Shareholders' funds at 1 April	47,457	48,332
Retained profit for the year	2,967	908
New share capital subscribed	2,446	602
Exchange rate difference on translation of net assets from overseas subsidiaries	(4,165)	(2,522)
Tax on exchange rate difference	-	254
Repurchase of shares	-	(117)
Shareholders' funds at 31 March	<u>48,705</u>	<u>47,457</u>

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2004	2003
	£000	£000
Operating profit	8,746	8,377
Depreciation	3,636	3,435
Amortisation of milk quota	8	7
Amortisation of goodwill	1,674	1,805
Loss/(profit) on disposal of fixed assets	183	(304)
Deferred government grants	(2)	(1)
Decrease/(increase) in stocks	1,558	(2,850)
Decrease in debtors	(33)	(2,555)
(Decrease)/increase in creditors	(1,377)	5,540
Net cash inflow from operating activities	<u>14,393</u>	<u>13,454</u>

Cash flows relating to acquisition of the Chilean business are shown in note 12.

Cash flows relating to operating exceptional items in 2004 include cash outflows of £147,000 in respect of expenditure on aborted acquisitions and £356,000 in respect of settlement of an employment case in the United States (2003: £247,000 in respect of office relocation).

NOTES TO THE ACCOUNTS
at 31 March 2004

25. ANALYSIS OF CHANGES IN NET DEBT DURING THE YEAR

	<i>At</i> <i>1 April</i> <i>2003</i> <i>£000</i>	<i>Cash</i> <i>flows</i> <i>£000</i>	<i>Foreign</i> <i>exchange</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2004</i> <i>£000</i>
Cash at bank and in hand	6,831	(1,542)	(959)	4,330
Bank overdrafts	(5,908)	1,348	(1,680)	(6,240)
	<u>923</u>	<u>(194)</u>	<u>(2,639)</u>	<u>(1,910)</u>
Cash	923	(194)	(2,639)	(1,910)
Bank loans	(8,158)	5,755	-	(2,403)
Loan notes	(2,616)	979	-	(1,637)
Obligations under finance leases and hire purchase contracts	(2,345)	837	-	(1,508)
	<u>(12,196)</u>	<u>7,377</u>	<u>(2,639)</u>	<u>(7,458)</u>

26. CAPITAL COMMITMENTS

At 31 March 2004 capital expenditure amounting to £53,000 (2003: £nil) had been contracted for.

27. CONTINGENT LIABILITIES

At 31 March 2004 Barclays Bank PLC had issued performance bonds and guarantees totalling £3,995,000 (31 March 2003: £3,295,000) to the customers of the Development Consulting business as surety for completion of the projects undertaken. All bonds and guarantees were issued with full recourse.

28. OPERATING LEASE RENTALS

Annual commitments under non-cancellable operating leases are as follows:

<i>Group</i>	<i>Land and buildings</i>		<i>Other</i>	
	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
Operating leases which expire:				
within one year	65	53	65	48
within two to five years	452	229	376	318
after five years	320	449	-	-
	<u>837</u>	<u>731</u>	<u>441</u>	<u>366</u>

NOTES TO THE ACCOUNTS
at 31 March 2004

29. PENSIONS

Some permanent staff of Genus plc are eligible for membership of The Milk Pension Fund, which is a defined benefit scheme administered by Milk Pension Fund Trustees Limited which includes three Genus Trustee directors, T P Acton, S J Amies and T Gatley. The scheme was closed to new members during the previous year.

The funded scheme is that previously operated by the Milk Marketing Board, and is also open to membership of staff working for Milk Marque Ltd (the principal employer), National Milk Records plc, First Milk Ltd, Dairy Farmers of Britain Ltd, Milk Link Ltd, the Milk Development Council and hauliers associated to First Milk, Dairy Farmers of Britain and Milk Link.

Milk Marque Ltd has given notice of its intention to withdraw from the Milk Pension Fund. The Trustees of the Fund are currently negotiating with Milk Marque Ltd the terms of their withdrawal.

The net pension cost charged for the year was £1,260,000 (2003: £1,163,000), split between £952,000 into defined benefit schemes (2003: £929,000) and £308,000 into defined contribution schemes (2003: £234,000), which is after deduction of an offset of £nil (2003: £282,000) in respect of the amortisation of past service surpluses over the average remaining service lives of employees. The term of the amortisation is eleven years from 2001. This cost is determined on the basis of the actuarial valuation of the Fund which was made by an independent qualified actuary as at 31 March 2001 using the projected unit method. The principal actuarial assumptions adopted for the valuation, with each being expressed as the excess over the assumption for the annual rate of price inflation, were as follows. For the annual rate of return on the investments for discounting liabilities pre-retirement: four per cent, and for discounting liabilities post-retirement: two per cent. For the annual increase in the present and future pensions in payment: nil, for the annual rate of increase in pensionable pay for past service liabilities: one and a half per cent and for the annual rate of increase in pensionable pay for future service liabilities: nil for the first three years, then one per cent. As at the date of valuation the market value of the Fund's assets amounted to £292 million. The actuarial value of the assets was sufficient to cover 104 per cent of the value of the members' accrued benefits.

A new funding valuation for the Fund was carried out as at 31 March 2003. In addition, with effect from 1 April 2004, the Company amended the benefit and member contribution structure for future service, which will have the effect of reducing Company contributions in respect of future service accrual, though this is not reflected in the current valuation of the Financial Reporting Standard No 17 (FRS 17) "Retirement Benefits" liability. As a result of these two factors, the contribution rate of the Company in respect of pension payments from 1 April 2004 has been agreed with the Milk Pension Fund at 10.7%. The contribution rate of the Company in respect of pension payments until 31 March 2004 was agreed with the Milk Pension Fund at 9.9%. This new rate includes a contribution of 1.7% or £144,000 per annum to the past service deficit of £2,676,000 as at 31 March 2003.

The Group operates a closed defined benefit scheme for a small number of former employees of VDC plc. The total market value of scheme assets at 31 March 2004 under the provisions of FRS 17 was £880,000. No contributions were made into the scheme during the year and the scheme is in the process of being wound-up.

For closed schemes and those in which the age profile of the active membership is rising significantly, under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The Group also operates defined contribution pension schemes in respect of some employees. The assets of the schemes are held separately from those of the companies to which they relate in an independently administered fund.

NOTES TO THE ACCOUNTS
at 31 March 2004

29. PENSIONS (CONTINUED)

PENSION ARRANGEMENTS

Under the transitional arrangements of FRS 17, the Company is required to disclose the following information about the pension schemes and the figures that would have been shown under FRS 17 in the current balance sheets as at 31 March 2004 and 31 March 2003 and in the profit and loss account and statement of total recognised gains and losses for the period ended 31 March 2004.

The actuarial valuation was updated by the actuary to 31 March 2004 using the following assumptions:

	<i>At 31 March 2004 (p.a.)</i>	<i>At 31 March 2003 (p.a.)</i>	<i>At 31 March 2002 (p.a.)</i>
Rate of increase in salaries	4.3%	3.9%	4.2%
Rate of increase in pensions in payment and deferred pensions	2.8%	2.4%	2.7%
Discount rate	5.5%	5.5%	6.1%
Inflation	2.8%	2.4%	2.7%

The share of the overall Milk Pension Fund's assets and liabilities notionally allocated to Genus, together with those in the VDC retirement plan, and the expected rates of return on their investments are as follows:

	<i>At 31 March 2004</i>		<i>At 31 March 2003</i>		<i>At 31 March 2002</i>	
	<i>Long term Expected Rate of Return (p.a.)</i>	<i>Market Value £000</i>	<i>Long term Expected Rate of Return (p.a.)</i>	<i>Market Value £000</i>	<i>Long term Expected Rate of Return (p.a.)</i>	<i>Market Value £000</i>
Equities	8.0%	31,500	8.0%	26,700	7.5%	43,600
Bonds	4.8%	63,400	4.5%	59,600	5.0%	54,200
Cash	4.0%	800	4.0%	800	4.0%	400
Total market value of scheme assets		95,700		87,100		98,200
Present value of scheme liabilities		(103,200)		(95,200)		(86,600)
(Deficit)/surplus in the scheme		(7,500)		(8,100)		11,600
Less deferred taxation		2,300		2,400		(3,500)
Net pension (liability)/asset		(5,200)		(5,700)		8,100

NOTES TO THE ACCOUNTS

at 31 March 2004

29. PENSIONS (CONTINUED)

An analysis of amounts that would have been charged in the profit and loss account or statement of total recognised gains and losses is as follows:

	2004 £'000	2003 £'000
Amounts charged to operating profit:		
Current service cost	1,400	1,500
Total operating charge	<u>1,400</u>	<u>1,500</u>
Amounts charged/(credited) to finance income:		
Expected return on pension scheme assets	(4,600)	(5,700)
Interest on pension scheme liabilities	5,000	5,000
Net Return	<u>400</u>	<u>(700)</u>
Amounts recognised in the statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	7,300	(13,600)
Experience gains and losses arising on the scheme liabilities	300	(900)
Changes in assumptions underlying the present value of the scheme liabilities	(6,000)	(5,300)
Actuarial gain/(loss) recognised in the STRGL	<u>1,600</u>	<u>(19,800)</u>
<i>The experience gains and losses were as follows:</i>	<i>2004</i>	<i>2003</i>
Difference between expected and actual return on scheme assets:		
Amount (£'000)	<u>7,300</u>	<u>(13,600)</u>
Percentage of scheme assets	7.6%	(15.6%)
Experience gains and losses arising on the scheme liabilities:		
Amount (£'000)	<u>300</u>	<u>(900)</u>
Percentage of present value of the scheme liabilities	0.3%	(1.0%)
Total amount recognised in the statement of total recognised gains and losses:		
Amount (£'000)	<u>1,600</u>	<u>(19,800)</u>
Percentage of present value of the scheme liabilities	1.6%	(20.8%)

NOTES TO THE ACCOUNTS
at 31 March 2004

29. PENSIONS (CONTINUED)

The movement in the surplus/(deficit) in the scheme is analysed as follows:

	2004 £'000	2003 £'000
(Deficit)/surplus in the scheme at 1 April	(8,100)	11,600
Current service cost	(1,400)	(1,500)
Contributions	800	900
Other finance (charges)/income	(400)	700
Actuarial gain/(loss)	1,600	(19,800)
Deficit in the scheme at 31 March	<u>(7,500)</u>	<u>(8,100)</u>

Had the above amounts been recognised in the financial statements, the Group's net assets and profit and loss reserves at 31 March would be as follows:

	2004 £'000	2003 £'000
Net assets excluding pension asset	48,705	47,457
Pension liability	(5,200)	(5,700)
Net assets including pension liability	<u>43,505</u>	<u>41,757</u>
Profit and loss reserve excluding pension asset	8,194	9,392
Pension liability	(5,200)	(5,700)
Profit and loss reserve including pension liability	<u>2,994</u>	<u>3,692</u>

30. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments can be found in the Finance Director's Review on pages 8 to 11. The accounting policy for derivative instruments is set out in note 1.

Short term debtors and creditors are excluded from the analyses below (except for the currency analyses) as permitted by FRS 13.

In the opinion of the directors the fair values of all financial instruments required to be reported are not materially different to their carrying values

NOTES TO THE ACCOUNTS
at 31 March 2004

30. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk profile of financial assets and liabilities

<i>Currency</i>	<i>Total financial liabilities £000</i>	<i>Fixed rate financial liabilities £000</i>	<i>Floating rate financial liabilities £000</i>
2004			
Sterling	8,844	1,263	7,581
US Dollar	84	84	-
Australian Dollar	2,860	161	2,699
	11,788	1,508	10,280
2003			
Sterling	11,406	2,047	9,359
US Dollar	5,139	298	4,841
Australian Dollar	2,482	-	2,482
	19,027	2,345	16,682

Financial assets consist of £2,584,000 (2003: £5,263,000) of cash on money market deposits at floating rates based on UK base rates, together with £1,987,000 (2003: £1,651,000) of no fixed maturity which earns no interest.

<i>Currency</i>	<i>Fixed rate financial liabilities</i>	
	<i>Weighted average interest rate %</i>	<i>Weighted average period for which rate is fixed rate is fixed years</i>
2004		
Sterling	5.3	2.1
2003		
Sterling	5.6	2.7

Fixed rate financial liabilities consist of finance leases.

Floating rate financial liabilities comprise:

- Sterling denominated bank loans, overdrafts and loan notes that bear interest at rates based on LIBOR; and
- Australian dollar borrowings under the multi-option facility at rates based on LIBOR.

NOTES TO THE ACCOUNTS

at 31 March 2004

30. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Currency exposures

The table below shows the Group's currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating currency of the operating unit involved. The balances concerned are reviewed by the Group and hedged as necessary to avoid incurring currency losses.

<i>Functional currency of group operations</i>	<i>Net currency monetary assets/(liabilities)</i>			
	<i>US Dollar</i> £000	<i>Euro</i> £000	<i>Other</i> £000	<i>Total</i> £000
2004				
Sterling	(74)	(60)	(2,782)	(2,916)
US Dollar	-	(14)	(2,309)	(2,323)
Euro	(155)	-	(25)	(180)
Australian Dollar	(1,158)	-	(35)	(1,193)
	<u>(1,387)</u>	<u>(74)</u>	<u>(5,151)</u>	<u>(6,612)</u>
2003				
Sterling	139	162	(75)	226
US Dollar	-	-	(438)	(438)
Euro	(2,348)	-	-	(2,348)
	<u>(2,209)</u>	<u>162</u>	<u>(513)</u>	<u>(2,560)</u>

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March was as follows:

	<i>2004</i> £000	<i>2003</i> £000
Amounts falling due:		
In one year or less or on demand	11,183	13,493
In more than one year but not more than two years	233	4,049
In more than two years but not more than five years	372	1,485
	<u>11,788</u>	<u>19,027</u>

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 March in respect of which all conditions precedent had been met at that date are as follows:

	<i>2004</i> £000	<i>2003</i> £000
Expiring in one year or less	9,466	5,050
Expiring in more than one year but not more than two years	12,131	-
Expiring in more than two years	-	2,653
	<u>21,597</u>	<u>7,703</u>

NOTES TO THE ACCOUNTS
at 31 March 2004

30. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Hedges

The Group's policy is to hedge a proportion of net transactional currency exposures and future contracted sales.

The nominal value of forward contracts and options on foreign currency liabilities, entered into in the normal course of business, at 31 March 2004 amounted to £138,000 (2003: £8,081,000). The relative weakness of the US Dollar at the end of the year has resulted in the Group taking out fewer contracts than in the past.

The fair value of these contracts at 31 March 2004 amounted to an asset of £2,000 (2003: liability of £60,000), based on the estimated amount which the Group would expect to pay or receive on termination of the contracts taking into consideration current exchange rates.

The recognised gains on forward exchange contracts included in the profit and loss account that arose in previous years amounted to £60,000 (2003: £nil).

The unrecognised gain on the forward exchange contracts at 31 March 2004 amounted to £2,000 (2003: loss of £60,000) all of which is expected to be recognised in the next year.

31. RELATED PARTY TRANSACTIONS

During the course of the year, the Group entered into transactions at commercial rates on an arm's length basis with related parties as follows:

- T S K Yeo chartered the Group's piston-engined aircraft for a return flight for £965;
- Belton Cheese Limited, a company controlled by J H Beckett, chartered the Group's piston-engined aircraft for a return flight for £1,490;
- S Hawkins, a party related to J E Hawkins, chartered the Group's piston-engined aircraft for a return flight for £1,911;
- J Beckett, a party related to J H Beckett, chartered the Group's piston-engined aircraft for a return flight for £1,234.

There were no amounts outstanding for these transactions at 31 March 2004.

During the year to 31 March 2003, the Group entered into transactions with related parties as follows:

- T P Acton purchased his car from the Group for £7,350; and
- Belton Cheese Limited, a company controlled by J H Beckett, chartered the Group's piston-engined aircraft for a return flight for £1,050.

There were no amounts outstanding for these transactions at 31 March 2003.

NOTES TO THE ACCOUNTS

at 31 March 2004

32. PRINCIPAL SUBSIDIARY UNDERTAKINGS

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

<i>Subsidiary companies</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of Business</i>
ABS Global Inc (incorporated in United States)	US\$1 Capital stock	100%	Supply of dairy and beef semen
ABS Italia Srl (incorporated in Italy)	€1 quota capital	100% (1)	Supply of dairy and beef semen
ABS Mexico SA de CV (incorporated in Mexico)	US\$1 Common stock	100%	Supply of dairy and beef semen
ABS Pecplan Ltda (incorporated in Brazil)	RS1 quota stock	100%	Supply of dairy and beef semen
American Breeders Services of Canada Limited (incorporated in Canada)	CN\$1 common shares	100%	Supply of dairy and beef semen
Animalcare Limited	£1 ordinary shares	100% (1)	Supply and distribution of veterinary and other products
BOVEC SA (incorporated in France)	€1 ordinary shares	100% (1)	Supply of dairy and beef semen
Genus Australia Pty Ltd	AUS\$1 ordinary shares	100%	Supply of dairy and beef semen
Genus Breeding Limited	£1 ordinary shares	100%	Supply of dairy and beef semen
Genus Management Services Limited	£1 ordinary shares	100%	Management services
Genusxpress Limited	£1 ordinary shares	100% (1)	Supply and distribution of veterinary and other products
HTS Development Limited	£1 ordinary shares	100%	Consultancy and contract management
P-E International Consultants Limited	£1 ordinary shares	100% (1)	Consultancy and contract management
Promar International Limited	£1 ordinary shares	100% (1)	Market research and consultancy
Genus Chile Limitada (incorporated in Chile)	Peso 1 quota stock	100%	Supply of dairy and beef semen

(1) Held by subsidiary undertaking

NOTES TO THE ACCOUNTS
at 31 March 2004

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