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Annual Report and
Financial Statements

A World Leader

About Genus

- Genus is a world leader in applying science to animal breeding
- The unique combination of quantitative genetics and biotechnology used by Genus is applicable across all livestock species and enables farmers and producers to produce higher quality and healthier non-genetically modified food products
- Genus' current products and services enable producers and farmers to enhance milk and meat quality and improve efficiency through the application of natural genetic selection
- Genus' business units, ABS (dairy and beef cattle) and PIC (pigs), sell breeding animals and semen to customers who use Genus genetics in their herds to produce offspring which yield greater production efficiency, milk and meat quality for the global dairy and meat supply chain
- Genus' competitive differentiation lies in its ownership and control of its proprietary lines of breeding animals, its biotechnology used to improve them and its global production and distribution network
- Genus' technology and products add value throughout the global supply chain of farmers, breeders, processors, distributors, retailers and consumers
- Headquartered in Basingstoke, England, Genus companies operate in 30 countries on six continents, with research laboratories located in Madison, Wisconsin, USA

Genus Global Operations

Annual Report 2008

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Financial Highlights

The following results are reported under International Financial Reporting Standards ('IFRS')

	Adjusted Results			Adjusted Results at Constant Currency*	
Year ended 30 June	2008 £m	2007 £m	%	2007 £m	%
Continuing Operations					
Revenue	247.1	233.8	6	239.2	3
Operating profit	32.4	28.7	13	29.4	10
Profit before tax**	28.0	20.0	40	20.7	35
Earnings per share (p)**	32.0	24.6	30	25.9	24
Statutory Results					
Year ended 30 June	2008 £m	2007 £m	%		
Continuing Operations					
Revenue	247.1	233.8	6		
Operating profit	26.2	28.4	(8)		
Profit before tax	22.0	19.9	11		
Earnings per share (p)	24.7	23.1	7		
Total Operations					
Profit for the period	17.7	14.6	21		
Basic earnings per share (p)	30.8	26.6	16		

Note

* Adjusted operating profit is before fair value movements on biological assets, amortisation of intangible assets, share based payments and exceptional items.

** Adjusted profit before tax and adjusted basic earnings per share are before fair value movements on biological assets, amortisation of intangible assets, share based payments and exceptional items, also excluding other gains and losses. Both measurements include share of profits of joint ventures and associates.

+ The results at constant currency for the year ended 30 June 2007 reflect the rates which applied during the year ended 30 June 2008

"We have again delivered strong profit growth and have exceeded market expectations despite harsh market conditions in the livestock farming sector. Our performance demonstrates the robustness of the Genus business model and the strength of its management team"

Net debt was materially reduced by the successful divestment of non-core assets and a fund raising at the time of the Company's move to the main market, leaving us able to invest in expansion to meet the strong forecast growth in an improving agricultural economy

We view the market prognosis as being increasingly favourable in both the short and medium term and remain confident for the year ahead "

Chief Executive, **Richard Wood**

40%
Adjusted profit
before tax
£28m
(2007: £20m)

Genus is pleased to report excellent results in a market that has been tough in the livestock sector. The Group's performance demonstrates the strength of its diversified portfolio and the robustness of its porcine business model. Substantial progress has been made in pursuing strategic objectives.

- Adjusted profit before tax rose 40% to £28.0m (2007: £20.0m) reflecting a £0.7m exchange rate benefit
- Basic adjusted earnings per share increased by 30% to 32.0p
- Board again recommend a dividend increase of 10% to 10 pence per share
- Market share increased broadly across Latin America in a buoyant market and there was a 3% increase in North American porcine market share
- Strong growth in the Far East and robust European performance exceeded expectations for these regions
- Bovine semen sales volume up 9% and prices up 4% in buoyant dairy markets
- Porcine royalty income up 5% demonstrating the robustness of the Company's business model in depressed developed world porcine markets
- Successful move to the Main Market, raising £19m in new equity. Included in FTSE 250 index and winner of the Company of the Year award at the techMARK Mediscience Awards
- Non-core asset divestment programme completed
- Net debt reduced substantially by £33m to £78m

30%
Basic adjusted earnings
per share
32.0p

£33m
Net debt reduced substantially
by £33m to £78m
£78m

Chairman's Statement

A message from our Chairman

I am pleased to report that Genus has again achieved excellent results. We have made substantial progress with our strategic objectives and have achieved our financial targets. This performance has been reflected in our share price, which has increased 34% relative to the FTSE 250 index during the period.

The integration of the acquired PIC businesses is now complete. The productivity improvements from efficiencies arising from this acquisition have offset feed price inflation and contributed to the strong financial results achieved.

Adjusted Results

Revenue from continuing operations grew by 6% from £234m to £247m despite the revenue reduction implicit in the strategy for reducing the impact of market volatility on porcine profits. At constant exchange rates revenue was up 3% on 2007. A £6m benefit from the stronger Euro more than offset a £2m adverse movement from the weaker US dollar.

Adjusted operating profit increased by 13% to £32.4m (2007 £28.7m) and adjusted profit before tax increased by 40% to £28.0m (2007 £20.0m) with the exchange rate benefit amounting to £0.7m. At constant exchange rates, adjusted operating profit was 10% higher than 2007, while adjusted profit before tax was up 35% on last year.

Adjusted basic earnings per share showed equally strong growth rising 30% to 32p.

Statutory Results

Revenue from continuing operations increased by 6% to £247m (2007 £234m).

For the Group as a whole, profit for the year and basic earnings per share were £17.7m (2007 £14.6m) and 30.8p (2007 26.6p) respectively. Operating profit from continuing operations was £26.2m, £2.2m lower than the prior year (2007 £28.4m) primarily due to the IAS 41 fair value movement of £6.3m being £4.6m lower than last year (£10.9m).

Dividend

Reflecting continuing confidence in the Company's long-term strategy for growth, the Board is again recommending a 10% increase in the dividend to 10 pence per ordinary share. Subject to shareholder approval at Genus' Annual General Meeting to be held on 13 November 2008, this dividend will be paid on 9 January 2009 to shareholders on the register at the close of business on 12 December 2008.

Employees

Genus' continued success is a result of our talented employees across the Group. On behalf of the Board, I would like to thank all of our employees for their many achievements during the year.

Board

Nigel Turner joined the Board on 17 January 2008 as senior independent non-executive director. Nigel was Chairman of Numis Securities Ltd and Deputy Chairman of Numis Corporation plc from December 2006 to November 2007. Previously he was Vice Chairman of ABN AMRO's Wholesale and Investment Bank and a partner of Lazard. Nigel chairs the Company's Remuneration Committee and is a member of the Company's Audit and Nomination Committees.

Edwin White retired from the Board in January 2008, having been a Board member since Genus became publicly quoted seven years ago. The Board wishes to record its thanks to Edwin White for his valuable knowledge and contribution to the growth and success of Genus.

Discontinued Businesses

The Company has completed its strategy for divesting non-core assets. The Development Consulting and Mexican shrimp businesses were divested during the first half of the year for £3.2m and £1.3m respectively, of which £3.1m has been received to date. In January 2008, the last remaining non-core business, Animalcare Limited, was sold to Ritchey plc for sales proceeds of £13.4m. This completed the disposal programme. In aggregate, a profit of £3.1m arose on the disposals.

**Genus is in a unique
position to deliver strong
long-term growth in
this improving world
agricultural market**

**On 6 February 2008,
Genus was included in
the FTSE 250 index**

Share Register

As part of the Board's strategy to restructure the share register and to improve the liquidity of its shares, in October 2007 the Company completed a further voluntary buyback from shareholders who held fewer than 1,500 shares. The shares sold by these investors were bundled and placed with institutional investors. A total of 1,167,813 shares (2% of the issued share capital) were acquired from 1,720 shareholders (9% of the total number of shareholders). The institutional and private client institutional shareholdings now stand at approximately 76% of the total register.

Placing of New Ordinary Shares

On 1 November 2007, Genus raised £19.4m, before expenses, through a placing of 2,700,000 new Ordinary shares at 720p each with institutional investors. The proceeds of the placing have been used to reduce the Group's net debt and will be used to extend capacity in the Group's animal breeding facilities to supply genetics to meet the high level of growth projected for the next five years.

Admission to the Official List and FTSE 250

On 12 November 2007, Genus was admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. The Company's FTSE classification is Biotechnology. On 6 February 2008, Genus was included in the FTSE 250 index.

techMARK Mediscience Award

Genus was pleased to receive the Company of the Year award at the London Stock Exchange techMARK Mediscience Awards held in June 2008. The award recognised Genus to be a well managed, soundly financed growth business with a well defined strategy to deliver its key financial, ethical and social ambitions.

Outlook

During the latter part of the reporting period, sentiment in agricultural markets improved. The new financial year has started in line with expectations.

Market commentators are predicting structural rather than cyclical increases in agricultural commodity prices and prices have indeed begun to rise. The demand for milk and meat products has accelerated and the shortfall in world capacity is improving farmer sentiment.

Retail food prices are expected to rise further and, with this change, farmers and governments will increasingly seek to increase farming productivity. Improved animal genetics will be a key ingredient in this quest. Genus' scientific and market leadership will ensure that the Company is well placed to take advantage of this positive change in market potential.

The Board views the market prognosis as being increasingly favourable in both the short and medium term and remains confident that the prospects remain good in the year ahead.

Genus is in a unique position to deliver strong long-term growth in this improving world agricultural market. This growth will be augmented by productivity improvements as the bovine and porcine businesses in country markets are integrated further. There will also be opportunities for step changes in the business from further acquisitions and from a breakthrough in science.

John Hawkins
Chairman
15 September 2008

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Business Overview

Business Overview

Genus creates advances to animal breeding through biotechnology and sells added value products for livestock farming and food producers. Its non-genetically modified organism technology is applicable across all livestock species but is only commercialised by Genus in the bovine and porcine farming sectors.

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

The Group's competitive edge has been created from the ownership and control of proprietary lines of breeding animals, the biotechnology used to improve them and its global production and distribution network.

Genus' research and product development expenditure for the year to June 2008 was £18.4m (2007: £17.7m). Approximately 14% was spent on research, and 43% respectively on bovine and porcine product development.

Bovine

Genus operates bovine studs in the USA, Canada, Brazil, UK, Italy and Australia. More than 190 world leading beef and dairy animals of the main commercial breeds are in production in these studs. A further 2,000 are in various stages of product development. The breeding selection programme tests approximately 400 dairy bulls per year in a rolling five year programme which includes creating and measuring the output of 40,000 daughters. The commercially active stud has a replacement rate of 25-35% of bulls per annum.

Approximately 13 million doses of semen are collected from these studs each year. The semen is frozen in tanks containing liquid nitrogen so that it can be kept indefinitely and can be transferred and sold throughout the world.

Genus is unique amongst its competitors in that it operates a global insemination service through a network of employees and self-employed exclusive agents who operate under the "ABS" trademark.

Porcine

The Genus porcine business sells breeding males, females and semen. The Company owns nine pure-bred pig lines which it is continuing to develop in its two nucleus herds, located in the USA and Canada. These animals are crossed and then multiplied in around 170 predominantly sub-contracted multiplication units located in all the Company's markets around the world.

More than 100 million slaughter pigs produced each year contain Genus genetics and Genus views these pigs as those with the highest value that can be produced with the lowest production cost of any of Genus' competitors supplying large integrated pig production units.

Headquartered in Basingstoke, England, Genus companies operate in 30 countries on six continents, with laboratories located in Madison, Wisconsin, USA. The Company's operations are managed using a territorial matrix of the Americas region and the Europe & The Far East region, supported by consolidated global Research, Development and Production facilities.

Ahead of plan by one year, the Company completed in the period its five year strategic target of creating a fast growing FTSE 250 company

Introduction

The principal ingredients for the long-term strategy to maintain the growth of the business, include

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- 1 To utilise the capital from the placing in November 2007 to extend capacity in Genus' facilities to supply the high level of growth projected for the next five years, in particular to
 - 1 1 complete the construction of a new porcine nucleus herd to provide sufficient capacity for the market potential and to provide a herd large enough to enable the Company to commence its plan to produce custom lines for more of its larger customers, and
 - 1 2 expand the bull stud in Wisconsin sufficiently to increase production capacity to 20 million doses per year from an increased range of elite bulls
- 2 To concentrate research and development investment selectively on sexed semen and the use of gene markers in the porcine and bovine development programmes, while increasing the Company's efforts to achieve solutions for the targeted breakthroughs in other areas
- 3 To change the emphasis in marketing and distribution to prioritise the building of the business in China and the Far East, Eastern Europe, Latin America and India while ensuring that the product offering and customer service are enhanced in the traditional markets of the western world. In these more mature markets, the Company will look to increase its market share further in the way that it has demonstrated over the last five years. In the developing markets the Company will attempt to capture a greater proportion of the new growth available than its competitors, thereby aiming to secure at least the market share achieved in the most important markets of the developed world. The Company will look favourably upon potential investments in bull studs and porcine nucleus herds in the developing markets
- 4 To continue to control costs through productivity improvements and administrative savings following Genus' investment in global Oracle business systems

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The rapid growth of the Company was achieved during a period in which world agriculture had been struggling in recession. World food shortages, now apparent, and the growth of developing economies should create a much more vibrant business environment over the next decade, and the potential for exceeding historic growth levels should be high

Business Review

Business Review

Group Performance

Revenue for the year to 30 June 2008 increased by 6% to £247m. The growth was 3% at constant currency which included an increase of 16% in bovines in a buoyant market for dairy semen. Growth in porcines was achieved in developing markets, although porcine sales in the USA and Europe were 6% lower than in 2007.

The reduction in porcine sales in the USA and Europe occurred for two reasons. Firstly, the market was depressed by reduced farm profitability due to massively increased feed grain prices and, secondly, moving more porcine business from direct sales to royalty sales in those territories reduced revenue but resulted in porcine royalty income rising by 5%.

Bovine sales volume increased by 9% to 12.3 million doses, with average prices rising by 4%, largely due to a change in mix from beef to dairy. Sales of sexed semen more than doubled, when compared with the launch year, 2007. The record increase of one million doses in dairy semen sales was spread worldwide and demonstrates the benefits of the Group's distribution strength and reach across its global markets.

The beef semen market was less buoyant, having been held back by the same high feed prices that impacted the porcine markets of the developed world. In addition, volume diverted to cross-breeding dairy cows was lower than in previous years as dairy farmers strove to breed more dairy animals and thereby to increase output to meet the dairy industry capacity shortfall.

The Board believes that adjusted operating profit and adjusted profit before tax provides an informative measure for underlying business performance. This measure excludes:

- Fair value movement of biological assets,
- Amortisation of intangible assets,
- Share based payments,
- Exceptional items, and
- Other gains and losses.

Adjusted operating profit of £32.4m (2007: £28.7m) rose by 13% as a result of improvements in trading and the benefits from the integration of the acquired PIC businesses. This rise included a £0.7m exchange rate benefit. In achieving this result the Group absorbed £1.0m in higher feed prices for its nucleus herds when compared with 2007. Adjusted operating profit rose by 10% (2007: £29.4m) at constant exchange rates.

Adjusted profit before tax increased by 40% to £28.0m (2007: £20.0m) principally as a result of the improved performance of the Brazilian joint venture and lower finance costs. At constant exchange rates, the increase was 35%.

The exceptional items during the year totalled £4.9m (2007: £4.7m) of which £3.3m (2007: £3.0m) related to the integration and restructuring expenses for the acquired PIC businesses and the implementation of the global Oracle management information system. A further £1.6m (2007: £1.0m) related to the move to the Official List.

The Board believes that the integration expenditure will deliver operating expense benefits in future years.

The effective rate of tax on adjusted profit before tax was 34.3% as expected. Adjusted earnings per share increased by 30% to 32.0p (2007: 24.6p) and by 24% at constant exchange rates. Basic earnings per share for the Group as a whole were 30.8p (2007: 26.6p). Net debt was reduced substantially by £33m to £78m at 30 June 2008 (2007: £111m).

Year ended 30 June	Adjusted Results			Adjusted Results at Constant Currency*	
	2008 £m	2007 £m	%	2007 £m	%
Continuing Operations					
Revenue	247.1	233.8	6	239.2	3
Operating profit	32.4	28.7	13	29.4	10
Profit before tax**	28.0	20.0	40	20.7	35
Earnings per share (p)**	32.0	24.6	30	25.9	24

Note

* Adjusted operating profit is before fair value movements on biological assets, amortisation of intangible assets, share based payments and exceptional items.

** Adjusted profit before tax and adjusted basic earnings per share are before fair value movements on biological assets, amortisation of intangible assets, share based payments and exceptional items, also excluding other gains and losses. Both measurements include share of profits of joint ventures and associates.

+ The results at constant currency for the year ended 30 June 2007 reflect the rates which applied during the year ended 30 June 2008.

The historical pattern of long-term agricultural surpluses evaporated in 2007 because a number of climatic and disease events eliminated world buffer stocks.

The historical cutbacks to agricultural production in western world economies left the industry ill-equipped to respond to this capacity shortfall. In 2008, stocks still remain low and, in cereals, the shortage of grain needed to meet the increasing demand to feed humans, animals and the newly created demand for ethanol production, caused prices to soar. This massive increase impacted Genus' business during the reporting period in two ways:

- 1 It increased the price of grain purchased to feed the pigs and bulls in the Genus genetics development programme by £1m, notwithstanding buying forward in the market. Without these forward purchases the increase would have been £1.5m.
- 2 It immediately rendered the businesses of smaller pig and beef customers of Genus unprofitable pending increases in slaughter prices to cover the higher cost of production. Larger producers, capable of buying forward, delayed the full impact of the cost increases until later in the year and this helped bridge the gap until slaughter prices began to rise at the end of the reporting period.

Genus' added value products provide farmers with the potential to achieve greater output at reduced costs from existing facilities

In the dairy sector, the industry production shortfall first became apparent in 2007 and caused milk prices to rise then. Thus, the impact of increased grain prices had a more limited effect on dairy farming profitability. This impact was further diluted for those farmers that primarily rely on grassland as their source of animal feed. However, many of the larger producers achieved higher outputs through supplementary feeding regimes and although they suffered profit reductions, they remained profitable because of their greater productivity.

By the end of the reporting period, forward prices for slaughter animals had begun to reflect the full cost of production and it is expected that farmers will be returning to profitability in 2009. From 2009, the meat and dairy sectors are expected to be well short of capacity and Genus believes farmers are eager to expand but are constrained by a historical lack of profitability and under investment in facilities. This will present an opportunity for Genus in beef and pigs where Genus' added value products provide farmers with the potential to achieve greater output at reduced costs from existing facilities. Genus expects the market opportunities in the dairy sector to continue to be buoyant.

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Business Review

Genus Products

Bovine

The Genus stud of 195 bulls had to work hard to meet the demands of a buoyant dairy market and the inherently wasteful sorting process for sexed semen. Market share increases were won through the Company's worldwide distribution strength.

With three of the Company's bulls, Shottle, Bolton and Boliver amongst the highest regarded in the world, their capacity was sold out as was the Company's increased capacity for sexed semen. Following test marketing in Brazil and a limited launch in the USA in the previous financial year, the Company increased global capacity and completed the roll-out of the sexed semen product worldwide, under the trademark ABS Sexation. Sexed semen sales now represent 4% of the Company's bovine semen volume but 13% of bovine semen revenue.

In much of the world outside Western Europe, dairy farming consolidation has moved forward apace during the last five years. Large and highly productive dairy farming units have been created, most comprising many thousand, rather than hundreds of cows. For these farms, Genus has used its unrivalled international market strength to develop an integrated Reproductive Management Service ("RMS") supported by a computer assisted Genetic Mating Service ("GMS"). Initially pioneered in the USA, these services are being launched into all countries where units or Groups of units make this added value proposition attractive. This initiative

has increased the cost base in the bovine business sector but has won market share from competitors unable to match the service. Another benefit of this service is that it provides Genus with a stronger forward order book as farmers enter into a semen supply contract.

Porcine

In anticipation of a rise in feed prices that have affected developed world pig farming profitability this year, Genus hastened to the market in 2007 the PIC 380 boar which produces progeny with the best feed conversion on the market today.

This and the new dam lines subsequently introduced, also with good feed conversion and improved robustness, have spear-headed sales in the developed world.

In these markets, meat prices were depressed and record feed prices prevailed throughout the reporting period such that many of Genus' customers were loss-making. Against this background, the robustness of the PIC royalty business model can be demonstrated by the increase in royalty income achieved, which rose by 5% when compared with 2007.

The Group has been accelerating the use of the porcine royalty sales model in country markets where its use is appropriate. The effect has been to reduce revenue, strengthen margins and to reduce the sensitivity of profits to variations in the hog price.

The global figures shown on page 11 illustrate the impact that the royalty model has had on sales at a time when hog prices have been low and farmer profitability has been poor. Royalty income is more insulated against market downturns than direct sales which are dependent upon both short term volume demand and hog prices.

Business Review

Genus Products *(continued)*

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Introduction

In 2008, direct sales income fell slightly, both because of the continuing switch to the royalty model and because customers delayed investment in new genetics due to poor industry profitability and low meat prices. These low meat prices reduced both the meat element of porcine direct sales and the value and hence income from by-product animals from the porcine nucleus herds. However, royalty volume rose as farmers continued to produce from royalty bearing genetics purchased in previous years and some farmers purchased new royalty bearing genetics. Royalties, by their nature, carry a high margin whereas the margin on direct sales is much lower and dependent upon a genetic premium above a variable hog price. The increase in the royalty sales margin has more than offset the market led decline in the direct sales margin. This illustrates the robustness of the business model being adopted by the Company.

During the year PIC won the USA business of Cargill and began to supply Cargill in Brazil. Cargill is one of the largest pig producers in the world and had previously been supplied by Monsanto. This win will progressively increase royalty income over the next few years as Cargill's porcine units are repopulated with PIC genetic material.

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Year ended 30 June	2008 £m	2008 £m	2007 £m	2007 £m
Royalties		37		35
Porcine semen		6		6
Direct Sales				
Genetic element of direct sales	38		40	
Meat element of direct sales	29	67	32	72
By-product & other revenue		17		19
Total revenue		127		132

Note

Royalties are largely volume related and comprise payments for the Company's intellectual property. Direct sales are both volume and hog price related. The genetic element of direct sales includes the premium paid by customers for the Company's intellectual property. By-products are wholly hog price related and are the animals not selected in the genetics programme for breeding.

Business Review

Global Operations

The Americas Region

Nature of the Business

This region comprises the mature and well developed North American and Canadian markets, as well as Mexico and other Latin American countries, with their extensive growing agriculture industries exporting to the USA and elsewhere in the world

Growth Drivers

In the USA and Canada, customers continue to expand and consolidate in all sectors

In Latin America, primarily Mexico, Brazil, Argentina and Chile, growth came from the underlying expansion of the markets.

Competitive Position

Most competitors are co-operatives, particularly in the bovine sector, and do not generally have the global presence enjoyed by Genus

8%
Adjusted operating profit
£23.8m
(2007: £22.1m)

	Actual Currency			Constant Currency	
	2008	2007	Movement	2007	Movement
Americas Region	£m	£m	%	£m	%
Revenue	126.1	118.7	6.2	117.8	7.0
Adjusted operating profit	21.1	20.8	1.4	20.9	1.0
Adjusted joint venture (JV) profit	2.7	1.3	107.7	1.3	107.7
Adjusted operating profit incl JV	23.8	22.1	7.7	22.2	7.2
Adjusted operating margin*	16.7%	17.5%		17.7%	

	Actual Currency			Constant Currency	
	2008	2007	Movement	2007	Movement
North America	£m	£m	%	£m	%
Revenue	97.2	94.9	2.4	93.2	4.3
Adjusted operating profit	16.1	16.1	-	15.7	2.5
Adjusted operating margin	16.6%	17.0%		16.8%	

	Actual Currency			Constant Currency	
	2008	2007	Movement	2007	Movement
Latin America	£m	£m	%	£m	%
Revenue	28.9	23.8	21.4	24.6	17.5
Adjusted operating profit	5.0	4.7	6.4	5.2	(3.8)
Adjusted joint venture (JV) profit	2.7	1.3	107.7	1.3	107.7
Adjusted operating profit incl JV	7.7	6.0	28.3	6.5	18.5
Adjusted operating margin*	17.3%	19.7%		21.1%	

Note

* Excluding joint venture

Trading Progress

Major advances in Latin America produced a robust result in the Americas region. Operations are conducted in dollar related currencies. The sterling profit benefited from the weakness of sterling in Latin America (+£0.5m) but this benefit was offset by the strength of sterling in North America (-£0.5m).

As with elsewhere in the world, massive feed price increases took their toll on the agricultural economy. However, in the USA, unlike elsewhere in the world, there was also a secondary impact on the dairy sector. The profitability of large US dairy farmers suffered temporarily as they use proportionately more supplementary feed to obtain the global leading productivity they achieve.

In Latin America, where the rural economy relies heavily on expanding agricultural exports, governments moved to protect farming in various ways so that the feed price impact was less acute than in North America and farmers were encouraged to expand their operations.

For the region as a whole, sales grew by 6% to £126m (2007 £119m) largely due to the improved performance of Latin America.

Regional sales grew by 6% to £126m (2007 £119m)

In constant currency, regional sales of £126m grew by 7% (2007 £118m).

Adjusted operating profit (including the Brazilian joint venture that is an integral part of the Latin American trading platform) rose by 8% to

£23.8m (2007 £22.1m) and by 7% in constant currency with exchange rate gains in Latin America broadly offsetting exchange rate losses in North America.

Farmers were encouraged to expand despite the high cost of feed as North American milk prices remained relatively firm. This increased the potential for the sale of sexed semen. Dairy semen volume increased by 6% and prices rose slightly as mix improved to include a greater proportion of sexed semen. Sexed semen sales now represent 20% of the revenue generated in the North American dairy sector.

Over the last five years, the shape of the North American business has been changed considerably to meet the changing requirements of farming. To the 500 or so self-employed agents (previously the primary route to market) Genus has added more than 200 ABS employed retail sales staff. These new recruits spear-head the thrust of the RMS service to the larger farmers that are the Company's premier

customers. One notable success during the year was the winning of an extended supply and service contract in Idaho with the USA's largest dairy farmer who milks more than 60,000 dairy cows, perhaps the world's largest dairy farmer. The region will benefit increasingly during the new financial year from this late addition to the customer base.

The greatest success however, was in the Latin American market.

In relatively buoyant dairy market conditions, the semen business increased its market share in a number of countries. For instance, in Chile the market share now stands at 29%, a level 40% larger than that of the closest international competitor and only just behind the local government sponsored co-operative. In Brazil, ABS' share of the imported semen market rose by 2% to 39% and in Argentina it reached 12% from zero just two years ago when the business re-opened following closure for many years due to the country's economic problems.

In the porcine sector, Genus enjoys a 48% market share, on average, in Latin America. It operates directly in Mexico and most other countries and through a 49/51 joint venture in Brazil.

The greatest success was in the Latin American market

In the expectation of a downturn for the region because of the anticipated impact of high feed prices, Genus closed one of PIC's main supplying nucleus farms in Mexico and outsourced production, saving £0.5m a year. These savings started to accrue from the final quarter this financial year and will annualise next year.

As a result of product and marketing initiatives, the region began to supply the Cargill account in Brazil and expanded its business with Sadia, the region's largest food producer.

By far the largest business sector for the region is the North American porcine business. Despite the difficult market conditions, PIC increased its market share in this sector by 3%. It won the Cargill account from the newly amalgamated Monsanto/Newsham-Hybrid business. This should bolster royalty income in the year ahead.

The royalty model has continued to protect the profit stream from market down-turn, with royalties rising by 5% over 2007. This was an important contributor to the achievement of the full year porcine profit target in North America.

Business Review

Global Operations *(continued)*

Europe & The Far East Region

Nature of the Business

This region comprises the developed world agriculture of the UK, Western Europe, Japan and Australia, and the developing world agricultures of Eastern Europe and the Far East

Growth Drivers

The market for pork and dairy products is growing throughout the region with growth particularly strong in the Far East (especially China) and Eastern Europe (particularly Russia)

The agricultural industry continued to consolidate in Western Europe with smaller producers coming under increased profit pressure as feed prices rose

Market forces in Eastern Europe continue to encourage larger and highly productive farming units to develop that, over time, are expected to replace the smaller and less efficient units in Western Europe

Regional milk prices rose dramatically during the first half of the reporting period and dropped slightly in the second half. Pig slaughter prices were insufficient to cover the increased cost of feed so that European farmers remained unprofitable throughout the period.

The Government of China is supporting investment in "state of the art" farming in order to feed an increasingly wealthy population.

50%
Regional sales grew
£129m
(2007: £122m)

	Actual Currency			Constant Currency	
	2008	2007	Movement	2007	Movement
Europe & The Far East	£m	£m	%	£m	%
Revenue	128.7	122.2	5.3	128.3	0.3
Adjusted operating profit	18.1	14.3	26.6	14.9	21.5
Adjusted operating margin	14.1%	11.7%		11.6%	

	Actual Currency			Constant Currency	
	2008	2007	Movement	2007	Movement
Europe	£m	£m	%	£m	%
Revenue	110.1	108.8	1.2	114.9	(4.2)
Adjusted operating profit	14.3	11.4	25.4	12.2	17.2
Adjusted operating margin	13.0%	10.5%		10.6%	

	Actual Currency			Constant Currency	
	2008	2007	Movement	2007	Movement
The Far East	£m	£m	%	£m	%
Revenue	18.6	13.4	38.8	13.4	38.8
Adjusted operating profit	3.8	2.9	31.0	2.7	40.7
Adjusted operating margin	20.4%	21.6%		20.1%	

Competitive Position

Genus is the overall market leader in Europe and the Far East in both the porcine and bovine sectors. Although competitors generally hold high market shares in their home markets, they export relatively little and do not enjoy the global presence of Genus.

Trading Progress

Regional sales grew by 5% to £129m (2007: £122m) largely due to the strength of the Euro against Sterling. In constant currency, regional sales were marginally ahead of last year. Underlying sales in Europe were lower as expected due to restructuring to improve productivity and an increased use of the porcine royalty model to reduce risk.

Adjusted operating profit rose by 27% to £18.1m (2007: £14.3m). In constant currency the increase was 22%.

In the UK and Western European dairy sectors, milk prices remained at a reasonable level throughout the period. This encouraged farmers to seek to increase output to meet the shortfall in world demand by using proportionately more dairy semen to breed replacement animals and less beef semen for cross breeding.

Growth in the RMS in the UK during the reporting year and a further year of growth in Italy helped to increase market share in those countries. In the UK alone, 6.5% of the cow population is now managed by this exclusive Genus service.

27%
Adjusted operating profit
£18.1m
(2007: £14.3m)

Notable business successes in the bovine business were achieved in:

- France** Profit contribution increased by 62% after opening a new distribution centre and expanding the sales force.
- Asia Et Pacific** A 15% increase in profit contribution, despite government controls in Japan, aimed at slowing expansion. A more than twofold increase in profit contribution from Australia as the market improved following late rains and growth in the RMS service.

In porcine, the European business continued to make strong progress despite the depressed market conditions caused by the impact of high feed prices on farmer profitability. The situation was particularly acute in Western Europe where farm units are relatively small and generally less productive than those of larger units elsewhere in the world.

Against this market background, with many Western European farmers losing €20 per pig sold, the business did well to increase its profit contribution by 3%. There was a recovery in the previously ailing business in Spain and the UK, Benelux and Portugal all delivered profits ahead of 2007.

The situation in the Far East was less acute because of a major shortfall in livestock production that began last year following outbreaks of disease in China. In China and the Philippines, the high feed costs and continuing outbreaks of disease had caused many backyard farmers to exit pig production. This drove prices higher and helped support Chinese government initiatives to encourage entrepreneurs to open new large modern pig units. Because of PIC's strong market presence in China, the Company was able to win much new business with these operations and moved quickly to start up two new nucleus farms, in the Sichuan and Jiangxi provinces, to provide animals to populate the newly opened farms. The start up costs for these farms were expensed during the period and totalled £0.5m. One of the new nucleus farms was populated with product from PIC's Canadian nucleus farm and included PIC 65, a new line for China that will increase PIC's genetic lead over its competitors.

The earthquake in the Sichuan province in May 2008 killed more than three million pigs, high prices and shortages of supply are likely to continue. One consequence of the earthquake was that some animals in the Company's Sichuan nucleus farm were lost. The remainder were moved to a new safe location. The Company suffered £0.2m in uninsured losses because of the earthquake, and these costs have been recorded as an exceptional item.

The business continued to make strong progress in the Philippines and elsewhere in the Far East.

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Research & Development

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Research & Product Development

The foundation of Genus' business is its Research & Development investment. Genus re-invests between 7% and 8% of sales in Research & Development, directing approximately 86% of this amount to the continuous regeneration and augmentation of the elite animals in its six international bull studs and its two extensive porcine nucleus herds.

The remaining 14% is used for commercially targeted fundamental science projects aimed at creating a scientific breakthrough that will differentiate further the Company's products from those offered by competitors.

Expenditure in this financial year rose to £18.4m (2007 £17.7m) largely as a result of the increased cost of grain purchased as feed for the animals in the genetics programmes. Expenditure on inventive capability remained broadly in line with the previous financial year.

Strong progress was made in both the bovine and porcine genetic programmes. This provided the foundation for the 10% growth in semen volume and the significant market share increases mentioned earlier in this report for both the porcine and bovine businesses.

The Company also made progress with its fundamental science programme meeting all the milestones set for leading projects, with particular progress being made with sexed semen development, semen output and gene marker identification.

Bovine Product Development

The Genus bovine stud is perhaps the most genetically elite and diverse in the world. It comprises 195 beef and dairy bulls carefully selected for their ability to confer in their progeny a combination of 24 desirable traits providing benefits in terms of quality, output and robustness.

In the dairy sector, the stud is led by globally elite bulls such as Shottle, Bolton and Boliver. Shottle semen has become the most sought after semen in the world and, by virtue of its increasing appeal, we have been able to increase its price yet again this year. Shottle has achieved premier ranking in the US listings, an accolade never before achieved by a UK bred bull.

The five year selection and testing programme for the new bulls that continually regenerate and enhance the stud was expanded by some 40 Holsteins this year and will be expanded by a further 20 to 30 bulls in 2008/9.

In creating and selecting new animals for this programme, because of the five year lead time, the Company needs to look ahead to the likely needs of agriculture at the time the bulls will graduate. Over the last five years, the programme has concentrated on all round performance with an emphasis on robustness. From publicly available data, we can confirm that the Genus stud is well ahead of its competitors in the range and competitiveness of the bulls in the testing programme for graduation in the coming year. These potential graduates also rank highly in the traditional conformation traits that carry the highest price premium.

The new graduates for 2008 add considerably to the strength of the stud, although none are yet quite of the level to de-throne Shottle. In the forward development programmes, in anticipation of the world shortages in agricultural output and higher prevailing feed costs, the Company had already begun to change the weighting of the traits in the selection process. This change will be accelerated in 2008/9 and in future years to increase the proportion of bulls in the stud that confer high output and feed efficiency in their progeny.

Porcine Product Development

The primary objective of the rolling three year porcine development programme is to improve the genetics in the Company's range of nine major pure lines of animals. These pure lines are used to create elite boars and gilts for the Group's operating businesses to multiply locally and thereby supply pure-bred and cross-bred animals to regional customers.

Genus re-invests
between
7%–8%
of sales in Research &
Development

Business Review

Research & Product Development *(continued)*

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Introduction

All competitors achieve improvements to their pure lines by applying quantitative genetics within their nucleus herds. Genus has accelerated this basic process by the adoption of cross-bred genetic trials in commercial herds and, more recently, by the selective use of gene markers from the fundamental science programme. These measures have combined to increase the rate of genetic improvement in the reporting year by 17%, compared with the much lower average rate normally achieved by the industry.

In selecting animals for the breeding programme, measurements are made on up to 45 fundamental traits and emphasis continues to be placed variously on growth rate, feed conversion efficiency, meat quality, reproductive performance and reduced mortality in the dam lines. This approach is providing pleasing results in the context of future market opportunities.

Three main sire lines have emerged from the Company's development programme. The PIC 65 is directed to best growth rate and overall performance, with robustness being a particular goal in the PIC 27 and meat quality in the PIC 15. Thus, the product range is broader than that of any competitor and there is an ideal product available for every type and size of pig producer.

Fundamental Science

The Company project manages much of its fundamental research in educational establishments and with specialist research companies. Most of the work Genus carries out in semen physiology and freezing is done in-house. In addition, Genus carefully monitors work undertaken by more than 500 research establishments around the world so that it can quickly identify the progress made in other biotech industries and decide whether such progress could be adapted for use in the animal genetics sector.

In these ways, the Company is able to achieve more progress than would normally be expected from the level of expenditure it currently directs towards fundamental science.

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

This year we achieved

- 1 An improvement in the process for handling semen in the sexed semen sorting process currently commercialised by Genus. This improvement could potentially remove its capacity constraint.
- 2 An increase to 150 in the number of gene markers identified for low heritability porcine traits. These have been adopted and are being used in the genetic selection programme.
- 3 Improvements to the semen extension processes that will increase further the semen output of the top selling and highest priced bulls. This improvement is now being field tested for implementation in 2009.

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Expansion
of Wisconsin
Bovine Stud

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Construction
of new porcine
genetic nucleus

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Financial Overview

Adjusted Results

Volatility has been introduced into the Group's results largely due to the inclusion of the fair value movement in biological assets as required under IAS 41. To assist with the interpretation of underlying performance, the Group Income Statement shows adjusted operating profits, defined as operating profit from continuing operations before the fair value movement in biological assets, amortisation of intangibles, share based payments and exceptional items.

Biological Assets

In accordance with IAS 41 the Group shows the carrying value of biological assets in the balance sheet with the fair value movement shown in the income statement.

Bovine biological assets are assessed as the fair value of proven bulls and bulls on test, based upon discounted expected cash flows from the sale of semen. The significant assumptions determining the fair values are the expected future demand for semen, estimated sales value at point of production, the marketable life of each bull and, for bulls on test, the long-term average percentage expected to graduate to become proven.

The expected future demand for semen is calculated on a bull by bull basis, with a long term growth rate assumed for the number of units sold. The actual growth rate in 2008 was 11% compared with an historic average seven-year growth rate of 6%.

Porcine biological assets are assessed as the fair value of all owned pigs and are valued using the average slaughter value of the animals plus a premium for genetic characteristics determined by average achieved sales prices. The animals include those owned directly by Genus and the Group's retained interest in royalty sales made over the previous 24 months (a conservative estimation of the life of a breeding animal). Animals being multiplied by third parties are not valued as they fall outside the scope of IAS 41. The significant assumptions determining fair values are the expected life of the breeding herds, the mix of boars and gilts, the percentage of production animals expected to be saleable as breeding pigs, and expected sale prices.

Breeding animal semen is transferred to inventory at fair value at point of harvest. Under IAS 41 it is classified as agricultural produce and is shown at fair value.

At 30 June 2008 the fair value of biological assets was as follows:

	Bovine		Porcine		Total	
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Non-current assets	84.4	73.9	42.6	40.2	127.0	114.1
Current assets	-	-	24.3	25.6	24.3	25.6
Inventory	16.3	15.2	-	-	16.3	15.2
	100.7	89.1	66.9	65.8	167.6	154.9

The fair value movement in the income statement amounted to £6.3m (2007: £10.9m). The favourable exchange rate impact of £3.2m, primarily from the stronger Euro and Canadian dollar, is recognised through reserves.

Revenue

Revenue from continuing operations grew by 6% from £234m to £247m. At constant exchange rates revenue was up 3% on 2007, with a £6m benefit from the stronger Euro more than offsetting a £2m adverse movement from the weaker US dollar.

Profit

	2008	2007
	£m	£m
Adjusted operating profit from continuing operations	32.4	28.7
Share of profit of joint ventures and associates*	2.7	1.3
Adjusted operating profit including joint ventures and associates	35.1	30.0
Net finance costs	(7.1)	(10.0)
Adjusted profit before tax from continuing operations	28.0	20.0

*excluding fair value movement of biological assets and taxation

Adjusted
operating profit up
13%
£32.4m
(2007: £28.7m)

Adjusted operating profit

12m to June 2008
£32.4m
12m to June 2007
£28.7m
15m to June 2006
£19.8m

Adjusted operating profit increased by 13% to £32.4m (2007 £28.7m) and adjusted profit before tax increased by 40% to £28.0m (2007 £20.0m). At constant exchange rates, adjusted operating profit was 10% higher than 2007, while adjusted profit before tax was up 35% on last year.

Operating profit from continuing operations of £26.2m was £2.2m lower than the prior year (2007 £28.4m), primarily as a result of the IAS 41 fair value movement of £6.3m being £4.6m lower than the increase of £10.9m in 2007.

All the exchange rate benefit in 2008 came from the stronger Euro, as in the Americas a weaker US dollar was offset by stronger Latin American currencies, especially the Brazilian Real.

Finance Costs

Net finance costs fell from £10.0m to £7.1m, reflecting the proceeds from divestments and the proceeds from the share placing in November 2007. Interest payable, excluding amortisation of debt issue costs, the net interest cost in respect of pension scheme liabilities and other interest payable, amounted to £8.5m (2007 £11.0m) and was 3.8 times covered by adjusted operating profit from continuing operations (2007 2.6 times).

Taxation

The effective rate of tax for the year, based on adjusted profit before tax, was 34.3% (2007 33.7%). The effective tax rate depends upon the mix of profits by country, particularly the proportion of profit generated in North America, where the tax rate is approximately 40%, and the ability of the Group to recognise deferred tax assets in respect of losses in some of the Group's smaller territories.

Earnings per Share

Basic earnings per share were 30.8p in the year ended 30 June 2008 (2007 26.6p). Adjusted basic earnings per share from continuing operations of 32.0p were 30% higher than last year.

Share Price and Shareholders' Funds

The Genus plc share price ranged from a low of 495.7p to a high of 894.5p during the financial year. On 30 June 2008, the mid-market price was 802p, giving a market capitalisation of £477m at that date.

Following the placing of 2,700,000 new ordinary shares at 720p each with institutional investors on 1 November 2007, shareholders' funds amounted to £185.1m at 30 June 2008, an increase of £34.2m in the year. This is equivalent to 311p per share and compares with 270p per share at 30 June 2007.

Dividend

To reflect continuing confidence in the Company's long-term strategy for growth, the Board is again recommending a 10% increase in the dividend to 10 pence per ordinary share. Subject to shareholder approval at Genus' Annual General Meeting to be held on 13 November 2008, this dividend will be paid on 9 January 2009 to shareholders on the register at the close of business on 12 December 2008.

The dividend will be covered 3.2 times by adjusted earnings (2007 2.7 times). The cost of the proposed dividend will be £5.9m (2007 £5.3m).

Financing and Cash Flow

The Company's secured bank credit facilities comprise a term loan of £2.5m which expires in October 2009, a £47.5m amortising term loan expiring in October 2010, and a £70m multi-currency revolving credit facility expiring in October 2010. During the year, the term loans have been reduced by £29.7m and net debt, including finance leases, has reduced from £111.1m at 30 June 2007 to £77.5m at 30 June 2008. Two further repayments of the amortising term loan of £7.5m will be made in October 2008 and April 2009 respectively. In February 2008, a £30m revolving credit loan was repaid and switched to a US\$60m loan to increase the net investment hedge of the Group's US dollar denominated assets to match the Group's borrowing to the currency of its operating cash inflow.

Gearing at 30 June 2008, measured as net debt/equity, was 42% compared with 74% at 30 June 2007.

The Group's operating cash inflow for the year to 30 June 2008 was £20.2m (2007 £23.8m). The reduction when compared with last year is a result of higher taxes paid and an increase in working capital. The net cash outflow for the year was £7.1m (2007 outflow £4.6m) arising principally from debt servicing and repayments.

Adjusted operating profit (pre R&D)

Porcine
57%

Bovine
43%

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Exceptional Items

The exceptional items during the year totalled £4.9m (2007: £4.7m) of which £3.3m (2007: £3.0m) related to the integration and restructuring expenses for the acquired PIC businesses and the implementation of the global Oracle management information system. A further £1.6m (2007: £1.0m) related to the move to the Official List. The acquired PIC businesses have now been fully integrated.

Discontinued Businesses

The Company has completed its strategy of divesting non-core assets. The Development Consulting and Mexican shrimp businesses were divested during the first half of the year for £3.2m and £1.3m respectively, of which £3.1m has been received to date. In January 2008, the last remaining non-core business, Animalcare Limited, was sold to Ritchey plc for sales proceeds of £13.4m. This completed the disposal programme. In aggregate, a profit of £3.1m arose on the disposals.

Treasury

The Group has a centralised treasury function to manage foreign exchange and interest rate risk following guidelines laid down by the Board. Derivative instruments are used solely to mitigate risks. The Group borrows principally in Sterling, US dollars and Australian dollars. The Group's borrowings at the end of the year were mainly bank borrowings provided by a syndicate led by Barclays Bank plc.

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

• Interest Rate Risk

Interest rate swaps are used to generate the desired interest profile and to manage exposure to interest rate fluctuations. At the year end, the Company had the following interest hedges in place:

- (i) 2½ year fixed rate of 4.74% on £20m of sterling borrowings,
- (ii) 2½ year fixed rate of 5.19% on US dollar borrowings, swapped for sterling borrowings, in US\$ equivalent of £35m, and
- (iii) 2½ year fixed rate of 3.2% on \$60m of US dollar debt.

The fair value of the interest rate swaps at 30 June 2008 yields a favourable position of £1.5m (2007: £3.4m).

As at 30 June 2008, £85m of the £95m gross debt was hedged into a fixed rate position. This amounts to 89% of borrowings converted to fixed rates (30 June 2007: 85%).

• Foreign Currency Risk

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

Translational exposure arises on the re-translation of overseas subsidiary companies' profits and net assets into sterling for financial reporting purposes. Overseas trading is mainly US\$ linked. The policy is not to hedge translation risk of results in the year but to hedge material exposure to overseas net assets to minimise risk to fluctuations in the Group's net assets from translation. In January 2006, following the acquisition of Sygen, the Company entered into a currency swap that had the effect of exchanging £35m of debt for a US\$66.2m debt for a 5 year term. The fair value of this instrument at 30 June 2008 yields an un-favourable position of £0.1m, which has been debited as a currency translation difference in the Group Statement of Changes in Equity.

• Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and a multi-option revolving credit facility. At the year end the Group held cash and cash equivalents of £19.3m and had an available multi-currency facility of £26.3m. The total loans and finance leases repayable in one year were £18.6m.

The Group remains comfortably within its covenant headroom and has made considerable improvements in its covenant ratios during the reporting period.

The facility margin on the Group's borrowing will therefore reduce by 25 basis points from October 2008 as a result

Adjusted EPS

	15m to June 2006 23.4p	12m to June 2007 24.6p	12m to June 2008 32.0p

Business Review

Principal Risks and Uncertainties

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

Further information on the risk management system can be found in the Corporate Governance Statement. The principal risks and uncertainties identified by Genus which could impact its performance are set out below

Business Risk	Outline	Example Mitigating Actions
Environmental compliance	Environmental incident e.g. arising from waste disposal	- Pro-active environmental management - Compliance with environmental laws - Extensive environmental protocols - High level of staff training - Use of latest technology
Disease	Disease outbreak in bull studs or porcine nucleus herds and/or surrounding areas	- World class animal care practices - Strict bio-security systems - Dispersed & remote herd locations - High level of staff training
Health & Safety	Health & safety incident, e.g. accident at work	- Compliance with health & safety laws - Extensive health & safety protocols - High level of staff training - Risk assessments & audits
Sales Growth	Changes in demand, interruptions or delay in product supply, expansion into new markets, economic conditions, competitor activity	- Superior product range to meet local demand - Investment in bull studs and porcine genetic nucleus herds - Extensive supply network in geographically diverse locations - Locally based distributor network - Provision of technical services
Profit Growth	Impact of economic conditions on operating costs, e.g. high commodity prices	- Cost reductions in affected areas - Geographical diversification - Forward purchasing strategy - Increased use of royalty model - Sound procurement practices
Business Interruption	Failure of business infrastructure, delay in third party supply of product or services	- Back up procedures for each location - Contingency plans for key suppliers - IT recovery plans - Insurance programme
People	Reliance on key employees	- Succession planning - Training and development programmes - Competitive remuneration packages - Incentives to retain key employees
Currency	Foreign exchange risks	- Forecasting currency requirements - Hedging policies

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Corporate Social Responsibility

Genus plays a key part in the world's agricultural economy and delivers many benefits to global society

Genus' unique position in the supply of superior natural animal genetics enables the world's farmers and food producers, particularly those in the emerging markets, to ensure the supply of quality products with increasing output at improved production efficiencies. In the context of an ever increasing world population and decreasing resources being made available for food production, Genus plays an increasingly important social and economic role in the efficient production of quality foods.

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

Genus' Group companies devise procedures which are, as a minimum, compliant with local laws and operating conditions. The Genus Board has overall responsibility for corporate responsibility, assessing the needs of Genus' stakeholders regularly, and delegates day to day management of corporate responsibility issues to the Company's Operating Board in conjunction with regional management.

The Genus approach to corporate responsibility applies to the following key areas: the environment, our employees, health & safety, our stakeholder relationships and our community.

The Genus principles of corporate responsibility apply to all our employees and are a minimum standard for their behaviour.

The Environment

Genus recognises that concern for the environment is an essential part of its business operations and seeks to minimise risk to the environment by effective management of the Group's activities. The Group's environmental policy is to conduct its business, as a minimum, in compliance with the laws and regulations applicable to its business in each of the countries in which it operates. The monitoring and reporting on environmental performance is an integral part of the Company's operations and a key part of the Company's risk management programme.

Our Employees

Genus places considerable value on the involvement of its employees and has continued to keep its employees informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, internal communications, the Company's magazine and the Group's intranet.

Genus' employment policies respect the individual regardless of sex, age, race or religion. Full and fair consideration is given to applications for employment from disabled people. 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.

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

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Corporate Social Responsibility *(continued)*

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Introduction

Health & Safety

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

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Genus
recognises that
concern for the
environment is an
essential part of
its business
operations

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Corporate Governance

Our Stakeholder Relationships

Customers

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

Suppliers

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

Our Community

Genus recognises its responsibilities as a member of the communities in which it operates and, at a local level, encourages its operating companies to engage with the local community in their areas of operation. At a Group level the Company has contributed to the Sichuan earthquake disaster fund in China and sponsors the Farm Business Awards and the John Beckett Foundation, which provides business scholarships to young farmers.

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Corporate Governance

The Board of Genus plc

John Hawkins (55)

Chairman

John Hawkins joined the Board in June 2000 and was appointed Chairman of the Board and the Nomination Committee in August 2004. He is Chief Executive of Atex Group Limited, non-executive Chairman of The Salamander Organisation Limited, and a non-executive director of Psion plc. He was formerly Chief Executive of Anite Group plc and before that he was with Philips Electronics for 19 years, latterly as European President of Philips Media.

Richard Wood (63)

Chief Executive

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

Martin Boden (49)

Group Finance Director

Martin Boden is a graduate chartered accountant with considerable experience of large and diverse FTSE100 companies. Prior to joining Genus as Group Finance Director in April 2007 he was Group Financial Controller of GUS plc, a FTSE100 retail and business services Group. After qualifying with Robson Rhodes, he worked for the WHSmith Group, NatWest UK and Zurich Financial Services before joining GUS plc.

Nigel Turner (59)

Senior Non-Executive Director

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

John Worby (58)

Non-Executive Director

John Worby joined the Board in September 2004 and is Chairman of the Audit Committee. He is a non-executive director of Cranswick plc, Smiths News plc and Heatherwood & Wexham Park Hospitals NHS Trust, and was previously Deputy Chairman and Finance Director of Uniq plc (formerly Unigate plc). Previously he was Group Treasurer of Unigate plc and Finance Director of Wincanton Ltd.

Professor Barry Furr (64)

Non-Executive Director

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

Ian Farrelly (40)

Group Company Secretary & General Counsel

Ian Farrelly is a solicitor with substantial experience of legal and Company secretarial affairs affecting international and public companies in a variety of sectors. He joined Genus in June 2006 from Microgen plc where he was Group General Counsel, and was previously Group Solicitor & Company Secretary of Diagonal plc and Solicitor to Hays plc.

Corporate Governance

Chief Operating Officers of Genus plc

Ian Biggs (50)

Chief Operating Officer – The Americas

Ian Biggs is a graduate chartered accountant having qualified with KPMG. He joined Genus in 2000 and was Chief Operating Officer for bovine genetics until December 2005 when, with the acquisition of Sygen International plc, he became Chief Operating Officer of the Americas of the enlarged Group. Prior to joining Genus he was with Roslin Bio Med, a Company formed by the Roslin Institute and before that he was with PIC, which became Sygen, first as Group Finance Director and later as Managing Director of the European business followed by being head of North American operations.

Philip Acton (50)

Chief Operating Officer – Europe, Asia, Australia & Africa

Philip Acton is a graduate chartered accountant having qualified with Deloitte. He joined Genus in 1995 and was its Finance Director until March 2003 when he became the Chief Operating Officer of Genus Animal Health. Following the acquisition of Sygen in December 2005 he became Chief Operating Officer of Europe, Asia, Australia & Asia. Prior to joining Genus he worked for 10 years in the electrical engineering sector and was Group Finance Director of Scholes Group plc.

Steve Amies (57)

Chief Operating Officer – Global Research & Product Development

Steve Amies is an agriculture graduate from Reading University. He joined Genus at its inception in 1994. Thereafter he held a range of posts across product development and operations, culminating in the post of Managing Director of the Company's UK and European bovine breeding business. Following completion of the Sygen acquisition in December 2005 he became Chief Operating Officer of Global Research & Product Development.

Advisors

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The Board of Genus plc
Chief Operating Officers of Genus plc

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Directors' Report

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Directors' Report

The directors present their report and financial statements for the year ended 30 June 2008

Principal Activities

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

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in notes 20 and 39 to the financial statements.

Business Review

A review of the business of the Group during the financial year ended 30 June 2008, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group can be found within the Business Review on pages 8 to 23

The Business Review also includes details of expected future developments in the business of the Group, an indication of its activities in the field of research and development and details of the key performance indicators used by management, together with details of the Company's approach to corporate responsibility. The Business Review also contains a description of treasury policies and financial instruments used by the Group, which should be read in conjunction with note 28 to the financial statements.

Dividends

The directors are pleased to recommend the payment of a dividend of 10 pence per ordinary share amounting to £5.9m payable on 9 January 2009 to shareholders on the register at the close of business on 12 December 2008

Directors

The directors, who served throughout the year except as noted, were as follows

- John Hawkins** - Non-Executive Chairman
- Richard Wood** - Chief Executive
- Martin Boden** - Group Finance Director
- Nigel Turner** - Senior Non-Executive Director (appointed 17 January 2008)
- Edwin White** - Senior Non-Executive Director (retired 17 January 2008)
- John Worby** - Non-Executive Director
- Barry Furr** - Non-Executive Director

In accordance with the Company's Articles of Association and best practice, John Hawkins will retire by rotation at the next Annual General Meeting and, being eligible, offers himself for re-election. Nigel Turner was appointed by the Board during the year and will offer himself for election at the next Annual General Meeting.

Having undergone a formal performance evaluation the Board considers that the directors who are submitting themselves for re-election and election make an effective and valuable contribution to the Board and demonstrate commitment to their respective roles. Details of the contractual terms of those directors who are submitting themselves for re-election and election are contained in the Directors' Remuneration Report on page 36.

Biographical details on the directors and senior management of the Company can be found on pages 24 and 25.

Directors' Interests

The directors who held office at 30 June 2008 had the following interests in the shares of the Company

	At 30 June 2008 No	At 30 June 2007 No
John Hawkins	4,100	15,000
Richard Wood	14,200	59,400
Martin Boden	189	-
Nigel Turner	15,000	n/a
John Worby	10,000	10,000
Barry Furr	-	-
Total	43,489	84,400

Directors' Share Options and Share Awards

Details of directors' share options and share awards are provided in the Directors' Remuneration Report on page 35

Supplier Payment Policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 30 June 2008 were equivalent to 37 days' purchases (2007: 30 days), based on the average daily amount invoiced by suppliers during the year.

Charitable and Political Contributions

During the year the Group made charitable donations of £13,000 including £7,000 in May 2008 to the Chinese Sichuan earthquake appeal and £5,000 to the John Beckett Foundation.

Substantial Shareholdings

As at 12 September 2008, the following material interests in the Company's issued ordinary share capital were held: Lansdowne Partners Ltd 11.44%, NFU Mutual Et Avon Group 10.17%, Legal Et General Investment Mgmt Ltd 6.54%, M&G Investment Management 5.62%, Baillie Gifford Et Co Ltd 4.08%. No other person has notified an interest in the ordinary shares of the Company which is required to be disclosed to the Company.

Acquisition of the Company's Own Shares

At the end of the year, the directors had authority, under the shareholders' resolutions of 15 November 2007, until the earlier of 18 months after its passing of such resolutions or the conclusion of the Company's next Annual General Meeting, to buy back shares on the open market to a limit of £559,313 in nominal value, representing 10% of the Company's issued share capital as at the date of the resolution at a price between 10p (exclusive of expenses) and 105% of the average of the middle market quotation for ordinary shares in the Company for the five business days prior to the date of purchase (exclusive of expenses).

Corporate Social Responsibility

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

Ordinary and Special Business at the Annual General Meeting

At the Annual General Meeting to be held on 13 November 2008 resolutions 1 to 7 are termed ordinary business, while resolutions 8 to 10 will be special business. The ordinary business includes:

- approval of the Company's audited financial statements and directors' and auditors' reports for the year ended 30 June 2008
- approval of the directors' remuneration report for the year ended 30 June 2008
- declaration of a final dividend of 10 pence per ordinary share
- re-election of that director required to retire by rotation
- election of that director submitting himself for election
- re-appointment of the Company's auditors and the agreement of their remuneration
- grant of authority to the directors to allot authorised and unissued ordinary shares up to an aggregate nominal amount of £1,653,379 without having to obtain prior approval from shareholders on each occasion

Corporate Governance Directors' Report

The special business covers the following matters

- partial disapplication of pre-emption rights attaching to the Company's shares
- renewal of the directors' authority to buy back the Company's shares
- adoption of new articles of association of the Company

The above resolutions are set out in full in the Notice of Annual General Meeting on pages 105 to 109

The passing of resolution 7, as an ordinary resolution, will permit the directors for a period expiring at the conclusion of the Company's next Annual General Meeting to allot relevant securities up to a maximum aggregate nominal amount of £1,653,379 being 16,533,795 ordinary shares of 10 pence each representing 28 per cent of the issued ordinary share capital of the Company as at 30 June 2008. The directors do not have an intention to exercise this authority at the present time. The Company currently holds no shares in treasury.

The passing of resolution 8, as a special resolution, will permit the directors for a period expiring at the conclusion of the Company's next Annual General Meeting to make issues of equity securities for cash by way of rights issue or similar pre-emptive offer. In addition, they may issue equity securities for cash on a non pre-emptive basis, provided the shares so issued be limited to shares with a nominal value of £297,278 being 5% of the equity share capital in issue as at 30 June 2008.

The passing of resolution 9, as a special resolution, will permit the directors, until the earlier of 18 months after its passing or the conclusion of the Company's next Annual General Meeting, to buy back shares on the open market to a limit of £594,556 in nominal value, representing 10 per cent of the Company's issued share capital as at 30 June 2008. The minimum price payable per share will be 10 pence (exclusive of expenses) and the maximum will be the higher of (a) 105 per cent of the average of the middle market quotations for an ordinary share in the Company for five business days prior to the date of purchase (exclusive of expenses), and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003.

The passing of resolution 10, as a special resolution, will permit the Company to adopt new articles of association in order to update the Company's existing articles of association, to benefit from those changes that have been brought into force by the Companies Act 2006. A summary of the principal changes that are proposed to be made by adopting the new articles of association pursuant to resolution 10 is contained in the Appendix to the Notice of the Annual General Meeting.

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

Provision of Information to the Company's Auditors

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

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

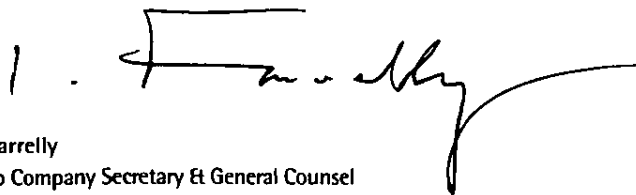
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Appointment of Auditors

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

Belvedere House
Basing View
Basingstoke
RG21 4HG

By order of the Board



15 September 2008

Ian Farrelly
Group Company Secretary & General Counsel

Corporate Governance

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Introduction

Genus is committed to high standards of corporate governance and is accountable to the Company's shareholders for good corporate governance. Although the Company was admitted to the Official List on 11 November 2007, the Company has applied throughout the period of this report the principles of corporate governance and has complied with the provisions set out in the June 2006 Combined Code on Corporate Governance ("the Code") save as described below.

Statement of Compliance with the Combined Code

Throughout the year ended 30 June 2008, the Company has been in compliance with the provisions set out in section 1 of the Code except for provision A.3.1 of the Code in relation to the tenure of the Company's senior non-executive director, Edwin White, until his retirement on 17 January 2008 which is explained below.

The Workings of the Board and its Committees

The Board

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

The Chairman and the Non-Executive Directors are considered independent. The Board considers the Chairman to be independent since, other than his interest in the ordinary shares of the Company and as described in note 38 to the financial statements, he has neither a financial nor commercial interest in the Group. After formal review the Board unanimously agreed that the independence of Edwin White, the Company's senior independent non-executive director until 17 January 2008, had not been in question and that his background, contribution to the Board and relationship with the Company's former shareholder base were highly valuable. Edwin White had before his retirement served on the Board for fourteen years (eight years since the Company became a public Company), a period longer than specified by provision A.3.1 of the Code.

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

The Chairman, John Hawkins, has primary responsibility for running the Board. The Chief Executive, Richard Wood, has executive responsibility for achieving operational and financial targets and for executing the Group's strategy. Clear divisions of accountability and responsibility between the Chairman and Chief Executive have been agreed by the Board and are set out in writing.

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

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

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The attendance of directors at Board and Committee meetings during the period was as follows

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chairman (non-executive)				
John Hawkins	9 (9)	3 (3)	6 (6)	1 (1)
Executive Directors				
Richard Wood	9 (9)	3*	4*	1 (1)
Martin Boden	9 (9)	3*	n/a	n/a
Non-Executive Directors				
Edwin White**	5 (5)	1 (1)	4 (4)	1 (1)
Nigel Turner**	4 (4)	2 (2)	2 (2)	n/a
John Worby	9 (9)	3 (3)	6 (6)	1*
Barry Furr	8 (9)	3*	3*	1*

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

* Attendance by invitation

** Edwin White retired from the Company on 17 January 2008 and Nigel Turner was appointed as a director of the Company on 17 January 2008

The Audit Committee

The Audit Committee is formally constituted with written terms of reference and meets at least three times a year. In the period it comprised John Worby (Chairman), John Hawkins, Edwin White (until 17 January 2008) and Nigel Turner (from 17 January 2008). In compliance with the 2008 version of the Code (in particular provision C.3.1), and with effect from 8 July 2008, John Hawkins is no longer a member of the Audit Committee and Barry Furr has been appointed as a formal member of the Audit Committee.

At the invitation of the Committee, meetings are attended by the Chief Executive, the Group Finance Director and the Group's internal and external auditors. With effect from 8 July 2008, at the invitation of the Committee, meetings are also attended by the Chairman. Minutes of the Committee meetings are circulated to all directors. The Audit Committee is responsible for reviewing a wide range of matters including the adequacy of the Group's accounting systems and control environment, the integrity of the Group's financial statements, the Group's internal audit function, the effectiveness and independence of the Group's external auditors, and the Group's reporting to shareholders.

The Audit Committee advises the Board on the appointment of external auditors and their remuneration, and discusses with the external auditors the nature, scope and results of the audit. The Audit Committee keeps under review the cost-effectiveness, independence and objectivity of the external auditors, including the level of non-audit fees charged. Auditor objectivity and independence is safeguarded by monitoring the audit profession's guidance on independence and partner rotation and by ensuring that non-audit services provided by the external auditors are within the framework approved by the Audit Committee.

The Committee has established a policy covering the type of non-audit work that can be assigned to the external auditors. The auditors may only carry out such services provided that such advice does not conflict with their statutory responsibilities and ethical guidance. The Audit Committee chairman's pre-approval is required before the Group uses non-audit services that exceed financial limits set out in the policy.

A separate Audit Committee report is set out on page 33 and provides further details of the role and activities of the Committee and its relationship with the internal and external auditors.

The Remuneration Committee

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

The Nomination Committee

The Nomination Committee, comprising John Hawkins (Chairman), Nigel Turner and Richard Wood is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board.

The Committee has written terms of reference covering the authority delegated to it by the Board. Its duties include reviewing regularly the structure, size and composition (including the skills, knowledge and experience required) of the Board and making recommendations to the Board with regard to any changes, giving full consideration to succession planning for directors and other senior executives taking into account the challenges and opportunities facing the Company and identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Terms of Reference

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

Board Performance Evaluation

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

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

During the period the Chairman and the Non-Executive Directors met as a Group without the Executive Directors present. Under the leadership of the Senior Independent Director, the Non-Executive Directors have also met without the Chairman present to discuss any appropriate issues and appraise the Chairman's performance, taking account of the views expressed by the Executive Directors. The Chairman and the Non-Executive Directors plan to hold these meetings at least annually.

Shareholder Relations

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

The Board takes the opportunity at the Annual General Meeting to meet and communicate with private and institutional investors and welcomes their involvement. The Business Review on pages 8 to 23 provides a detailed review of the Group's performance and future developments. John Hawkins, John Worby and Nigel Turner will be available to answer questions as Chairmen of the Board and its Committees at the Annual General Meeting to be held on 13 November 2008.

Internal Control and Risk Management

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

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

In compliance with provision C 2.1 of the Code, the Board, with the assistance of the Audit Committee, has reviewed the effectiveness of the Group's system of internal control and the Board has reviewed the Group's financial, operational and compliance controls and risk management. This included the review of reports from management, that were prepared at the time of the approval of the Company's interim and final reports and financial statements, to consider whether significant risks

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were identified, evaluated, managed and controlled and whether any significant weaknesses had arisen and the remedial action that had been taken. The management reports were based on the responses received to comprehensive questionnaires issued to each of the Group's business units and divisional management, together with the risk events and controls that had been advised to the Group's other means of day to day risk management, namely the divisional management Boards, the Operating Board, the Main Board and insurers. No significant weaknesses were identified as a result of this exercise.

The Board has performed a specific assessment for the purpose of this annual report. This assessment considered all significant aspects of internal control arising during the period covered by this report including the work programme of the Company's internal audit function up to the date of the approval of this annual report. During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be material or significant.

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

Management of Business Risk

The Board is ultimately responsible for identifying the major business risks faced by the Group. Key risks facing the business include feed prices and the impact of disease and environmental risks related to the keeping of livestock. The Board, Chief Operating Officers and their regional management teams are tasked with the responsibility for the ongoing identification, assessment, management, monitoring and reporting of risks to ensure the significant risks affecting the Company are properly identified and managed.

Management Structure

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

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

Information and Financial Reporting Systems

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

Quality and Integrity of Personnel

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

Investment Appraisal

Capital expenditure is regulated by a budgetary process and pre-determined authorisation levels. For expenditure above specific levels, detailed written proposals have to be submitted to the Board. Due diligence work is carried out if a business is to be acquired and post-acquisition reviews are conducted on a timely basis. 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 and the Group's internal audit function.

Approval

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

J E Hawkins

Chairman

15 September 2008

Corporate Governance

Audit Committee

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Introduction

Summary of the Role of the Audit Committee

The Audit Committee is appointed by the Board from its Non-Executive Directors and the Committee's terms of reference include all matters indicated by the Code. The members of the Audit Committee in the period were John Worby (Chairman), John Hawkins, Edwin White (until 17 January 2008) and Nigel Turner (from 17 January 2008). In compliance with the 2008 version of the Code (in particular provision C 3.1), and with effect from 8 July 2008, John Hawkins is no longer a member of the Audit Committee and Barry Furr has been appointed as a formal member of the Audit Committee.

The principal responsibilities of the Audit Committee are

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

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Business Review

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

Meetings

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

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The Audit Committee invites the Chief Executive, Group Finance Director, Group Financial Controller, internal auditor and senior representatives of the external auditors to attend its meetings. With effect from July 2008, and at the invitation of the Committee, the Chairman also attends its meetings. Other members of management are invited to present such reports as are required for the Committee to discharge its duties.

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

In the year ended 30 June 2008 and up to the date of this report the Audit Committee has

- reviewed the financial statements in the 2008 reports and financial statements and the interim report issued in February 2008. As part of this review the Committee received a report from the external auditors on their audit of the annual reports and financial statements and review of the interim report,
- considered the output from the Group-wide process used to identify, evaluate and mitigate risks,
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter,
- reviewed and agreed the scope of the audit work to be undertaken by the external auditors,
- met with the external auditors, without management being present, to discuss any issues arising from the audit,
- agreed the fees to be paid to the external auditors for their audit of the 2008 financial statements and review of the interim report,
- reviewed its own effectiveness,
- reviewed the work to be undertaken by the internal audit function, including the extent and content of internal audit work outsourced to Ernst & Young LLP,
- reviewed the performance of the external auditors, and
- received and reviewed presentations on the Group's treasury department.

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Audit Committee

External Auditors

Under its terms of reference the Audit Committee is responsible for monitoring the independence and objectivity of the external auditors

The Group's policy on non-audit services sets out services which the external auditors will and will not be allowed to provide to the Group, subject to de minimus levels and Audit Committee approval. The Group's external auditors, Deloitte & Touche LLP ("Deloitte") are retained for tax advisory and tax compliance services. The Audit Committee is satisfied that the use of Deloitte for such services does not impair their independence as the Group's external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed

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

As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee has recommended to the Board that the external auditors be re-appointed.

Internal Audit Function

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Internal Audit function. The Committee has reviewed in the period Internal Audit's scope, resource and activities within the Group. The Company's Internal Audit function has been partly outsourced to Ernst & Young LLP in the period with the majority of its activities having been performed in the second half of the financial year. The Audit Committee believes this Internal Audit structure provides an effective internal audit function given the geographical spread of the Group.

The Group's Whistleblowing Policy contains arrangements for the Group Company Secretary to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

Overview

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

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

Approval

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

John Worby

Chairman of the Audit Committee

15 September 2008

Corporate Governance

Directors' Remuneration Report

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Introduction

Introduction

This report describes how the Board has applied the principles of good corporate governance relating to directors' remuneration. As required by the Companies Act, a resolution to approve this report will be proposed at the Annual General Meeting of the Company to be held on 13 November 2008, at which the financial statements will be put to shareholders for approval.

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

Unaudited Information

Remuneration Committee

The Remuneration Committee comprises three Independent Non-Executive Directors – Nigel Turner (Chairman), John Hawkins and John Worby. The Committee makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for the Executive Directors and the Chief Operating Officers of the Company.

None of the Committee has any personal financial interest (other than as shareholders and, in respect of John Hawkins, as described in note 38 to the financial statements), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board and no director plays a part in any discussion about his or her own remuneration.

Remuneration Policy

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

There are five main elements of the remuneration package for Executive Directors and senior management:

- base salary,
- annual bonus,
- share awards,
- pension, and
- benefits-in-kind

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

Base Salary

The Executive Directors' basic salary is reviewed by the Committee prior to the beginning of each financial year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and relies on an assessment of a comparator Group of companies. Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting to be held on 13 November 2008.

Annual Bonus

The Committee establishes the performance measures and objectives that must be met for each financial year if a cash bonus is to be paid. The performance measures in the current bonus scheme applicable to the directors and senior management of the Company include the achievement of stretching targets which relate to adjusted profit before tax, net debt and personal objectives. Account is also taken of the relative success of the different parts of the business for which the senior management are responsible and the extent to which the strategic objectives set by the Board are being met.

Share Awards

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

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Corporate Governance Audit Committee Directors' Remuneration Report

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Corporate Governance Directors' Remuneration Report

The long term share awards are granted under the Genus plc 2004 Performance Share Plan ("the Plan"). Under the Plan, incentives can take the form of conditional share awards or nil cost options and are driven by the achievement of growth in the Company's underlying earnings per share over a three year period, with the proportion of the grant that vests being as shown in the table below

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

* growth in underlying EPS over the three year performance period will be computed based on a simple average annual growth rate

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

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

Under the 2004 Executive Share Option Plan grants are made to incentivise middle management (Executive Directors' and senior management do not participate in this plan) and the vesting of options is also conditional on achievement of growth in underlying earnings per share over a three year period.

Details of awards made to directors are shown in the table of directors' interests on pages 38 and 39 and details of the performance criteria for the Company's share award and share option schemes are included in note 32 to the financial statements.

Pension

Martin Boden is entitled to Company contributions into his personal pension scheme of 12% of basic salary.

Benefits-in-Kind

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

Directors' Contracts

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

Director	Contract Date	Expiry Date	Notice Period (months)
Executives			
Richard Wood	11 July 2001	31 March 2009 (fixed term)	n/a
Martin Boden	2 April 2007	Retirement (60 years of age)	12 (from Company)
Non Executives			
John Hawkins	31 October 2005	30 October 2011	1
Nigel Turner	17 January 2008	16 January 2011	1
John Worby	31 October 2005	30 October 2011	1
Barry Furr	1 December 2006	30 November 2009	1

All Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board as a whole having regard to the time devoted to the Company's affairs. The Non-Executive Directors do not participate in any of the Company's incentive schemes or pension schemes. Their appointment is for a fixed term of three years and is subject to one month's notice of termination being given by either the Company or the Non-Executive Director and to periodic re-election at the Company's Annual General Meeting by rotation. On 11 September 2008 the appointments of John Hawkins and John Worby as Non-Executive Directors of the Company were extended to expire on 31 October 2011, subject to one month's notice of termination and periodic re-election as described above.

Corporate Governance

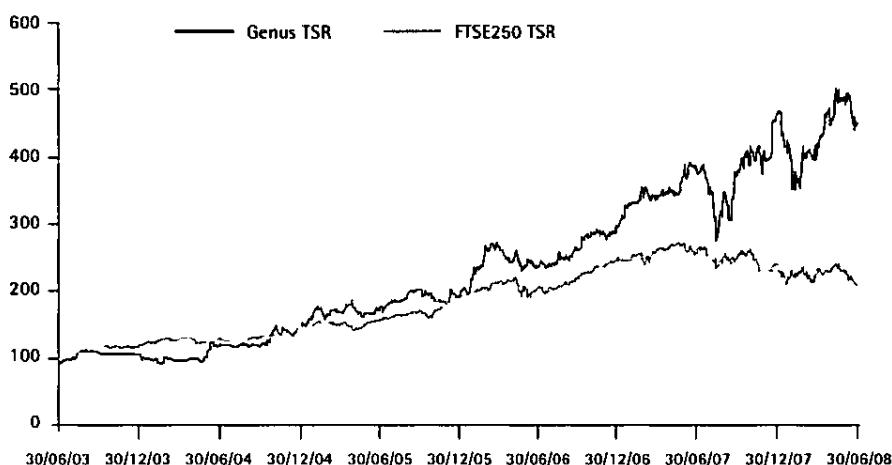
Directors' Remuneration Report

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Performance graph

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



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Audited information

Aggregate Directors' Remuneration

The total amounts for directors' remuneration were as follows

	June 2008 £000	June 2007 £000
Emoluments	971	901
Bonus schemes	529	109
Money purchase pension contributions	24	41
	1,524	1,051
Compensation for loss of office	-	249
Gains on exercise of share options and awards	1,693	1,275
	3,217	2,575

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Corporate Governance

Directors' Remuneration Report

Directors' Emoluments

	Salary and fees £000	Bonus £000	Benefits £000	Pension £000	Total 12 months 30 06 08 £000
Executive Directors					
Richard Wood	450	394*	76	-	920
Martin Boden	200	135*	5	24	364
Non-Executive Directors					
John Hawkins	125	-	-	-	125
Edwin White**	21	-	-	-	21
Nigel Turner**	19	-	-	-	19
John Worby	40	-	-	-	40
Barry Furr	35	-	-	-	35
	890	529	81	24	1,524

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* Includes an interim bonus of 25% of basic salary paid to Richard Wood and 12.5% of basic salary paid to Martin Boden for the successful listing of the Company on the Main Market

** Edwin White retired from the Company on 17 January 2008 and Nigel Turner was appointed as a director of the Company on 17 January 2008

Corporate Governance Directors' Remuneration Report

Directors' Share Awards and Share Options

The directors' at 30 June 2008 had the following beneficial interests in share awards and share options

Nil Cost Share Awards

R K Wood

Grant	Vesting Period	Market Price at Grant Date	At 30 June 2008	At 30 June 2007
			No	No
(1)	9 September 2004 to 8 September 2007	221 5p	-	121,400
(2)	19 May 2005 to 18 May 2008	310 5p	-	67,700
(3)	7 December 2005 to 6 December 2008	331 5p	68,560	68,560
(4)	21 June 2006 to 20 June 2009	439 75p	119,386	119,386
(5)	21 September 2007 to 20 September 2010	582p	154,639	-
			342,585	377,046

Under (1) above the Remuneration Committee declared a vesting percentage of 83% in relation to the Company's earnings per share performance leading to the vesting of 100,762 shares which were subsequently sold in October 2007

Under (2) above the Remuneration Committee declared a vesting percentage of 100% in relation to the Company's earnings per share performance leading to the vesting of 67,700 shares which were subsequently sold in May 2008

M B Boden

Grant	Vesting Period	Share Price at Grant	At 30 June 2008	At 30 June 2007
			No	No
(1)	21 September 2007 to 20 September 2010	582p	34,364	-
			34,364	-

Details of the shares sold by R K Wood during the year pursuant to the Company's share award scheme are as follows

Scheme	Number of awards	Market Price at Share sale date	Gains on Exercise 2008	Gains on Exercise 2007
			£	£
(1) 2004 Performance Share Plan	100,762	700p	705,334	n/a
(2) 2004 Performance Share Plan	67,700	860p	582,220	n/a
			1,287,554	

The Company has established an Employee Benefit Trust to be the custodian of any shares purchased in respect of the 2004 Performance Share Plan on behalf of the Executive Directors and certain senior management. In the period to 30 June 2008, 92,761 shares were purchased by the Trust

Corporate Governance

Directors' Remuneration Report

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Introduction

Share Options

As a result of the Company's change in policy in 2004 to introduce share awards as long term share incentives, no share options were held by Richard Wood or Martin Boden as at 30 June 2008. Details of share options exercised by Richard Wood during the year and previous year are as follows

Scheme	Number of options	Exercise price	Market Price at Exercise date	Gains on Exercise 2008	Gains on Exercise 2007
				£	£
(1) 1999 Executive Plan	89,800	175p	482.5p	-	276,135
(1) 2000 Company Share Plan	43,414	173p	615p	-	191,889
(1) 2000 Company Share Plan	57,884	n/a*	700p	405,188	-
				405,188	468,024

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* The Company settled Richard Wood's exercise of 79,840 unapproved share options in the period by the transfer of shares equal in value to the exercise gain that was made, namely the difference between the market value of the shares in respect of which the participant had exercised his right to purchase (700p) and the option price in respect of those shares (192.5p). Under the above exercise 57,884 shares were therefore transferred to Richard Wood and subsequently sold in October 2007.

The market price of the Company's shares on 30 June 2008 was 802 pence and the low and high share prices during the financial year were 495.75 pence and 894.5 pence respectively.

Approval

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

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Nigel Turner
Chairman of the Remuneration Committee
15 September 2008

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Corporate Governance Statement of Directors' Responsibility

The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to

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

The directors have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Going Concern

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 – Group Financial Statements

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We have audited the Group financial statements of Genus plc for the year ended 30 June 2008 which comprise the Group Income Statement, the Group Statement of Changes in Equity, the Group Balance Sheet, the Group Statement of Cash Flows and the related notes 1 to 39. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Genus plc for the year ended 30 June 2008.

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, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the unaudited part of the Directors' Remuneration Report, the Business Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group 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 Group financial statements and the part of the Directors' Remuneration Report to be audited 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 Group financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of its profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Group financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
15 September 2008

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Independent Auditors' Report

Group Income Statement

for the year ended 30 June 2008

		2008	2007
	Note	£m	£m
Revenue from continuing operations	5, 8	247 1	233 8
Adjusted operating profit from continuing operations		32 4	28 7
Fair value movement on biological assets	18	6 3	10 9
Amortisation of intangible assets	17	(5 2)	(5 1)
Share based payments	32	(2 4)	(1 4)
		31 1	33 1
Exceptional items	9		
Integration and restructuring expenses		(3 3)	(3 0)
Adjustment to goodwill on recognition of tax assets		-	(0 7)
Main market listing costs		(1 6)	(1 0)
		(4 9)	(4 7)
Operating profit from continuing operations	10	26 2	28 4
Share of post tax profit of joint ventures and associates	20	2 7	1 3
Other gains and losses	11	0 2	0 2
Net finance costs	13	(7 1)	(10 0)
Profit before tax from continuing operations		22 0	19 9
Taxation	14	(7 8)	(7 2)
Profit for the year from continuing operations		14 2	12 7
Profit for the year from discontinued operations	6	3 5	1 9
Profit for the year		17 7	14 6
Earnings per share from continuing operations	16		
Basic earnings per share		24 7p	23 1p
Diluted earnings per share		24 2p	22 5p
Basic adjusted earnings per share*		32 0p	24 6p
Diluted adjusted earnings per share*		31 4p	23 9p
Earnings per share from total operations	16		
Basic earnings per share		30 8p	26 6p
Diluted earnings per share		30 2p	25 8p

* The basis for calculating adjusted earnings per share has been changed to include the results of the joint venture and associates, excluding movements in biological assets.

Group Statement of Changes in Equity

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Group Income Statement
Group Statement of Changes in Equity

Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance at 1 July 2006	5.5	92.2	(0.2)	(4.9)	0.8	50.6	144.0
Foreign exchange translation differences, net of tax	-	-	-	(14.7)	-	-	(14.7)
Fair value movement on net investment hedge, net of tax	-	-	-	0.9	-	-	0.9
Fair value movement on cash flow hedges, net of tax	-	-	-	-	1.6	-	1.6
Actuarial gains on retirement benefit obligations, net of tax	-	-	-	-	-	5.2	5.2
Net income and expense recognised directly in equity	-	-	-	(13.8)	1.6	5.2	(7.0)
Profit for the year	-	-	-	-	-	14.6	14.6
Total recognised income and expense for the year	-	-	-	(13.8)	1.6	19.8	7.6
Recognition of share based payments, net of tax	-	-	-	-	-	3.4	3.4
Issue of ordinary shares	0.1	0.3	-	-	-	-	0.4
Dividends	15	-	-	-	-	(4.5)	(4.5)
Balance at 30 June 2007	5.6	92.5	(0.2)	(18.7)	2.4	69.3	150.9
Foreign exchange translation differences, net of tax	-	-	-	11.6	-	-	11.6
Fair value movement on net investment hedge, net of tax	-	-	-	(0.8)	-	-	(0.8)
Fair value movement on cash flow hedges, net of tax	-	-	-	-	(1.7)	-	(1.7)
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	-	-	(9.3)	(9.3)
Net income and expense recognised directly in equity	-	-	-	10.8	(1.7)	(9.3)	(0.2)
Profit for the year	-	-	-	-	-	17.7	17.7
Total recognised income and expense for the year	-	-	-	10.8	(1.7)	8.4	17.5
Recognition of share based payments, net of tax	-	-	-	-	-	2.4	2.4
Own shares	-	-	0.1	-	-	-	0.1
Issue of ordinary shares	0.3	19.2	-	-	-	-	19.5
Dividends	15	-	-	-	-	(5.3)	(5.3)
Balance at 30 June 2008	5.9	111.7	(0.1)	(7.9)	0.7	74.8	185.1

Group Financials

Group Balance Sheet

as at 30 June 2008

	Note	2008 £m	2007 £m
Assets			
Goodwill	17	63 0	60 7
Other intangible assets	17	79 5	77 4
Biological assets	18	127 0	114 1
Property, plant and equipment	19	27 6	27 3
Interests in joint ventures and associates	20	4 7	3 5
Available for sale investments	21	0 3	0 5
Derivative financial assets	28	2 5	4 5
Deferred tax assets	22	12 8	10 4
Total non-current assets		317 4	298 4
Inventories	23	21 8	18 8
Biological assets	18	24 3	25 3
Trade and other receivables	24	51 7	43 0
Cash and cash equivalents	25	19 3	26 0
Income tax receivable		1 5	1 4
Assets held for sale	7	–	21 9
Total current assets		118 6	136 4
Total assets		436 0	434 8
Liabilities			
Trade and other payables	26	(42 1)	(34 8)
Interest-bearing loans and borrowings	29	(17 6)	(27 2)
Provisions	27	(1 2)	(1 9)
Obligations under finance leases	30	(1 0)	(0 9)
Current tax liabilities		(5 0)	(4 3)
Derivative financial liabilities	28	(0 2)	–
Liabilities held for sale	7	–	(8 3)
Total current liabilities		(67 1)	(77 4)
Interest-bearing loans and borrowings	29	(77 0)	(108 9)
Retirement benefit obligations	31	(21 1)	(15 9)
Provisions	27	(3 0)	(2 3)
Deferred tax liabilities	22	(80 4)	(78 0)
Derivative financial liabilities	28	(1 1)	–
Obligations under finance leases	30	(1 2)	(1 4)
Total non-current liabilities		(183 8)	(206 5)
Total liabilities		(250 9)	(283 9)
Net assets		185 1	150 9
Equity			
Called up share capital	33	5 9	5 6
Share premium account		111 7	92 5
Own shares		(0 1)	(0 2)
Translation reserve		(7 9)	(18 7)
Hedging reserve		0 7	2 4
Retained earnings		74 8	69 3
Total equity		185 1	150 9

These financial statements were approved by the Board of Directors on 15 September 2008

Signed on behalf of the Board of Directors

R K Wood
Chief Executive

M B Boden
Finance Director

Group Statement of Cash Flows

for the year ended 30 June 2008

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Introduction

	Note	2008 £m	2007 £m
Net cash flow from operating activities	34	20 2	23 8
Cash flows from investing activities			
Dividend received from joint venture and associates		1 8	1 3
Interest received		0 5	2 1
Proceeds from disposal of businesses	6	15 3	1 0
Purchase of property, plant and equipment		(5 0)	(4 9)
Purchase of intangible assets		(3 9)	(2 2)
Proceeds from sale of property, plant and equipment		1 0	4 3
Net cash inflow from investing activities		9 7	1 6
Cash flows from financing activities			
Interest paid		(8 5)	(10 9)
Repayment of borrowings		(35 5)	(13 8)
Payment of finance lease liabilities		(1 6)	(0 9)
Cashflows from derivative financial instruments		1 3	1 7
Equity dividends paid		(5 3)	(4 5)
Issue of ordinary shares		19 5	0 4
Decrease in bank overdrafts		(6 9)	(2 0)
Net cash outflow from financing activities		(37 0)	(30 0)
Net decrease in cash and cash equivalents – continuing operations		(22 8)	(2 7)
Net increase/(decrease) in cash and cash equivalents – discontinued operations		15 7	(1 9)
Net decrease in cash and cash equivalents		(7 1)	(4 6)
Cash and cash equivalents at start of the year		27 3	34 0
Net decrease in cash and cash equivalents		(7 1)	(4 6)
Effect of exchange rate fluctuations on cash and cash equivalents		(0 9)	(2 1)
Total cash and cash equivalents at 30 June		19 3	27 3

Of the cash and cash equivalents of £19 3m at 30 June 2008 (2007 £27 3m), Enil is included in assets held for sale in the Group balance sheet (2007 £1 3m)

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Group Statement of Cash Flows

Notes to the Group Financial Statements

for the year ended 30 June 2008

1 Reporting entity

Genus plc (the 'Company') is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Belvedere House, Basing View, Basingstoke, Hampshire RG21 4HG. The nature of the Group's operations and its principal activities are set out in the Business Overview. The Group financial statements for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the 'Group') and the equity method is used to account for the Group's interests in joint ventures and associates.

2 Basis of preparation

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

The significant accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements and in restating the opening IFRS balance sheet at 1 April 2005 for the purposes of the transition to IFRS which is available on the Group website at www.genusplc.com.

Certain comparative amounts have been reclassified to conform with the current year's presentation. In addition, the comparative income statement has been re-presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period (see note 6).

Functional and presentation currency

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

Basis of measurement

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

- biological assets are measured at fair value less point-of-sale costs, which represent the costs of distribution and selling expenses,
- derivative financial instruments are measured at fair value, and
- disposal groups and non-current assets classified as held for sale are measured at fair value less costs to sell.

The methods used to measure fair values are described further in note 4.

Use of estimates

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

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

Basis of consolidation

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

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

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

Treatment of discontinued operations is as described in the accounting policy for non-current assets held for sale and discontinued operations.

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

Adjusted operating profit from continuing operations

Adjusted operating profit from continuing operations is defined as operating profit from continuing operations before the fair value movement in biological assets, amortisation of intangible assets, share based payments expense and exceptional items. This additional non-GAAP measure of operating performance is included as the Directors believe that it provides a useful alternative measure for shareholders of the trading performance of the Group since it presents operating profit from continuing operations before the non cash fair value movement in biological assets, non cash amortisation of intangibles, non cash share based payment expense and exceptional items. The reconciliations between operating profit from continuing operations and adjusted operating profit from continuing operations are shown on the face of the income statement. The Directors recognise this alternative measure has limitations.

Foreign currency

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

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

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

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

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

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The principal exchange rates were as follows

	Average		Closing	
	2008	2007	2008	2007
US Dollar	2 01	1 94	1 99	2 01
Euro	1 36	1 48	1 26	1 49

Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale, the sale is highly probable within one year and management is committed to the sale.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to income statement. The same applies to gains and losses on subsequent re-measurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of or that meets the criteria to be classified as held for sale.

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Discontinued operations are presented in the income statement (including the comparative period) analysing the post tax profit or loss of the discontinued operation and the post tax gain or loss, and are recognised on either the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

3 Significant accounting policies**Business combinations**

Subject to the transitional relief in IFRS 1 in respect of acquisitions prior to 1 April 2005, all business combinations are accounted for by applying the purchase method. The cost of acquisition is measured at the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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

Goodwill

Goodwill arising since 1 April 2005 on the acquisition of a subsidiary, associate or joint venture represents the excess of the cost of acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Identifiable assets include any intangible assets which could be sold separately or which arise from legal rights regardless of whether those rights are separable.

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

In respect of acquisitions prior to 1 April 2005, goodwill is recorded at deemed cost, which represents the net amount recorded under UK GAAP at 1 April 2005. On transition, amortisation of goodwill has ceased.

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

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

3 Significant accounting policies *(continued)*

Research and development

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

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

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

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

Exceptional items

The Group presents items which the Directors believe to be exceptional in nature by virtue of their size or incidence as exceptional. Examples in 2008 are the costs incurred due to the earthquake in China and the cost of the main market listing

Intangible assets

Under the transition election, the Group has not restated business combinations prior to the transition date of 1 April 2005

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

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

The estimated useful lives are as follows:

Software	2 to 10 years
Porcine genetics technology	20 years
Multiplier contracts	5 years
Customer relationships	17 years

Intangible assets acquired separately

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

Impairment

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

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

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate of 9.2%, the Group's weighted average cost of capital. As the Group comprises two large well diversified businesses the Directors believe that this approach reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

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

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

Biological assets and inventories

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

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

The porcine business maintains breeding stock which it develops and improves to be genetically superior. The offspring or semen obtained from these animals is sold to customers for use in commercial farming. The animal genetics offer the potential to improve profitability for farmer and food processing customers by enabling them to increase output of consistently high quality products yielding higher value. To allow the Group to capitalise on its intellectual property it almost entirely out-sources production to its global multiplier network.

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The breeding animal and semen biological assets are recognised and measured at fair value at each balance sheet date. Changes in fair value are recognised in the income statement within operating profit for the period.

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

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

Porcine biological assets which are in use as breeding animals are classified as non-current assets. Porcine biological assets held with an intention of resale, being the offspring of the breeding herd, are carried at fair value and classified as current assets.

Determination of fair values – biological assets

Bovine – The fair value of proven bulls and bulls on test, proven bulls being those where the bull's semen is actively marketed, is based on expected net cash flows from the sale of semen discounted at a current market-determined pre-tax rate. The significant assumptions determining the fair values are the expected future demand for semen, estimated production value, the expected marketable life of each bull and, in addition for bulls on test, the percentage whose production is expected to be actively marketed. In assessing the sales price, management uses statistical data for the bulls produced by independent authorities, in all its major markets, three times a year. In addition, estimates are also used to determine into which markets the semen will be sold, and domestic and export prices.

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Porcine – The fair values of porcine biological assets are calculated using average live weights of the animals plus a premium if considered that they will be saleable for their favourable genetic characteristics. The value attributed to the live weight of the pigs and the premium for genetics is based on recent transaction prices achieved by the Group. The significant assumptions determining fair values are the expected life of the breeding animals, the percentage of production animals which are expected to be saleable as breeding animals and the expected sales prices.

Recognition of third parties' interest in the Group's biological assets, and recognition of the Group's interest in biological assets managed by third parties

The fair value of the bovine herd and semen inventory managed by the Group has been adjusted where a third party has a revenue share in the sale of semen from a particular bull.

The fair value of the porcine herd includes pigs owned and managed by third parties where a substantial interest in the form of genetic premium has been retained by the Group. The fair values of these animals reflect only the interest of the Group.

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

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

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Since the pigs are sold to the multipliers in the first instance at market price and there is no obligation on the Group to repurchase the offspring, the Group does not record any biological asset in respect of the offspring until purchased. The option to purchase offspring is not valued on the balance sheet as the contracts are entered into and continue to be held for the purpose of the receipt of non-financial items (the offspring) in accordance with the Group's expected purchase requirements. As such they are outside the scope of IAS 39.

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

3 Significant accounting policies *(continued)*

Porcine royalty arrangements

Pigs sold on a royalty basis are deemed not to be the sale of an entire pig. The amount valued on the balance sheet is based on the percentage interest retained. The fair value of the retained interest is reassessed every quarter and reduced on a straight-line basis over 24 months (the estimated life of an animal).

The fair value of the retained interest is classified as a current asset for any value that will be taken within the following 12 months and as non-current for values covering the remaining 12 months.

Property, plant and equipment

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

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Interest-bearing loans and borrowings

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

Provisions

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

Revenue

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

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

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

Royalties are recognised when receivable. Royalty payments are received from certain porcine customers based on key performance variables such as the number of pigs born per litter, the number of litters born per sow and the average slaughter weight of animal born.

Long term contracts in the business are reviewed individually on a consistent basis to assess costs to completion and enable the assessment of the outcome of the contract. Revenue and profit are 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.

Leases

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

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

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

Finance costs

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

Taxation

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes where the underlying transactions or events result in an obligation to pay more tax in the future or a right to pay less tax in the future.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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Share based payments

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

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

Borrowing costs

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

Treasury shares

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

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Retirement benefit obligations

Defined contribution pension schemes

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

Defined benefit schemes

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

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

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

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On transition to IFRS all actuarial gains and losses as at 1 April 2005 were recognised in reserves. Actuarial gains and losses arising subsequent to 1 April 2005 are recognised in the period in which they occur directly into equity through the Group Statement of Changes in Equity.

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

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

3 Significant accounting policies *(continued)*

Derivative financial instruments and hedging activities

The Group uses forward foreign currency contracts (implemented through a medium term US Dollar cross currency borrowing and related interest rate swap) to hedge exposure to translation risk associated with US Dollar net assets of subsidiary entities. The Group also uses interest rate swaps to hedge interest rate risk.

The use of financial derivative instruments is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

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

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

Cash flow hedges

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

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

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

Net investment hedges

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

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

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

Foreign exchange borrowings are used to hedge net assets of an overseas subsidiary entity.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2008, but the principles have been applied by the Group in interpreting existing standards.

- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2008, and have not been applied in preparing these Group financial statements.

- IFRS 8 *Operating Segments* requires the identification of operating segments based on internal reporting to the chief operating decision makers and extends the scope and disclosure requirements of IAS 14 'Segmental Reporting'. IFRS 8 will become mandatory for the Group's 2010 financial statements and the Group is assessing the impact of the standard on its segmental analysis disclosure.

- IFRIC 12 *Service Concession Arrangement*, and IFRIC 13 *Customer Loyalty Programmes* will become mandatory for the Group's 2009 financial statements. The adoption of these IFRICs is not expected to have any material impact on the Group financial statements.

- IFRIC 15 *Agreements for the Construction of Real Estate* and IFRIC 16 *Hedges of Net Investment in a Foreign Operation* will become mandatory for the Group's 2010 financial statements. The adoption of these IFRICs is not expected to have any material impact on the Group financial statements.

- Amendments to IAS 1, IAS 23, IAS 27, IAS 32, IAS 39, IFRS 2, IFRS 3, and the omnibus of other minor improvements, effective for the year ended 30 June 2010. The Group is assessing the impact of these amendments.

4 Significant areas of judgement and determination of fair values

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

Determination of the fair value of biological assets and agricultural produce

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

Fair value of assets and liabilities on business combinations

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

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

Impairment of goodwill, intangible and tangible assets

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

Assets held for sale

Assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to the income statement. The proceeds of disposal of these assets may result in a profit or loss on disposal that will be included in the following year's accounts, that is different to the Directors' estimated amounts.

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Recognition of deferred tax assets

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

Defined benefit pension scheme

Amounts recorded in the financial statements in respect of defined benefit pension schemes are also based on significant estimates and judgement. Details of estimates and judgements made in calculating these transactions are contained in note 31. For one of the defined benefits schemes the Group operates, the Milk Pension Fund, it only accounts for its sectionalised share of assets and liabilities. Although managed on a sectionalised basis the Group, together with the other participating employers, is joint and severally liable for the scheme's obligations. These obligations are disclosed as a contingent liability.

Share based payments

Amounts recorded in the financial statements in respect of share based payments are also based on significant estimates and judgement. Details of estimates and judgements made in calculating these transactions are contained in note 32.

Provisions

The Group has two main categories of provisions, surplus property and environmental provision.

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A review is performed at each reporting period regarding the use of the Group's existing properties and previously reported surplus properties. Judgements and estimates are taken with use of local property market experts in order to ensure the provision reflects the current market conditions for the property and the lease agreements.

The environmental provision relates to environmental liabilities in respect of the sale of the Oklahoma businesses, by Sygen International plc, prior to the acquisition by Genus plc. At each reporting period, the provision is re-calculated in conjunction with guidance from a professional quantity surveyor.

5 Segmental information

Segmental information is presented in respect of the Group's business and geographical segments. The primary business segments are based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segmental results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated costs comprise mainly loans and borrowings and related expenses, corporate assets, head office expenses, income tax assets and liabilities. Assets and liabilities held for sale are excluded.

Segmental capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill and those arising on business combinations.

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The Group comprises two main business segments: Bovine Genetics (dairy and beef cattle) and Porcine Genetics (pigs) which provide farmers with genetically improved breeding animals that have better production efficiency and better product quality.

The following non-core business segments were classified as discontinued operations at 30 June 2008:

- Animal Health, a UK based licensed veterinary pharmaceutical distribution business,
- Development Consulting, a UK based consulting business supplying services in the areas of natural resource, economic and social infrastructure and development, and
- Shrimp Genetics, a division supplying genetically improved breeding animals.

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

5 Segmental information *(continued)*

Area of activity – continuing operations

Year ended 30 June 2008

	Bovine Genetics £m	Porcine Genetics £m	Unallocated £m	Total £m
Revenue from continuing operations	120.5	126.6	–	247.1
Adjusted operating profit before research and product development	24.7	32.8	(6.7)	50.8
Research and product development before amortisation of intangible assets	(8.7)	(9.7)	–	(18.4)
Adjusted operating profit from continuing operations	16.0	23.1	(6.7)	32.4
Fair value movement on biological assets	7.7	(1.4)	–	6.3
Amortisation of intangible assets	(0.2)	(5.0)	–	(5.2)
Share based payments	(0.7)	(0.4)	(1.3)	(2.4)
Exceptional items				
– integration and restructuring expenses	(0.8)	(2.4)	(0.1)	(3.3)
– main market listing costs	–	–	(1.6)	(1.6)
Operating profit from continuing operations	22.0	13.9	(9.7)	26.2
Share of profit of joint ventures and associates – gross				3.3
Taxation				(0.6)
Share of profit on joint ventures and associates – net of taxation				2.7
Other gains and losses				0.2
Net finance costs				(7.1)
Profit before tax from continuing operations				22.0
Taxation				(7.8)
Profit for the year from continuing operations				14.2
Profit for the year from discontinued operations				3.5
Profit for the year				17.7

Area of activity – continuing operations
Year ended 30 June 2007

	Bovine Genetics £m	Porcine Genetics £m	Unallocated £m	Total £m
Revenue from continuing operations	102.3	131.5	-	233.8
Adjusted operating profit before research and product development	20.0	32.8	(6.4)	46.4
Research and product development before amortisation of intangible assets	(8.3)	(9.4)	-	(17.7)
Adjusted operating profit from continuing operations	11.7	23.4	(6.4)	28.7
Fair value movement on biological assets	10.0	0.9	-	10.9
Amortisation of intangible assets	(0.1)	(5.0)	-	(5.1)
Share based payments	(0.4)	(0.3)	(0.7)	(1.4)
Exceptional items				
- integration and restructuring expenses	(0.4)	(2.6)	-	(3.0)
- adjustment to goodwill on recognition of tax assets	-	(0.7)	-	(0.7)
- preparation for main market listing	-	-	(1.0)	(1.0)
Operating profit from continuing operations	20.8	15.7	(8.1)	28.4
Share of profit of joint ventures and associates - gross				1.5
Taxation				(0.2)
Share of profit on joint ventures and associates - net of taxation				1.3
Other gains and losses				0.2
Net finance costs				(10.0)
Profit before tax from continuing operations				19.9
Taxation				(7.2)
Profit for the year from continuing operations				12.7
Profit for the year from discontinued operations				1.9
Profit for the year				14.6

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

5 Segmental information *(continued)*

Other information – continuing operations

Year ended 30 June 2008

	Bovine Genetics	Porcine Genetics	Unallocated	Total
	€m	€m	€m	€m
Capital expenditure	7.3	2.6	0.1	10.0
Depreciation	(1.5)	(1.9)	(0.1)	(3.5)
Amortisation of intangible assets	(0.2)	(5.0)	–	(5.2)

Balance sheet

Assets

Segment assets	190.1	193.6	47.6	431.3
Interests in joint ventures and associates	–	4.7	–	4.7
Group total assets – continuing operations	190.1	198.3	47.6	436.0

Assets held for sale	–
Group total assets	436.0

Liabilities

Segment liabilities	(70.4)	(42.6)	(137.9)	(250.9)
Group total liabilities – continuing operations				(250.9)
Liabilities held for sale				–
Group total liabilities				(250.9)

Other information – continuing operations

Year ended 30 June 2007

	Bovine Genetics	Porcine Genetics	Unallocated	Total
	€m	€m	€m	€m
Capital expenditure	5.7	1.6	–	7.3
Depreciation	(2.3)	(2.2)	(0.2)	(4.7)
Amortisation of intangible assets	(0.1)	(5.0)	–	(5.1)

Balance sheet

Assets

Segment assets	169.6	185.8	54.0	409.4
Interests in joint ventures and associates	–	3.5	–	3.5
Group total assets – continuing operations	169.6	189.3	54.0	412.9

Assets held for sale	21.9
Group total assets	434.8

Liabilities

Segment liabilities	(51.9)	(40.3)	(183.4)	(275.6)
Group total liabilities – continuing operations				(275.6)
Liabilities held for sale				(8.3)
Group total liabilities				(283.9)

Geographical segments

The bovine and porcine segments are managed on a worldwide basis, but operate in a number of geographical areas. Segment assets are based on the geographical location of the assets.

	Sales revenue by geographical region of origin		Sales revenue by geographical region at destination	
	2008	2007	2008	2007
	£m	£m	£m	£m
Continuing operations				
United Kingdom	53.4	44.3	47.7	44.9
Continental Europe	52.5	55.0	62.4	63.9
North America	110.9	111.5	97.2	94.9
Latin America	23.4	19.7	28.9	23.8
Rest of the world	14.6	10.4	18.6	13.4
Inter-segmental sales	(7.7)	(7.1)	(7.7)	(7.1)
Continuing operations – total	247.1	233.8	247.1	233.8
Discontinued operations	10.7	29.2	10.7	29.2
Total	257.8	263.0	257.8	263.0

Discontinued sales revenue derives from the Development Consulting and Animal Health businesses, which originates in the United Kingdom and from the Shrimp Genetics business in Latin America

	Carrying amount of segment assets		Additions to property plant and equipment and intangible assets	
	2008	2007	2008	2007
	£m	£m	£m	£m
Continuing operations				
United Kingdom	95.8	84.4	5.2	3.1
Continental Europe	19.7	20.4	0.2	0.1
North America	252.9	251.9	3.9	2.8
Latin America	42.0	28.6	0.6	0.9
Rest of the World	20.9	24.1	0.3	0.4
Total	431.3	409.4	10.2	7.3

	Adjusted operating profit from continuing operations		Operating profit from continuing operations	
	2008	2007	2008	2007
	£m	£m	£m	£m
Continuing operations				
United Kingdom	5.4	4.3	2.5	7.3
Continental Europe	8.9	7.1	8.2	7.1
North America	16.1	16.1	17.8	15.9
Latin America	5.0	4.7	2.8	5.0
Rest of the World	3.8	2.9	4.7	1.2
Unallocated	(6.8)	(6.4)	(9.8)	(8.1)
Total	32.4	28.7	26.2	28.4

Area of activity – discontinued operations

Year ended 30 June 2008

	Animal Health	Development Consulting	Shrimp Genetics	Total
	£m	£m	£m	£m
Revenue	4.1	6.2	0.4	10.7
Adjusted operating profit	0.5	0.2	(0.2)	0.5
Operating profit	0.5	0.2	(0.2)	0.5

Notes to the Group Financial Statements (continued)

for the year ended 30 June 2008

5 Segmental information (continued)

Area of activity – discontinued operations

Year ended 30 June 2007

	Animal Health	Development Consulting	Shrimp Genetics	Total
	£m	£m	£m	£m
Revenue	7.8	18.2	3.2	29.2
Adjusted operating profit	1.6	0.8	–	2.4
Winding up of legacy pension scheme	(0.6)	–	–	(0.6)
Share based payments	(0.1)	–	–	(0.1)
Operating profit	0.9	0.8	–	1.7

The segment result from discontinued operations stated above is equal to the operating profit from discontinued operations disclosed in note 6, which provides a reconciliation to the net profit from discontinued operations.

6 Discontinued operations

The Board decided in May 2006 to dispose of the Shrimp Genetics business. Accordingly, the results of this business are shown within discontinued operations. The Shrimp Genetics business in Thailand was sold on 9 October 2006 for £1.0 million cash resulting in a profit on disposal of £0.2 million. The Brazilian Shrimp Genetics business was sold on 7 June 2006 for £3.3m resulting in a profit on disposal of £0.6m. The remaining Mexican Shrimp Genetics business was disposed of on 4 October 2007 for an initial consideration of £0.2m and deferred consideration of £1.1m, being a total consideration of £1.3m and a loss on disposal of £0.8m. Subsequent to the disposal, the deferred consideration of £1.1m due from the Mexican Shrimp Genetics business disposal has been fully impaired as recovery is not certain, thereby increasing the loss on disposal to £2.0m.

The Board decided to dispose of the Group's other non-core operations, the Animal Health business and Development Consulting prior to 31 December 2005. Accordingly, the results of these entities are shown within discontinued operations.

The Animal Health veterinary product and dental product wholesale businesses were sold on 28 October 2005 and 22 February 2006, respectively. On 15 January 2008, Animalcare Limited was sold for a cash consideration of £13.4m and a profit on disposal of £5.2m.

The business, assets and liabilities of Development Consulting was sold on 6 November 2007 for an initial cash consideration of £2.5m and deferred consideration of £0.5m, being a total consideration of £3.0m and loss on disposal of £0.1m.

Profits attributable to the discontinued operations were as follows

	2008 £m	2007 £m
Adjusted operating profit from discontinued operations comprises		
Profit in Animal Health for the year	0.5	1.6
Profit in Development Consulting for the year	0.2	0.8
Loss in Shrimp Genetics for the year	(0.2)	–
Adjusted operating profit from discontinued operations	0.5	2.4
Share based payments	–	(0.1)
Winding up of legacy pension scheme	–	(0.6)
Operating profit from discontinued operations	0.5	1.7
Other gains and losses		
Sale of properties	–	0.7
Profit on sale of Animal Health	5.2	–
Loss on sale of Development Consulting business	(0.1)	–
Loss on sale of Mexico operation of Shrimp Genetics	(2.0)	–
Profit on sale of Thailand operation of Shrimp Genetics	–	0.2
Profit from discontinued operations before tax	3.6	2.6
Taxation	(0.1)	(0.7)
Profit from discontinued operations	3.5	1.9
Earnings per share from discontinued operations (see note 16)		
Basic earnings per share	6.1p	3.5p
Diluted earnings per share	6.0p	3.4p

	2008 £m	2007 £m
Effect of disposals on the financial position of the Group		
Goodwill and intangible assets	6 3	-
Biological assets	0 3	-
Property, plant and equipment	2 1	0 4
Cash and cash equivalents	1 3	-
Inventories	1 3	0 1
Trade and other receivables	10 0	-
Trade and other payables	(8 3)	(0 1)
Net identifiable assets and liabilities disposed	13 0	0 4

Consideration receivable (less impairment)	16 9	1 0
Deferred consideration receivable (less impairment)	(0 3)	-
Consideration satisfied in cash	16 6	1 0
Cash disposed of	(1 3)	-
Net cash inflow	15 3	1 0

	2008 £m	2007 £m
Cash flows attributable to discontinued operations		
From operating activities	0 4	(2 2)
From investing activities	15 3	0 4
From financing activities	-	(0 1)
	15 7	(1 9)

7 Non-current assets and disposal groups held for sale

At 30 June 2007, Animal Health, Development Consulting, Shrimp Genetics and PIC Italia Spa together with two freehold properties were classified as held for sale

The major classes of assets and liabilities comprising the operations held for sale are as follows

	2008 £m	2007 £m
Assets		
Goodwill and intangibles	-	6 3
Biological assets	-	0 3
Property, plant and equipment	-	2 7
Inventories	-	1 3
Trade and other receivables	-	10 0
Cash and cash equivalents	-	1 3
Total assets	-	21 9
Liabilities		
Trade and other payables	-	(8 3)
Total liabilities	-	(8 3)
Net assets of disposal groups	-	13 6

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

8 Revenue

	Continuing operations		Discontinued operations		Total	
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Sale of animals, semen and veterinary products	204.0	192.6	4.5	11.0	208.5	203.6
Royalties	37.1	35.4	–	–	37.1	35.4
Consulting services	6.0	5.8	6.2	18.2	12.2	24.0
	247.1	233.8	10.7	29.2	257.8	263.0
Interest income	1.8	2.1	–	–	1.8	2.1
Total	248.9	235.9	10.7	29.2	259.6	265.1

Revenue is recognised, by type of income, as follows

- Sale of animals, semen and veterinary products are recognised upon transfer of the risks and rewards, either on shipment to customers or on delivery depending on the terms of sale
- Royalties which arise in the porcine business, are recognised when receivable
- Consulting services revenue is recognised when the final outcome of a contract can be assessed with reasonable certainty

9 Exceptional items

Exceptional items in the year to 30 June 2008 comprise

	2008	2007
	£m	£m
Integration and restructuring expenses (primarily Sygen acquisition related)		
– Integration costs, including IT and restructuring costs	2.7	3.0
– Irrecoverable Sygen assets	0.3	–
– Impairment of assets	0.1	–
– China earthquake	0.2	–
	3.3	3.0
Adjustment to goodwill on recognition of tax assets	–	0.7
Main market listing costs	1.6	1.0
	4.9	4.7

Integration and restructuring expenses of £2.7m (2007: £3.0m) comprise severance payments (£0.7m), project management fees for the new Oracle financial system (£0.8m), restructuring costs (£0.5m) and damages and legal fees (£0.7m), where damages were awarded against the Company in November 2007 by a Californian court in relation to an employment dispute involving a former employee of Sygen.

The costs incurred following the earthquake in China relate to the pigs lost and other sundry costs.

In the prior year, £0.7m relates to an adjustment to goodwill required as the use of the tax losses has been greater than anticipated at acquisition.

Main market listing costs primarily related to professional fees in relation to Genus' move to the official list in November 2007.

10. Operating profit

Operating costs comprise

	Continuing operations		Discontinued operations		Group	
	2008	2007*	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Cost of sales excluding fair value movement on biological assets	(108 5)	(105 3)	(7 7)	(20 5)	(116 2)	(125 8)
Fair value movement on biological assets	6 3	10 9	–	–	6 3	10 9
Amortisation of multiplier contract intangible assets	(0 2)	(0 2)	–	–	(0 2)	(0 2)
Cost of sales	(102 4)	(94 6)	(7 7)	(20 5)	(110 1)	(115 1)
Distribution costs	(64 5)	(58 8)	(1 6)	(4 4)	(66 1)	(63 2)
Amortisation of customer relationship intangible assets	(2 9)	(2 9)	–	–	(2 9)	(2 9)
Distribution costs	(67 4)	(61 7)	(1 6)	(4 4)	(69 0)	(66 1)
Research and product development expenditure	(18 4)	(17 7)	–	–	(18 4)	(17 7)
Amortisation of technology intangible assets	(2 0)	(2 0)	–	–	(2 0)	(2 0)
Research and product development costs	(20 4)	(19 7)	–	–	(20 4)	(19 7)
Administrative expenses (excluding exceptionals)	(23 3)	(23 3)	(0 9)	(1 9)	(24 2)	(25 2)
Share based payments	(2 4)	(1 4)	–	(0 1)	(2 4)	(1 5)
Amortisation of software	(0 1)	–	–	–	(0 1)	–
Exceptional items within administrative expenses	(4 9)	(4 7)	–	(0 6)	(4 9)	(5 3)
Administrative expenses	(30 7)	(29 4)	(0 9)	(2 6)	(31 6)	(32 0)
Total operating costs	(220 9)	(205 4)	(10 2)	(27 5)	(231 1)	(232 9)

* certain comparative information has been changed to give a consistent presentation to the current year

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

	Continuing operations		Discontinued operations		Group	
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Net foreign exchange (gains)/losses	(0 4)	0 5	–	–	(0 4)	0 5
Depreciation of owned fixed assets	2 9	3 6	–	0 5	2 9	4 1
Depreciation of assets held under finance leases and hire purchase contracts	0 6	0 6	–	–	0 6	0 6
Operating lease rentals						
– plant and machinery	1 5	1 4	–	–	1 5	1 4
– other	2 6	3 1	–	–	2 6	3 1
Employee costs (see note 12)	80 1	74 1	1 0	4 1	81 1	78 2
Write-down of inventories recognised as an expense	–	2 2	–	–	–	2 2

Auditors' remuneration is as follows

	2008	2007
	£m	£m
Fees payable to the Company's auditors for the audit of the Company's annual report and financial statements	0 2	0 2
Fees payable to the Company's auditors and associates for the audit of the Company's subsidiaries	0 3	0 4
Total audit fees	0 5	0 6
Tax services	0 4	0 6
Assistance with IFRS transition	–	0 3
Main market listing	0 5	–
Other services	0 1	0 1
Total non-audit fees	1 0	1 0
Total fees to the Company's auditors	1 5	1 6
Fees payable to other auditors of Group companies	0 1	0 1

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

11 Other gains and losses

	2008	2007
	£m	£m
Net gain on sale of property, plant and equipment	0.2	0.2

12 Employee costs

Employee costs, including Directors' remuneration, during the year amounted to

	Continuing operations 2008	2007	Discontinued operations 2008	2007	Total 2008	2007
	£m	£m	£m	£m	£m	£m
Wages and salaries	66.3	62.3	0.9	3.6	67.2	65.9
Social security costs	8.8	7.6	0.1	0.3	8.9	7.9
Contributions to defined contribution pension plans	1.6	1.3	–	0.1	1.6	1.4
Expenses related to defined benefit pension plans	1.0	1.5	–	–	1.0	1.5
Share based payments	2.4	1.4	–	0.1	2.4	1.5
	80.1	74.1	1.0	4.1	81.1	78.2

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

	Continuing operations 2008	2007	Discontinued operations 2008	2007	Total 2008	2007
	No	No	No	No	No	No
Production	498	404	67	134	565	538
Distribution	1,251	1,164	31	63	1,282	1,227
Research and product development	94	92	–	–	94	92
Administration	235	241	13	26	248	267
	2,078	1,901	111	223	2,189	2,124

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

13 Net finance costs

	2008	2007
	£m	£m
Interest payable on bank loans and overdrafts	(8.5)	(11.0)
Amortisation of debt issue costs	(0.3)	(0.3)
Net interest cost in respect of pension scheme liabilities	–	(0.6)
Other interest payable	(0.1)	(0.2)
Interest expense	(8.9)	(12.1)
Interest income on bank deposits	0.4	1.2
Fair value movement on derivative financial instruments	1.3	0.9
Net interest income in respect of pension scheme liabilities	0.1	–
Interest income	1.8	2.1
Net finance costs	(7.1)	(10.0)

14 Income tax expense in the income statement

	2008	2007
	£m	£m
Current tax expense		
Current period	6 2	7 5
Adjustment for prior periods	0 1	(1 7)
Total current tax expense in the Group Income Statement	6 3	5 8
Deferred tax expense		
Origination and reversal of temporary differences	1 4	1 5
Adjustment for prior period	0 3	0 9
Reduction in tax rate	(0 1)	(0 4)
Total deferred tax expense in the Group Income Statement	1 6	2 0

Income tax expense from continuing operations	7 8	7 2
Income tax expense from discontinued operations (excluding gain on sale)	0 1	0 6

Total income tax expense excluding tax on sale of discontinued operations and share of income tax of equity accounted investees	7.9	7 8
Income tax on gain on sale of discontinued operations	-	0 1
Share of income tax of equity accounted investees	0 6	0 2
Total income tax expense in the Group Income Statement	8 5	8 1

Reconciliation of effective tax rate

	2008	2008	2007	2007
	%	£m	%	£m
Profit before tax				
Continuing	86	22 0	88	19 9
Discontinued operations	14	3 6	12	2 6
Profit before tax	100	25 6	100	22 5
Income tax at UK corporation tax of 29.5% (2007: 30%)	88	7 5	84	6 8
Effect of tax rates in foreign jurisdictions	20	1 7	25	2 0
Effect of UK tax rate change	(1)	(0 1)	(5)	(0 4)
Non-deductible expenses	11	0 9	5	0 4
Tax exempt income	(15)	(1.3)	(4)	(0 3)
Tax incentives	(4)	(0 3)	(2)	(0 2)
Movements in recognition of tax losses	-	-	5	0 4
Change in unrecognised temporary differences	(3)	(0 2)	-	-
Tax included in share of joint ventures and associate profits	(1)	(0 1)	2	0 2
Tax under/(over) provided in prior periods	5	0 4	(10)	(0 8)
Total income tax expense within the Group Income Statement	100	8 5	100	8 1

The tax rate for the year depends upon the mix of profits by country, particularly upon the high level of profits generated in North America, and the ability of the Group to recognise deferred tax assets in respect of losses in some of the Group's smaller territories.

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

14 Income tax expense in the income statement *(continued)*

Income tax recognised directly in equity

	2008	2007
	£m	£m
Foreign exchange differences on long term intra-group currency loans	0.4	(1.6)
(Loss)/gain on financial instruments	(0.9)	0.7
Actuarial movement on retirement benefit obligations	(2.4)	2.4
Translation of biological assets and intangible assets	1.0	(4.6)
Short term timing differences	–	(0.6)
Income tax on income and expense recognised directly in equity	(1.9)	(3.7)
Share based payments	(0.4)	(1.2)
Total income tax recognised directly in equity	(2.3)	(4.9)

15 Dividends

Amounts recognised as distributions to equity holders in the year

	2008	2007
	£m	£m
Final dividend		
9.10p (2007: 8.25p) per share	5.3	4.5

A dividend of 10p per share has been proposed by the Directors for 2008. The proposed final dividend of £5.9m (2007: £5.3m) is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

16 Earnings per share

Basic earnings per share from continuing operations

The calculation of basic earnings per share from continuing operations at 30 June 2008 is based on the profit attributable to ordinary shareholders of £14.2m (2007: £12.7m) and a weighted average number of ordinary shares outstanding of 57,459,000 (2007: 54,891,000), calculated as follows:

Weighted average number of ordinary shares (basic)

	2008	2007
	000s	000s
Issued ordinary shares at start of the year	55,931	55,239
Effect of own shares held	(747)	(956)
Shares issued on exercise of stock options	477	608
Shares issued in relation to share placement	1,798	–
Weighted average number of ordinary shares in year	57,459	54,891

Diluted earnings per share from continuing operations

The calculation of diluted earnings per share at 30 June 2008 is based on profit attributable to ordinary shareholders of £14.2m (2007: £12.7m) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 58,638,000 (2007: 56,528,000) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2008	2007
	000s	000s
Weighted average number of ordinary shares (basic)	57,459	54,891
Dilutive effect of share options	1,179	1,637
Weighted average number of ordinary shares for the purposes of diluted earnings per share	58,638	56,528

Adjusted earnings per share

Adjusted earnings per share is calculated on profit before fair value movements on biological assets, amortisation of intangible assets, share based payments, exceptional items and other gains and losses after charging taxation associated with those profits, of £18.4m (2007: £13.5m) as follows:

	2008	2007
	£m	£m (restated)*
Profit before tax from continuing operations	22.0	19.9
Add/(deduct)		
Fair value movement on biological assets	(6.3)	(10.9)
Amortisation of intangible assets	5.2	5.1
Share based payments	2.4	1.4
Integration and restructuring expenses	3.3	3.0
Main market listing costs	1.6	1.0
Adjustment to goodwill on recognition of tax assets	–	0.7
Other gains and losses	(0.2)	(0.2)
Fair value movement on biological assets in joint ventures and associates	(0.6)	(0.2)
Profit before fair value movement on biological assets, amortisation of intangible assets, share based payments, exceptional items and other gains and losses	27.4	19.8
Adjusted tax charge	(9.0)	(6.3)
Profit before fair value movement on biological assets, amortisation of intangible assets, share based payments, exceptional items and other gains and losses, after taxation	18.4	13.5

* The basis for calculating adjusted earnings per share has been changed to include the results of the joint venture and associates, excluding movements in biological assets.

Total operations

Earnings per share for total operations has been calculated as the profit attributable to ordinary shareholders of £17.7m (2007: £14.6m) divided by the weighted average number of ordinary shares (basic and diluted) as calculated above.

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

17 Intangible assets

	Goodwill	Software	Porcine genetics technology	Multiplier contracts	Customer relationships	Total
	£m	£m	£m	£m	£m	£m
Cost						
Balance at 1 July 2006	64.9	–	40.4	3.2	45.4	153.9
Adjustment to goodwill on recognition of tax assets	(0.7)	–	–	–	–	(0.7)
Effect of movements in exchange rates	(3.5)	–	–	(0.2)	(3.4)	(7.1)
Balance at 30 June 2007	60.7	–	40.4	3.0	42.0	146.1
Balance at 1 July 2007	60.7	–	40.4	3.0	42.0	146.1
Additions	0.2	3.7	–	–	–	3.9
Reclassification from property, plant and equipment	–	2.2	–	–	–	2.2
Effect of movements in exchange rates	2.1	–	–	0.1	1.3	3.5
Balance at 30 June 2008	63.0	5.9	40.4	3.1	43.3	155.7
Amortisation and impairment losses						
Balance at 1 July 2006	–	–	1.2	0.1	1.7	3.0
Amortisation for the year	–	–	2.0	0.2	2.9	5.1
Effect of movements in exchange rates	–	–	–	–	(0.1)	(0.1)
Balance at 30 June 2007	–	–	3.2	0.3	4.5	8.0
Balance at 1 July 2007	–	–	3.2	0.3	4.5	8.0
Amortisation for the year	–	0.1	2.0	0.2	2.9	5.2
Effect of movements in exchange rates	–	–	–	–	–	–
Balance at 30 June 2008	–	0.1	5.2	0.5	7.4	13.2
Carrying amounts						
At 30 June 2008	63.0	5.8	35.2	2.6	35.9	142.5
At 30 June 2007	60.7	–	37.2	2.7	37.5	138.1

Impairment testing for cash-generating units containing goodwill

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

The aggregate carrying amounts of goodwill allocated to each unit are as follows

	2008	2007
	£m	£m
Porcine	46.8	44.6
Bovine	16.2	16.1
Animal Health	–	5.8
Development Consulting	–	0.1
	63.0	66.6
Less transferred to 'assets held for sale'	–	(5.9)
	63.0	60.7

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

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

The Group prepares cash flows derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows using estimated growth rates beyond the budgeting period.

The key assumptions for the value in use calculations are:

A growth rate of 3.0% has been used to extrapolate cash flows beyond the budget period. This growth rate does not exceed the anticipated average long-term growth rate for the relevant markets.

A post-tax discount rate of 9.2% has been applied to cash flow projections, which equates to a pre-tax rate of approximately 13.1%.

18 Biological assets

	Bovine £m	Porcine £m	Total £m
Fair value of biological assets			
Balance at 1 July 2006	70.6	71.1	141.7
Transfers to inventory	(19.9)	(5.9)	(25.8)
Changes in fair value less estimated sale costs	27.9	6.3	34.2
Effect of movements in exchange rates	(4.7)	(5.7)	(10.4)
Balance at 30 June 2007	73.9	65.8	139.7
Non-current biological assets	73.9	40.2	114.1
Current biological assets	-	25.3	25.3
Biological assets – continuing operations	73.9	65.5	139.4
Biological assets included within assets held for sale	-	0.3	0.3
Balance at 30 June 2007	73.9	65.8	139.7
Balance at 1 July 2007	73.9	65.8	139.7
Transfers to inventory	(18.5)	(6.1)	(24.6)
Changes in fair value less estimated sale costs	28.3	5.5	33.8
Effect of movements in exchange rates	0.7	1.7	2.4
Balance at 30 June 2008	84.4	66.9	151.3
Non-current biological assets	84.4	42.6	127.0
Current biological assets	-	24.3	24.3
Biological assets – continuing operations	84.4	66.9	151.3
Biological assets included within assets held for sale	-	-	-
Balance at 30 June 2008	84.4	66.9	151.3

Bovine biological assets include £2.8m (2007: £5.6m) representing the fair value of bulls owned by third parties but managed by the Group, and therefore treated as assets held under finance leases. There are no minimum lease payments as the amount payable is dependent upon future semen sales.

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

18 Biological assets *(continued)*

	2008	2007
Quantities		
Bovine – number of marketable bulls in stud	195	174
Bovine – number of doses of semen in inventory – Stud	8 1m	7 1m
Porcine – number of pigs (own farms)	94,555	88,711
Porcine – number of pigs despatched on a royalty basis and valued at fair value	66,875	70,680
Fair value of agricultural produce – semen, harvested during the period		
Bovine	£18 5m	£19 9m
Porcine	£6 1m	£5 9m

	Bovine £m	Porcine £m	Total £m
Year ended 30 June 2008			
Fair value movement on biological assets			
Changes in fair value of biological assets	28 3	5 5	33 8
Inventory transferred to cost of sales at fair value	(18 1)	(6 1)	(24 2)
Cost of sales already reflected in adjusted operating profit	(2 5)	(0 8)	(3 3)
	7 7	(1 4)	6 3

	Bovine £m	Porcine £m	Total £m
Year ended 30 June 2007			
Fair value movement on biological assets			
Changes in fair value of biological assets	27 9	6 3	34 2
Inventory transferred to cost of sales at fair value	(17 9)	(5 9)	(23 8)
Cost of sales already reflected in adjusted operating profit	–	0 5	0 5
	10 0	0 9	10 9

Additional information

	2008	2007
Bovine – total number of bulls in development	1,459	1,384
Bovine – number of doses of semen in inventory from bulls in development	1 3m	1 2m

The Group is exposed to a number of risks related to its holdings of porcine and bovine biological assets. The Group limits these risks by outsourcing porcine production, maintaining porcine genetic nucleus farms and bovine stud farms in different locations and ensuring high veterinary standards.

The key drivers in the movement in the bovine biological asset value are forecast sales volumes, sales prices, expected marketable lives of bulls, production volumes and the change in proportion of owned bulls to leased bulls.

The key drivers in the movement in the porcine biological asset value are the number of pigs on owned farms, number of pigs despatched on a royalty basis, number of pigs on owned farms that will achieve a genetic premium, prices achieved for premium genetics and changes between own and outsourced production.

19 Property, plant and equipment

	Land and buildings	Plant, motor vehicles and equipment	Total
	£m	£m	£m
Cost or deemed cost			
Balance at 1 July 2006	21.7	19.2	40.9
Additions	1.0	6.3	7.3
Transfer to assets held for sale	(1.7)	(1.0)	(2.7)
Disposals	(3.6)	(6.3)	(9.9)
Effect of movements in exchange rates	(1.8)	(1.1)	(2.9)
Balance at 30 June 2007	15.6	17.1	32.7
Balance at 1 July 2007	15.6	17.1	32.7
Additions	1.4	4.9	6.3
Reclassification to intangible assets	-	(2.2)	(2.2)
Disposals	(1.4)	(0.8)	(2.2)
Effect of movements in exchange rates	1.3	1.0	2.3
Balance at 30 June 2008	16.9	20.0	36.9
Depreciation and impairment losses			
Balance at 1 July 2006	2.3	8.2	10.5
Depreciation for the year	1.3	3.4	4.7
Transfer to assets held for sale	(0.8)	(0.8)	(1.6)
Disposals	(1.2)	(5.8)	(7.0)
Effect of movements in exchange rates	(0.7)	(0.5)	(1.2)
Balance at 30 June 2007	0.9	4.5	5.4
Balance at 1 July 2007	0.9	4.5	5.4
Depreciation for the year	1.5	2.0	3.5
Disposals	(0.1)	(0.6)	(0.7)
Effect of movements in exchange rates	0.6	0.5	1.1
Balance at 30 June 2008	2.9	6.4	9.3
Carrying amounts			
At 30 June 2008	14.0	13.6	27.6
At 30 June 2007	14.7	12.6	27.3

Leased plant and machinery

At 30 June 2008 fixed assets included assets held under finance leases with a carrying value of £3.4m (2007: £2.9m)

The associated depreciation charge for the year was £0.6m (2007: £0.6m)

20 Equity accounted investees

The Group's share of profit after tax in its equity accounted investees for the year was £2.7m (2007: £1.3m)

	£m
Balance at 1 July 2007	3.5
Share of post tax joint venture profits retained	2.7
Dividends received	(1.8)
Effect of movements in exchange rates	0.3
Balance at 30 June 2008	4.7

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

20 Equity accounted investees *(continued)*

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

Year ended 30 June 2008

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

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

Year ended 30 June 2007

	Ownership	Current assets	Non-current assets	Biological assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
		£m	£m	£m	£m	£m	£m	£m	£m
Net assets									
Agrocères – PIC Suínos (Brazil)	49%	2.5	1.2	1.2	4.9	(1.0)	(0.7)	(1.7)	3.2
Hybridschweine Cooperations GmbH (Germany)	50%	0.2	-	-	0.2	-	-	-	0.2
Hu Mei Pig Improvement Company Ltd (China)	50%	0.3	-	-	0.3	(0.2)	-	(0.2)	0.1
		3.0	1.2	1.2	5.4	(1.2)	(0.7)	(1.9)	3.5

Year ended 30 June 2007

	Ownership	Revenues	Movement in fair value of biological assets	Expenses	Operating profit
		£m	£m	£m	£m
Income statement					
Agroceres - PIC Suinos (Brazil)	49%	5.0	0.2	(3.8)	1.4
Hybridschweine Cooperations GmbH (Germany)	50%	5.0	-	(4.9)	0.1
Hu Mei Pig Improvement Company Ltd (China)	50%	0.8	-	(0.8)	-
		10.8	0.2	(9.5)	1.5

21 Available for sale investments

	2008	2007
	£m	£m
Fair value	0.3	0.5

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

22 Deferred tax assets and liabilities

Unrecognised deferred tax assets

At the balance sheet date, the Group has unused tax losses with a potential tax benefit of £14.4m (2007: £12.8m) available for offset against future profits. A deferred tax asset has been recognised in respect of £2.6m (2007: £3.0m) of such losses. No deferred tax asset has been recognised in respect of the remaining £11.8m (2007: £9.8m) due to the uncertainty over the availability of future taxable profits.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	(0.6)	-	1.4	0.6	0.8	0.6
Intangible assets	-	-	25.2	28.5	25.2	28.5
Biological assets	-	-	52.8	47.7	52.8	47.7
Financial instruments	0.3	-	-	1.2	0.3	1.2
Retirement benefit obligations	(4.5)	(4.8)	(1.4)	-	(5.9)	(4.8)
Share based payments	(1.3)	(2.2)	-	-	(1.3)	(2.2)
Short term timing differences	(4.5)	(0.4)	2.8	-	(1.7)	(0.4)
Tax loss carry-forwards	(2.2)	(3.0)	(0.4)	-	(2.6)	(3.0)
Net tax (assets)/liabilities	(12.8)	(10.4)	80.4	78.0	67.6	67.6

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

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

22 Deferred tax assets and liabilities *(continued)*

Movement in temporary differences during the year

	Balance brought forward 1 July 2007	Recognised in income statement	Prior year adjustments	Recognised in equity	Changes in tax rate	Transfers	Foreign exchange difference	Balance carried forward 30 June 2008
	£m	£m	£m	£m	£m	£m	£m	£m
Property, plant and equipment	0.6	0.1	0.1	-	-	-	-	0.8
Intangible assets	28.5	(1.5)	-	(1.8)	-	-	-	25.2
Biological assets	47.7	2.0	0.3	2.8	-	-	-	52.8
Financial instruments	1.2	-	-	(0.9)	-	-	-	0.3
Retirement benefit obligations	(4.8)	1.3	-	(2.4)	-	-	-	(5.9)
Share based payments	(2.2)	0.1	-	0.8	-	-	-	(1.3)
Short term timing differences	(0.4)	(1.1)	(0.1)	-	(0.1)	-	-	(1.7)
Tax loss carry-forwards	(3.0)	0.5	-	-	-	-	(0.1)	(2.6)
	67.6	1.4	0.3	(1.5)	(0.1)	-	(0.1)	67.6

	Balance brought forward 1 July 2006	Recognised in income statement	Prior year adjustments	Recognised in equity	Changes in tax rate	Transfers	Foreign exchange difference	Balance carried forward 30 June 2007
	£m	£m	£m	£m	£m	£m	£m	£m
Property, plant and equipment	0.7	-	(0.1)	-	-	-	-	0.6
Intangible assets	30.3	(1.6)	0.1	-	(0.3)	-	-	28.5
Biological assets	48.3	4.1	-	(4.6)	(0.1)	-	-	47.7
Financial instruments	0.6	0.3	(0.4)	0.7	-	-	-	1.2
Retirement benefit obligations	(6.9)	(0.3)	-	2.4	-	-	-	(4.8)
Share based payments	(0.8)	(0.2)	-	(1.2)	-	-	-	(2.2)
Short term timing differences	(0.3)	(0.6)	1.3	(0.6)	-	(0.3)	0.1	(0.4)
Tax loss carry-forwards	(2.8)	(0.2)	-	-	-	-	-	(3.0)
	69.1	1.5	0.9	(3.3)	(0.4)	(0.3)	0.1	67.6

23 Inventories

	2008	2007
	£m	£m
Biological assets classed as inventories	16.3	15.2
Raw materials and consumables	1.2	0.6
Finished goods	4.3	4.3
	21.8	20.1
Inventories classified as assets held for sale	-	(1.3)
	21.8	18.8

At 30 June 2008 inventories are shown net of a provision of £0.2m (2007: £0.1m)

24 Trade and other receivables

	2008	2007
	£m	£m
Trade receivables	42.1	34.7
Other debtors	4.9	3.8
Prepayments and accrued income	2.1	2.0
Other taxes and social security	2.6	2.5
	51.7	43.0

Trade receivables

Total trade receivables (net of allowances) held by the Group at 30 June 2008 amounted to £42.1m (2007: £44.7m), comprising the amount presented above (2008: £42.1m, 2007: £34.7m) and trade receivables classified as held for sale (2008: £nil, 2007: £10.0m)

The average credit period taken on sales of goods is 62 days (2007: 54 days). No interest is charged on the receivables for the first 30 days from the date of the invoice. The Group provides for all receivables based upon knowledge of the customer and historical experience and estimates irrecoverable amounts from the sale of goods, determined by reference to past default experience.

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

At 30 June 2008, £27.7m (2007: £22.9m) of trade receivables were not yet due for payment.

Included in the Group's trade receivables balance are debtors with a carrying amount of £14.4m (2007: £11.8m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 52 days (2007: 47 days).

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

24 Trade and other receivables *(continued)*

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

	2008	2007
	£m	£m
0 – 30 days	8 1	7 2
31 – 90 days	4 3	3 1
91 – 180 days	1 1	1 1
Over 180 days	0 9	0 4
Total	14 4	11 8

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

At 30 June 2008 trade receivables are shown net of an allowance for doubtful debts of £2 6m (2007 £2 2m)

Movement in the allowance for doubtful debts

	2008	2007
	£m	£m
Balance at the beginning of the year	2 2	2 4
Impairment losses recognised	0 3	0 2
Amounts written off as uncollectible	(0 1)	(0 1)
Amounts recovered during the year	0 1	(0 1)
Impairment losses reversed	(0 1)	(0 1)
Effect of movements in exchange rates	0 2	(0 1)
Balance at the end of the year	2 6	2 2

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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

Receivables denominated in currencies other than the functional currency comprise £14 2m of receivables denominated in US Dollar (2007 £12 0m) and £8 5m of receivables denominated in Euros (2007 £5 4m). Receivables denominated in other currencies total £14 8m (2007 £12 7m).

Other debtors

Included within other debtors are amounts of £0 3m due for deferred consideration from the sale of Development Consulting business.

Deferred consideration of £1 1m due from the Mexican Shrimp Genetics business disposal has been fully impaired as recovery is not certain (see note 6).

25 Cash and cash equivalents

	2008	2007
	£m	£m
Bank balances	19 3	26 0

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

26 Trade and other payables

	2008	2007
	£m	£m
Trade payables	15.1	12.3
Other trade payables	2.9	2.7
Non-trade payables and accrued expenses	19.2	16.4
Other taxes and social security	4.9	3.4
	42.1	34.8

Payables denominated in currencies other than the functional currency comprise £9.1m of payables denominated in US Dollar (2007: £7.9m) and £5.1m of payables denominated in Euros (2007: £5.1m). Payables denominated in other currencies total £11.8m (2007: £7.9m). The carrying values of these liabilities are a reasonable approximation of their fair values.

27 Provisions

	Surplus properties	Environmental provision	Restructuring	Total
	£m	£m	£m	£m
Balance at 1 July 2006	2.8	2.3	0.1	5.2
Utilisation of provision	(0.3)	(0.4)	(0.7)	(1.4)
Provided during the year	-	-	0.7	0.7
Provisions released during the year	(0.2)	-	-	(0.2)
Effect of movements in exchange rates	-	(0.2)	-	(0.2)
Unwinding of discount	0.1	-	-	0.1
Balance at 30 June 2007	2.4	1.7	0.1	4.2
Utilisation of provision	(0.2)	(0.5)	(0.1)	(0.8)
Provided during the year	0.6	0.1	-	0.7
Unwinding of discount	0.1	-	-	0.1
Balance at 30 June 2008	2.9	1.3	-	4.2

	2008	2007
	£m	£m
Non-current	3.0	2.3
Current	1.2	1.9
Balance at 30 June	4.2	4.2

The surplus property provision represents the discounted future costs of properties not occupied by the Group. These costs are computed net of risk weighted rental income and, where necessary, dilapidation and letting expenses and will be utilised over the next 7 years.

The environmental provision relates to environmental liabilities in respect of the sale of the Oklahoma businesses, by Sygen International plc, prior to the acquisition by Genus plc. The majority of the provision is expected to be utilised within the next year with on-going monitoring costs over the next 4 years.

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

28 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 29, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 33.

Gearing ratio

The Group's Board of Directors reviews the capital structure on an annual basis. As part of this review, they consider the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end is as follows:

	2008	2007
	£m	£m
Debt	96.8	138.4
Cash and cash equivalents	(19.3)	(27.3)
Net Debt	77.5	111.1
Equity	185.1	150.9
Net debt to equity ratio	42%	74%

Debt is defined as long and short-term borrowings, as detailed in note 29.

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

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

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

Categories of financial instruments

	2008	Carrying value	2007
	£m		£m
Financial assets			
Derivative instruments in designated hedge accounting relationships	2.5		4.5
Cash and cash equivalents	19.3		26.0
Available-for-sale financial assets	–		1.3
Financial liabilities			
Derivative instruments in designated hedge accounting relationships	(1.3)		–
Loans and overdrafts	(94.6)		(136.1)
Lease obligations	(2.2)		(2.3)

Financial risk management objectives

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

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

The Corporate Treasury function reports quarterly to the Board of Directors that monitors risks and policies implemented to mitigate risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including

- forward foreign exchange contracts to hedge the exchange rate risk arising on the sale of goods in foreign currency and on the purchase of supplies in foreign currencies,
- interest rate swaps to mitigate the risk of rising interest rates, and
- cross currency swap contracts to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations, which has the US Dollar as its functional currency

Foreign currency risk management

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

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

	Liabilities		Assets	
	2008	2007	2008	2007
	£m	£m	£m	£m
US Dollar (including leases)	(34.5)	(2.6)	3.7	3.8
Australian Dollar	(6.3)	(5.1)	-	-

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

28 Financial instruments *(continued)*

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 5% - 15% increase and decrease in the sterling against the relevant foreign currencies. 5% - 15% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% - 15% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the sterling strengthens against the relevant currency. For a weakening of the sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Euro currency impact		US Dollar currency impact	
	2008	2007	2008	2007
	£m	£m	£m	£m
5% currency movement				
Profit or loss	0.3	0.2	0.7	0.9
10% currency movement				
Profit or loss	0.6	0.4	1.5	1.7
15% currency movement				
Profit or loss	0.8	0.7	2.2	2.6

Forward foreign exchange contracts

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

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

	Average exchange rate 2008	Foreign currency 2008	Contract value		Fair value	
			2008	2007	2008	2007
			£m	£m	£m	£m
Outstanding contracts						
Buy Czech Koruna	30.354	CZK	2.4	N/A	-	N/A
Buy Canadian Dollar	2.01	CAD	4.1	N/A	-	N/A
Buy Euro	1.2625	EUR	0.2	N/A	-	N/A
Sell Polish Zloty	4.2486	PLN	1.9	N/A	-	N/A
Net investment hedge - currency swap						
Sell US Dollar	1.89	USD	35.0	35.0	(0.1)	1.1
					(0.1)	1.1

In 2007, the Group did not have any outstanding foreign currency contracts.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap agreements. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, thereby ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2008 would decrease/increase by £nil million (2007 decrease/increase by £0.1m). This is mainly attributable to the Group's high level of fixed rate borrowing and cash all at variable rates.

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Interest rate swap contracts

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

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

Cash flow hedges

Interest rate swaps

Outstanding receive floating pay fixed contracts	Average fixed interest rate		Notional principal amount		Fair value	
	2008	2007	2008	2007	2008	2007
	%	%	£m	£m	£m	£m
GBP IRS						
2 to 5 years	4.74	4.74	55.0	115.0	1.1	3.4
USD IRS						
2 to 5 years	3.20	N/A	30.1	N/A	0.4	N/A
			85.1	115.0	1.5	3.4

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The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is 3 month LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

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

Commodity hedges

The Group hedges the pig slaughter price of its by-product animals by using the Chicago Mercantile Exchange (CME) lean hog futures.

Commodity hedge	Average Price		Notional principal amount		Fair value	
	2008	2007	2008	2007	2008	2007
	\$	\$	£m	£m	£m	£m
Open contracts from July 2008 to June 2009	75.4	N/A	3.3	N/A	(0.2)	N/A

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Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

28 Financial instruments *(continued)*

Credit risk management

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

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	£m	£m	£m	£m	£m	£m
2008							
Variable interest rate instruments	6.0	0.9	1.2	22.0	85.1	–	109.2

2007							
Variable interest rate instruments	6.0	1.0	2.1	33.1	124.7	–	160.9

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	£m	£m	£m	£m	£m	£m
2008							
Variable interest rate instruments	2.0	18.2	0.6	0.7	–	–	19.5

2007							
Variable interest rate instruments	2.0	25.6	0.6	–	–	–	26.2

The Group has access to financing facilities, the total unused amount of which is £26.3m (2007: £20.9m) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Group expects to maintain current debt to equity ratio within 50 – 60 % limits.

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

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	£m	£m	£m	£m	£m	£m
2008						
Interest rate swaps	0.2	0.2	0.2	0.8	–	1.4

2007						
Interest rate swaps	0.3	0.3	0.7	3.5	–	4.8

29 Loans and borrowings

	2008	2007
	£m	£m
Non-current liabilities		
Secured bank loans	77.0	108.9
Obligations under finance leases	1.2	1.4
	78.2	110.3
Current liabilities		
Secured bank loans	17.6	27.2
Obligations under finance leases	1.0	0.9
	18.6	28.1

Terms and debt repayment schedule

Terms and conditions of outstanding loans and overdraft were as follows

			2008	2007
	Currency	Interest rate	£m	£m
Secured term loan A	GBP	5.9%	2.5	19.7
Secured amortising term loan B	GBP	5.9%	47.5	60.0
Secured revolving credit facility and overdraft	GBP	5.9%	5.0	51.3
Secured revolving credit facility and overdraft	USD	4.3%	32.3	-
Secured revolving credit facility and overdraft	AUD	8.2%	6.3	5.1
Secured revolving credit facility and overdraft	Other	-	1.0	-
Finance lease liabilities	USD	5.0%	2.2	2.3
Total interest-bearing liabilities			96.8	138.4

For information about the Group's exposure to interest rate and foreign currency risk, see note 28

	2008	2007
	£m	£m
Loans and borrowings (excluding finance leases)		
Amounts falling due		
In one year or less	18.0	27.6
In more than one year but not more than two years	17.5	35.2
In more than two years but not more than five years	60.1	74.9
	95.6	137.7
Less unamortised issue costs	(1.0)	(1.6)
	94.6	136.1
Current liabilities	(17.6)	(27.2)
Non-current liabilities	77.0	108.9

The bank loans, overdrafts and loan notes are secured by a fixed and floating charge over the assets of the Company and the Group's significant subsidiaries, a list of which appears in note 39

The Company has secured bank credit facilities with a syndicate of eight banks (arranged by Barclays Bank PLC). These comprise a term loan repayable on 26 October 2009 (£2.5m) and a term loan repayable in instalments between 26 October 2008 and 26 October 2010 (£47.5m), and a five year £70.0m multi currency revolving credit facility repayable on 26 October 2010

As part of its interest rate strategy the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result bank loan and overdrafts include £55.0m fixed at 4.74% and US\$60m (£30m) fixed at 3.2%

Also included in the above secured loans is £0.4m of an agricultural development loan in USA and a £0.1m loan in Spain. Both of these loans are interest free

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

30 Finance lease liabilities

Finance lease liabilities are payable as follows

	Minimum lease payments 2008	Interest 2008	Principal 2008	Minimum lease payments 2007	Interest 2007	Principal 2007
	£m	£m	£m	£m	£m	£m
Less than one year	1.0	0.1	0.9	1.0	0.1	0.9
Between one and five years	1.4	0.1	1.3	1.4	0.1	1.3
After five years	–	–	–	0.1	–	0.1
	2.4	0.2	2.2	2.5	0.2	2.3

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

31 Retirement benefit obligations

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

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

	2008	2007
	£m	£m
The Milk Pension Fund – Genus section	14.2	7.2
The Dalgety Pension Fund	–	1.4
Other retirement benefit obligations	6.9	7.3
Gross liability	21.1	15.9
Deferred taxation	(5.9)	(4.8)
Net liability	15.2	11.1

Overall, the Group expects to pay £1.5m in contributions to defined benefit plans in the 2008/9 financial year.

The Milk Pension Fund (MPF)

The Milk Pension Fund is that previously operated by the Milk Marketing Board, and was also open to membership of staff working for Milk Marque Ltd (the principal employer now known as Community Foods Group Limited), National Milk Records plc, First Milk Ltd, Dairy Farmers of Britain Ltd, Milk Link Ltd, the Milk Development Council and hauliers associated to First Milk Ltd, Dairy Farmers of Britain Ltd and Milk Link Ltd. It is managed on a sectionalised basis but ultimate liabilities are joint and several. Genus only accounts for its section but discloses details regarding the full potential contingent liability below.

The most recent actuarial valuation of the Milk Pension Fund was at 31 March 2006. The valuation of the fund used the projected unit method (for future service, a control period of 3 years was used) and was carried out by professionally qualified actuaries.

The principal actuarial assumptions adopted for the funding valuation as at 31 March 2006, with each being expressed as the excess over the assumption for the annual rate of inflation, were as follows. For the annual rate of return on the investments for discounting liabilities pre-retirement: 4%, and for discounting liabilities post-retirement: 2.05%. For the annual increase in the present and future pensions in payment: 1.1%, for the annual rate of increase in pensionable earnings for past service liabilities: 1%, and for the annual rate of increase in pensionable earnings for future service liabilities: 1%. At the date of the valuation, the market value of the fund's assets amounted to £313 million, of which Genus plc's notional share is £110m. The actuarial value of the assets of the whole fund was sufficient to cover 98 percent of the value of the benefits that had accrued to members after allowing for assumed increases in earnings.

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

With effect from 1 May 2007, the Group amended the benefit and member contribution structure for future service, which has had the effect of reducing Group contributions in respect of future service accrual. This is reflected in the current valuation of the IAS 19 liabilities. As a result, the contribution rate of the Group in respect of pension payments from 1 May 2007 has been agreed with the Milk Pension Fund at 10.1% of members' pensionable earnings. In addition a contribution of £0.3m per annum will be paid in respect of the past service deficit and a further contribution of £0.3m per annum will be paid towards expenses.

Based on the actuarial assumptions, and allowing for the amortisation of the deficit over the average remaining service of current employees, the actuary has calculated that the Group's pension cost for the scheme is £0.7m.

Dalgety Pension Fund

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

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

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The most recent actuarial valuation of the Dalgety Pension Fund was at 31 March 2006. The valuation of the scheme used the projected unit method and was carried out by professionally qualified actuaries.

The disclosures required under IAS 19 have been calculated by an independent actuary based on accurate calculations carried out as at 31 March 2006 updated to 30 June 2008. For the purposes of their calculations, the Dalgety Pension Fund actuary have offset the value of the annuity policies and the element of the surplus under the control of the trustees. New employees are no longer able to join the scheme. Under the projected unit method the current service cost will increase as the members approach retirement.

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

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

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

Based on the actuarial assumptions, and allowing for the amortisation of the deficit over the average remaining service of current employees, the actuary has calculated that the Group's pension cost for the scheme is £0.2m.

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Other defined benefit scheme in deficit

The Group also operates a closed defined benefit scheme for a small number of former employees of the National Pig Development Company Limited. The total market value of scheme assets and liabilities at 30 June 2008 under the provisions of IAS 19 were £3.0m (2007: £3.3m) and £4.1m (2007: £4.1m), respectively. Employer contributions of £90,000 (2007: £30,000) were made into the scheme during the year.

Other unfunded schemes

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

For the three unfunded defined benefit schemes, based on the methods and assumptions of IAS 19 the scheme liabilities amount to £4.5m (2007: £5.1m) and this amount is included within pension liabilities in the Group's balance sheet. The current cost charged to operating profit amounted to £nil (2007: £nil) and the interest on pension scheme liabilities amounted to £0.3m (2007: £0.3m).

The principal assumptions used to calculate the scheme liabilities were that the discount rate would be 6.5% (2007: 5.7%), that pay increases would average nil% per annum (2007: nil%) and that inflation and pension payments would be 4.0% per annum (2007: 4.0%).

For the unfunded retirement health benefit plan, based on the methods and assumptions of IAS 19, scheme liabilities amount to £1.3m (2007: £1.4m) and this amount is included within retirement benefit obligations in the Group's balance sheet. The current cost charged to operating profit amounted to £nil (2007: £nil) and the interest on plan liabilities amounted to £0.1m (2007: £0.1m).

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The principal assumptions used to calculate the plan liabilities were that the discount rate would be 6.5% (2007: 5.7%) and that the long term rate of medical expense inflation would be 8.0% (2007: 7.2%).

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

31 Retirement benefit obligations *(continued)*

Aggregated position of defined benefit schemes

	2008	2007
	£m	£m
Present value of funded obligations (includes Genus section only for MPF)	138.7	134.2
Present value of unfunded obligations	5.8	6.5
Total present value of obligations	144.5	140.7
Fair value of plan assets (includes Genus section only for MPF)	(126.1)	(124.8)
Restrict recognition of asset	2.7	-
Recognised liability for defined benefit obligations	21.1	15.9

Plan assets consist of the following

	2008	2007
	£m	£m
Equity securities	54.3	65.1
Gilts and corporate bonds	67.9	58.2
Cash	1.8	1.5
Other	2.1	-
	126.1	124.8

Movement in the liability for defined benefit obligations

	2008	2007
	£m	£m
Liability for defined benefit obligations at the start of the year	140.7	145.0
Benefits paid by the plan	(5.7)	(10.3)
Current service costs and interest	10.1	9.1
Actuarial gains recognised in equity	(0.6)	(4.1)
(Gains)/losses on curtailments and settlements	(0.8)	0.6
Contributions by scheme members	0.8	0.7
Exchange rate adjustment	-	(0.3)
Liability for defined benefit obligations at the end of year	144.5	140.7

Movement in plan assets

	2008	2007
	£m	£m
Fair value of plan assets at the start of the year	124.8	122.2
Contributions paid into the plan	5.7	3.6
Benefits paid by the plan	(5.7)	(10.3)
Expected return on plan assets	9.1	6.9
Actuarial (losses)/gains recognised in equity	(7.8)	2.4
Fair value of plan assets at the end of the year	126.1	124.8

Amounts recognised in the Group Income Statement

	2008	2007
	£m	£m
Current service costs	1.0	1.5
Interest obligation	7.8	7.6
Expected return on plan assets	(7.9)	(7.0)
(Gains)/losses on curtailments and settlements	(0.2)	0.6
	0.7	2.7

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

	2008	2007
	£m	£m
Administrative expenses	0.8	1.5
Included in discontinued operations	–	0.6
Finance (income)/costs	(0.1)	0.6
	0.7	2.7

Actual return on plan assets

Actuarial gains and losses recognised directly in equity

	2008	2007
	£m	£m
Cumulative amount at the start of the year	(3.7)	3.1
Recognised during the year	7.2	(6.5)
Exchange rate adjustment	–	(0.3)
Cumulative amount at the end of the year	3.5	(3.7)

Actuarial assumptions and sensitivity analysis

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

	2008	2007
Discount rate	6.5%	5.7%
Expected return on plan assets	6.7%	6.6%
Future salary increases	5.0%	4.2%
Medical cost trend rate	8.0%	7.2%
Future pension increases	4.0%	3.2%

The mortality assumptions used are consistent with those recommended by the schemes' actuaries and reflect the latest available tables, adjusted for the experience of the scheme where appropriate. The updated mortality tables are the PxA00 tables, with birth year and medium cohort projections, with mortality rates increased by 25% at all ages (2007 Px92 tables, with birth year and medium cohort projections, with mortality rates increased by 25% at all ages).

The following table illustrates the expectation of life of an average member retiring at age 65 at the balance sheet date and a member reaching age 65 in 20 years' time

		2008 (years)	2007 (years)
Retiring at balance sheet date at age 65	Male	20.8	20.2
	Female	23.4	23.0
Retiring at age 65 in 20 years' time	Male	23.7	21.4
	Female	26.2	24.1

These assumptions were also used for the other defined benefit schemes.

The overall expected long-term rate of return on assets is 6.7% (2007: 6.6%). The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

31 Retirement benefit obligations *(continued)*

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in the Group Income Statement. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase	One percentage point decrease
	£m	£m
Effect on the aggregate service and interest cost	–	–
Effect on defined benefit obligation	0.1	(0.1)

The history of experience adjustment is as follows:

	2008	2007	2006
	£m	£m	£m
Present value of the defined benefit obligation	144.5	140.7	145.0
Fair value of plan assets	(123.4)	(124.8)	(122.2)
Deficit in the plan	21.1	15.9	22.8
Experience adjustments arising on plan liabilities (%)	(0.4)	3.3	(9.2)
Experience adjustments arising on plan assets (%)	(6.2)	2.4	5.3

32 Share based payments

Share options

On 6 March 2000 the Group established a share option programme that entitles key management personnel and other senior employees to purchase shares in the Company. Further grants on similar terms were offered to these employee groups as set out below.

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

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

Grant date/ employees entitled	Options granted	Number of instruments	Vesting conditions	Contractual life of options
(1) 2000 Company share plan	11 June 2002	3,846	Exercisable	10 years
(2) 2004 Company share plan	9 September 2004	31,500	Exercisable	10 years
(3) 2004 Company share plan	19 May 2005	52,500	Exercisable	10 years
(4) 2004 Company share plan	7 December 2005	73,490	3 years service (*)	10 years
(5) 2004 Company share plan	21 June 2006	392,000	3 years service (*)	10 years
(6) 2004 Company share plan	25 September 2006	50,609	3 years service (*)	10 years
(7) 2004 Company share plan	21 September 2007	197,221	3 years service (*)	10 years
Total share options		801,166		

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

In addition to the outstanding share options above, a total of 747,626 conditional shares were awarded to Executive Directors and senior management on 7 December 2005, 21 June 2006 and 21 September 2007 under the 2004 Performance Share Plan. In accordance with the terms of the plan, participants in the plan have received a conditional annual award of shares or nil cost option award which will vest after three years, with the proportion of the award vesting being based on growth in Group adjusted earnings per share. Further details of the performance conditions attributing to the 2004 Performance Share Plan are given in the Directors' Remuneration Report.

Share awards

In the year to 30 June 2008, awards were granted on 21 September 2007. The aggregate of the fair values of those awards granted was £1,786,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model.

	No. of awards 2008	No. of awards 2007
Outstanding at start of year	885,356	777,570
Exercised during the year	(393,214)	(134,375)
Lapsed during the year	(50,786)	(70,389)
Granted during the year	306,270	312,550
Outstanding at 30 June	747,626	885,356

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

	Weighted average exercise price 2008	No. of options 2008	Weighted average exercise price 2007	No. of options 2007
Outstanding at start of year	317p	1,652,981	302p	1,802,367
Forfeited during the year	393p	(51,450)	440p	(17,581)
SARs effected during the year	269p	(288,955)	-	-
Exercised during the year	266p	(731,500)	197p	(182,414)
Granted during the year	582p	220,090	472p	50,609
Outstanding at 30 June	449p	801,166	317p	1,652,981
Exercisable at 30 June		87,846		270,932

The options outstanding at 30 June 2008 have an exercise price in the range of 173p to 582p and a weighted average contractual life of 6.5 years.

In the year to 30 June 2008, options were granted on 21 September 2007. The aggregate of the fair values of those options granted was £522,000.

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

Assumptions applied in valuation models at grant date

	2008	2007
Exercise price of options granted in the year (nil for awards)	582p	472p
Expected volatility (weighted average volatility)	34%	35%
Option life (expected weighted average life)	7 years	6.5 years
Expected dividends	1.54%	2.05%
Risk-free interest rate (based on government bonds)	5.12%	4.60%

The Group recognised total share based payment expense of £2.4m (2007: £1.5m).

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

33 Capital and reserves

Share capital and share premium

	2008 Number	2007 Number	2008 £m	2007 £m
Authorised				
Ordinary shares of 10p	75,989,400	75,989,400	7 6	7 6
Issued and fully paid				
Ordinary shares of 10p	59,455,605	55,931,344	5 9	5 6

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

The movement in share capital for the period was as follows

		2008 Number	2007 Number	2008 £m	2007 £m
New shares issued	(1)	2,700,000	–	0 2	–
Issued under the following share option plans					–
– Executive Share Option Plan (see note 32)	(2)	731,500	182,414	0 1	–
Issued to the Employee Benefit Trust	(3)	92,761	509,920	–	0 1
		3,524,261	692,334	0 3	0 1

(1) 2,700,000 shares were issued and placed with institutional investors on 1 November 2007, and proceeds were applied to reduce Group debt.

(2) Shares issued directly under share option plans were issued at option prices as follows

	2008 Number	2008 Price	2007 Number	2007 Price
Executive Share Option Plan	3,295	173p	91,800	175p
	201,861	192 5p	53,614	173p
	247,655	221 5p	10,000	221 5p
	182,554	310 5p	27,000	310 5p
	83,887	439 75p	–	–
	12,248	582p	–	–
	731,500		182,414	

(3) An employee benefit trust has been established to facilitate the operation of the Group's long term incentive scheme for Executive Directors and senior management

Reserve for own shares

The Company's own shares are held by a Qualifying Employee Share Ownership Trust ('QUEST'), an employee benefit trust established to facilitate the operation of the Group's long term incentive scheme for senior management. The amount of the reserve represents the deduction in arriving at shareholders' funds for the consideration paid for the Company's shares purchased by the trust which had not vested unconditionally at the balance sheet date. The number and market value of the ordinary shares held by the employee benefit trust and the QUEST was

	2008 Number	2007 Number	2008 £m	2007 £m
Shares allocated but not vested	655,292	885,356	5 3	6 2
Unallocated shares	92,334	70,389	0 7	0 5
	747,626	955,745	6 0	6 7

Translation reserve

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

Hedging reserve

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

Hedging and translation reserves

	Hedging reserve	Translation reserve
	£m	£m
Balance at 1 July 2006	0.8	(4.9)
Exchange differences on translation of overseas operations	-	(21.2)
Gain recognised on net investment hedge	-	1.2
Gain recognised on cash flow hedges		
Interest swaps	2.3	-
Income tax related to gains/(losses) recognised in equity	(0.7)	6.2
Balance at 30 June 2007	2.4	(18.7)
Exchange differences on translation of overseas operations	-	13.1
Loss recognised on net investment hedge	-	(0.9)
Loss recognised on cash flow hedges		
Commodity hedges	(0.2)	-
Interest swaps	(2.1)	-
Income tax related to gains/(losses) recognised in equity	0.6	(1.4)
Balance at 30 June 2008	0.7	7.9

34 Notes to the cash flow statement

	2008	2007
	£m	£m
Profit for the year	17.7	14.6
Adjustment for		
Fair value movement on biological assets	(6.3)	(10.9)
Amortisation of intangible assets	5.2	5.1
Adjustment to goodwill on recognition of tax assets	-	0.7
Share based payment expense	2.4	1.5
Share of profit of joint ventures and associates	(2.7)	(1.3)
Other gains and losses	(0.2)	(0.2)
Finance costs	7.1	10.0
Income tax expense	7.9	7.8
Gain on disposal of discontinued operations	(3.4)	(0.2)
Depreciation of property, plant and equipment	3.5	4.7
Loss on disposal of property, plant and equipment	0.5	-
Decrease in provisions	-	(0.9)
Operating cash flows before movement in working capital	31.7	30.9
(Increase) /decrease in inventories	(6.2)	1.6
Increase in receivables	(8.3)	(1.2)
Increase/(decrease) in payables	8.7	(4.0)
Cash generated by operations	25.9	27.3
Income taxes paid	(5.7)	(3.5)
Net cash from operating activities	20.2	23.8

The cash impact of exceptional items for the year ended 30 June 2008 was an outflow of £4.1m (2007: £4.0m)

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

34 Notes to the cash flow statement *(continued)*

	At 1 July 2007	Cash flows	Foreign exchange	Non cash movements	At 30 June 2008
	£m	£m	£m	£m	£m
Cash and cash equivalents	260	(5 8)	(0 9)	–	19 3
Cash and cash equivalents within assets held for sale	1 3	(1 3)	–	–	–
	27 3	(7 1)	(0 9)	–	19 3
Interest-bearing loans – current	(27 2)	24 8	–	(15 2)	(17 6)
Obligation under finance leases – current	(0 9)	1 6	–	(1 7)	(1 0)
	(28 1)	26 4	–	(16 9)	(18 6)
Interest-bearing loans – non-current	(108 9)	17 6	(0 7)	15 0	(77 0)
Obligation under finance lease – non-current	(1 4)	–	–	0 2	(1 2)
	(110 3)	17 6	(0 7)	15 2	(78 2)
Net debt	(111 1)	36 9	(1 6)	(1 7)	(77 5)

35 Operating leases

The total of future minimum lease payments under non-cancellable operating leases are as follows

	2008	2007
	£m	£m
Less than one year	1 8	2 0
Between one and five years	6 4	7 2
More than five years	1 0	1 0
	9 2	10 2

36 Capital commitments

At 30 June 2008 capital expenditure amounting to £9 8m (2007 £0 2m) had been contracted for. For 2008, the capital expenditure relates to the construction of a new nucleus herd facility in South Dakota.

37 Contingencies

At 30 June 2008 Barclays Bank PLC had issued performance bonds and guarantees totalling £0 9m (2007 £1 0m) to the customers of the Development Consulting business as surety for completion of certain projects undertaken. All bonds and guarantees were issued with full recourse.

The Group is a participating employer of the Milk Pension Fund, a defined benefit scheme administered by Milk Pension Fund Trustees. Although managed on a sectionalised basis the Group, together with the other participating employers, is joint and severally liable for the scheme's obligations. Further details of the pension scheme arrangements are given in note 31.

There have been no changes to any legal proceedings involving the Group in the year ended 30 June 2008 which are expected to have, or have had, a material effect on the financial position or profitability of the Group save in relation to an employment dispute involving a previous employee of Sygen International plc where damages of \$975,000 were awarded against the Group in November 2007 by a Californian court. The Group denies liability and has appealed the decision.

38 Related parties**Transactions with key management personnel**

Key management compensation (including Directors)

	2008	2007
	£m	£m
Salaries and short term employee benefits	2.6	1.5
Post - employment benefits	0.1	0.1
Other long term benefits	–	0.3
Termination benefits	–	0.2
Share based payment expense	1.3	1.3
	4.0	3.4

Directors

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

Other transactions with key management personnel

During the year, the Group paid fees of £4.1m for IT consultancy services. The Salamander Organization Limited ('Salamander'), a party related to Mr J E Hawkins, was paid £0.4m (2007: £0.4m) for services supplied by Salamander directly and £1.5m (2007: £1.3m) for services supplied by external contractors. Mr Hawkins is chairman of the Salamander Board and has a 1% shareholding in Salamander. Mr Hawkins had no involvement in the negotiation of the agreement between the Company and Salamander and the agreement was entered into on an arm's length basis. The external contractors referred to above were provided by Reed Professional Services Limited with effect from 1 November 2007 and were paid £1.4m in the period. The agreement with Salamander was terminated on 20 January 2008.

On 6 November 2007, the Company disposed of its Development Consulting business after a competitive tender process to the management team and a former director, Mr D Timmins, who resigned as director from the Group on 2 April 2007. £0.3m deferred consideration arising from the sale of Development Consulting business is due by May 2009. In addition the Group has a remaining contingent liability in relation to performance bonds (see note 37).

Other related party transactions

	Transaction value		Balance outstanding	
	2008	2007	2008	2007
	£m	£m	£m	£m
Sale of goods and services				
Joint ventures and associates	6.4	7.0	0.4	0.5

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

Notes to the Group Financial Statements *(continued)*

for the year ended 30 June 2008

39 Group entities

The principal subsidiaries of Genus plc and their main activities are set out below. All are 100% owned by Genus plc. Except where shown, all of the companies are registered in England and Wales. The companies listed below include all those which principally affected the amount of the profit 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.

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

(1) Held by subsidiary undertaking

Independent Auditors' Report – Parent Company Financial Statements

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We have audited the parent company financial statements of Genus plc for the year ended 30 June 2008 which comprise the Balance Sheet and the related notes 40 to 53. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Genus plc for the year ended 30 June 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

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 parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Business Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company 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 parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
15 September 2008

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Independent Auditors' Report –
Parent Company Financial Statements

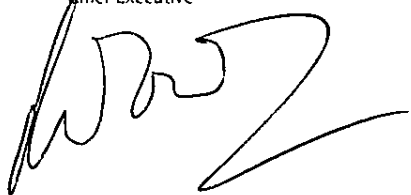
Parent Company Financial Statements

Balance sheet as at 30 June 2008

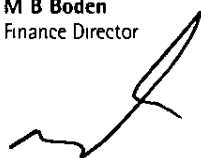
	Note	2008 £m	2007 £m
Fixed assets			
Tangible assets	42	0.5	0.5
Investments in subsidiaries	43	227.1	238.9
		227.6	239.4
Current assets			
Debtors	44	38.8	26.8
Cash at bank and in hand		1.2	-
		40.0	26.8
Creditors: Amounts falling due within one year	46	(55.9)	(38.2)
Net current liabilities		(15.9)	(11.4)
Total assets less current liabilities		211.7	228.0
Creditors: Amounts falling due after more than one year	47	(77.1)	(113.9)
Net assets		134.6	114.1
Capital and reserves			
Called up share capital	50	5.9	5.6
Share premium account	51	111.7	92.5
Own shares	51	(0.1)	(0.2)
Profit and loss account	51	16.2	13.8
Hedging reserve	51	0.9	2.4
Shareholders' funds	52	134.6	114.1

These financial statements were approved by and signed on behalf of the Board of Directors on 15 September 2008

R K Wood
Chief Executive



M B Boden
Finance Director



Notes to the Parent Company Financial Statements

for the year ended 30 June 2008

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40 Significant accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards. The accounting policies have been applied consistently throughout the current and prior year

The principal accounting policies are summarised below

The Company's financial statements are included in the Genus plc consolidated financial statements for the year ended 30 June 2008. As permitted by section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Genus Group.

Fixed assets and depreciation

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

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

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

Investments

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

Pensions

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

Certain current and former employees of the Company are members of one of the Group's defined benefit pension schemes, further details of which are given in note 31 of the Group's financial statements. The schemes are all multi-employer defined benefit schemes, the assets and liabilities of which are held independently from the Group. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Taxation

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

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

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

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are 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.

Treasury shares

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

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

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Notes to the Parent Company Financial Statements *(continued)*

for the year ended 30 June 2008

40 Significant accounting policies *(continued)*

Employee share schemes

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

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

Share based payments

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

Derivative financial instruments and hedging

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

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

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

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

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

Cash flow hedges

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

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

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

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

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

Debt

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

Finance costs

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

41 Employees

Staff costs including Directors' remuneration during the year amounted to

	2008	2007
	£m	£m
Wages and salaries	2 6	2 1
Compensation for loss of office	—	0 2
Social security costs	0 2	0 3
Share based payments	0 6	2 1
	3 4	4 7

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

	2008 No	2007 No
Administration	17	15

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

42 Tangible fixed assets

	Leasehold land and buildings	Motor vehicles and equipment — owned	Total
	£m	£m	£m
Cost			
At 1 July 2007	0 2	0 7	0 9
Additions	—	0 1	0 1
Disposals	—	(0 1)	(0 1)
At 30 June 2008	0 2	0 7	0 9
Depreciation			
At 1 July 2007	—	0 4	0 4
Charge for the year	—	0 1	0 1
Disposals	—	(0 1)	(0 1)
At 30 June 2008	—	0 4	0 4
Net book value			
At 30 June 2008	0 2	0 3	0 5
At 30 June 2007	0 2	0 3	0 5

Notes to the Parent Company Financial Statements *(continued)*

for the year ended 30 June 2008

43 Investments

	Shares in subsidiary undertaking £m
Cost	
At 1 July 2007	243.0
Additions	1.0
At 30 June 2008	244.0
Provision for impairment	
At 1 July 2007	4.1
Additional provision	12.8
At 30 June 2008	16.9
Net book value	
At 30 June 2008	227.1
At 30 June 2007	238.9

Principal Subsidiary Undertakings

The principal subsidiaries of Genus plc and their main activities are given in note 39. The additional provision relates to the subsequent impairment of an investment arising from the sale of Animal Health business.

44 Debtors

	2008 £m	2007 £m
Amounts due within one year		
Amounts owed by group undertakings	15.7	13.9
Group relief receivable	12.9	1.5
Corporation tax recoverable	0.5	0.5
Other debtors	0.3	0.1
Other taxes and social security	0.4	0.7
Prepayments and accrued income	0.1	0.1
Deferred tax	0.5	–
	30.4	16.8
Amounts due after more than one year		
Amounts owed by group undertakings	7.0	5.5
Derivative financial assets	1.4	4.5
	38.8	26.8

At the balance sheet date the amounts owed by group undertakings were £22.7m (2007: £19.4m). The carrying amount of these assets approximates their fair value. There are impaired receivable balances of £0.8m (2007: £1.7m). Of the amounts owed by group undertakings, £7.0m (2007: £5.5m) are interest-bearing.

45 Deferred tax

The movements in deferred taxation are as follows

	2008	2007
	£m	£m
At the start of the year	–	(0.6)
Recognised in profit and loss account	–	0.3
Recognised in equity	0.5	0.3
At the end of the year	0.5	–

The amounts provided are as follows

	2008	2007
	£m	£m
Derivatives	(0.3)	(1.3)
Share based payments	0.5	0.7
Other timing differences	0.3	0.1
Losses	–	0.5
	0.5	–

The amounts unprovided are as follows

	2008	2007
	£m	£m
Losses	3.5	1.9

Unrecognised deferred tax assets

At the balance sheet date, the Company has unused tax losses with a potential tax benefit of £3.5m (2007: £2.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of £nil (2007: £0.5m) of such losses. No deferred tax asset has been recognised in respect of the remaining £3.5m (2007: £1.9m) due to the uncertainty over the availability of future taxable profits.

46 Creditors – amounts falling due within one year

	Note	2008	2007
		£m	£m
Bank loans and overdrafts	48	15.7	18.9
Trade creditors		0.8	0.5
Other creditors		0.9	0.3
Amounts owed to group undertakings		36.1	15.9
Accruals and deferred income		2.4	2.6
		55.9	38.2

Included within amounts owed to group undertakings are amounts of £20.6m (2007: £8.8m) which are interest-bearing and payable on demand.

47 Creditors – amounts falling due after more than one year

	Note	2008	2007
		£m	£m
Bank loans and overdrafts	48	77.0	113.9
Derivative financial liabilities		0.1	–
		77.1	113.9

Notes to the Parent Company Financial Statements (continued)

for the year ended 30 June 2008

48 Loans and borrowings

	2008	2007
	£m	£m
Loans and borrowings comprise amounts falling due		
In one year or less	161	193
In more than one year but not more than two years	175	154
In more than two years but not more than five years	601	997
	93.7	134.4
Less unamortised issue costs	(1.0)	(1.6)
	92.7	132.8
Amounts falling due within one year	(15.7)	(18.9)
Amounts falling due after more than one year	77.0	113.9

The bank loans, overdrafts and loan notes are secured by a fixed and floating charge over the assets of the Company and the Group's significant subsidiaries, a list of which appears in note 39

The Company has secured bank credit facilities with a syndicate of eight banks (arranged by Barclays Bank PLC). These comprise a term loan repayable on 26 October 2009 (£2.5m) and a term loan repayable in instalments between 26 October 2008 and 26 October 2010 (£47.5m), and a five year £70.0m multi currency revolving credit facility repayable on 26 October 2010

As part of its interest rate strategy the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result bank loan and overdrafts include £55.0m fixed at 4.74% and US\$60m (£30m) fixed at 3.2%

Terms and debt repayment schedule

Terms and conditions of outstanding loans and overdraft were as follows

	Currency	Interest rate	2008	2007
			£m	£m
Secured term loan A	GBP	5.9%	2.5	19.7
Secured amortising term loan B	GBP	5.9%	47.5	60.0
Secured revolving credit facility and overdraft	GBP	5.9%	5.0	48.0
Secured revolving credit facility and overdraft	USD	4.3%	31.8	–
Secured revolving credit facility and overdraft	AUD	8.2%	5.9	5.1
Total interest-bearing liabilities			92.7	132.8

49 Derivatives and other financial instruments

Fair values

The fair values of financial assets and liabilities which have been calculated by the relevant financial institution, together with the carrying amounts shown in the balance sheet, are as follows

	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
	£m	£m	£m	£m
Interest rate swap treated as cash flow hedge	1.4	1.4	3.4	3.4
Cross currency swap	(0.1)	(0.1)	1.1	1.1
	1.3	1.3	4.5	4.5

Hedges

The Company's policy is to monitor net transactional currency exposures and future contracted sales, in order to hedge such exposures in the Group, where appropriate. There were short term forward contracts totalling £4.8m (net) entered into at 30 June 2008 (2007: £nil)

The recognised gains included in the profit and loss account on forward exchange contracts taken out in previous years amounted to £nil (2007: £nil). The Company has entered into interest rate swaps and a cross currency swap in order to manage its interest rate profile and to partially match the value of the Group's net assets held in the USA

Other information

Additional disclosure on financial instruments can be found in note 28

50 Called up share capital

Share capital and share premium

	2008 Number	2007 Number	2008 £m	2007 £m
Authorised				
Ordinary shares of 10p	75,989,400	75,989,400	7 6	7 6
Issued and fully paid				
Ordinary shares of 10p	59,455,605	55,931,344	5 9	5 6

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

The movement in share capital for the year was as follows

		2008 Number	2007 Number	2008 £m	2007 £m
New shares issued	(1)	2,700,000	–	0 2	–
Issued under the following share option plans					
– Executive Share Option Plan (see note 32)	(2)	731,500	182,414	0 1	–
Issued to the Employee Benefit Trust	(3)	92,761	509,920	–	0 1
		3,524,261	692,334	0 3	0 1

(1) 2,700,000 shares were issued and placed with institutional investors on 1 November 2007, and proceeds were applied to reduce Group debt.

(2) Shares issued directly under share option plans were issued at option prices as follows

	2008 Number	Price	2007 Number	Price
Executive Share Option Plan	3,295	173p	91,800	175p
	201,861	192 5p	53,614	173p
	247,655	221 5p	10,000	221 5p
	182,554	310 5p	27,000	310 5p
	83,887	439 75p	–	–
	12,248	582p	–	–
	731,500		182,414	

(3) An employee benefit trust has been established to facilitate the operation of the Group's long term incentive scheme for Executive Directors and senior management

Reserve for own shares

The Company's own shares are held by a Qualifying Employee Share Ownership Trust ('QUEST') and an employee benefit trust established to facilitate the operation of the Group's long term incentive scheme for senior management. The amount of the reserve represents the deduction in arriving at shareholders' funds for the consideration paid for the Company's shares purchased by the trust which had not been vested unconditionally at the balance sheet date. The number and market value of the ordinary shares held by the employee benefit trust and the QUEST was

	2008 Number	2007 Number	2008 £m	2007 £m
• Shares allocated but not vested	655,292	885,356	5 3	6 2
Unallocated shares	92,334	70,389	0 7	0 5
	747,626	955,745	6 0	6 7

Translation reserve

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

Hedging reserve

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

Notes to the Parent Company Financial Statements (continued)

for the year ended 30 June 2008

50 Called up share capital (continued)

Grant date/ employees entitled	Options granted	Number of instruments	Vesting conditions	Contractual life of options
(1) 2000 Company share plan	11 June 2002	3,846	Exercisable	10 years
(2) 2004 Company share plan	9 September 2004	31,500	Exercisable	10 years
(3) 2004 Company share plan	19 May 2005	52,500	Exercisable	10 years
(4) 2004 Company share plan	7 December 2005	73,490	3 years service (*)	10 years
(5) 2004 Company share plan	21 June 2006	392,000	3 years service (*)	10 years
(6) 2004 Company share plan	25 September 2006	50,609	3 years service (*)	10 years
(7) 2004 Company share plan	21 September 2007	197,221	3 years service (*)	10 years
Total share options		801,166		

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

In addition to the outstanding share options above, a total of 747,626 conditional shares were awarded to Executive Directors and senior management on 7 December 2005, 21 June 2006 and 21 September 2007 under the 2004 Performance Share Plan. In accordance with the terms of the plan, participants in the plan have received a conditional annual award of shares or nil cost option award which will vest after three years, with the proportion of the award vesting being based on growth in Group underlying earnings per share. Further details of the performance conditions attributing to the 2004 Performance Share Plan are given in the Directors' Remuneration Report.

In the year to 30 June 2008, awards were granted on 21 September 2007. The aggregate of the fair values of those awards granted was £1,786,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model.

	No. of awards 2008	No. of awards 2007
Outstanding at start of year	885,356	777,570
Exercised during the year	(393,214)	(134,375)
Lapsed during the year	(50,786)	(70,389)
Granted during the year	306,270	312,550
Outstanding at 30 June	747,626	885,356

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

	Weighted average exercise price 2008	No. of options 2008	Weighted average exercise price 2007	No. of options 2007
Outstanding at start of year	317p	1,652,981	302p	1,802,367
Forfeited during the year	393p	(51,450)	440p	(17,581)
SARs effected during the year	269p	(288,955)	-	-
Exercised during the year	266p	(731,500)	197p	(182,414)
Granted during the year	582p	220,090	472p	50,609
Outstanding at 30 June	449p	801,166	317p	1,652,981
Exercisable at 30 June		87,846		270,932

The options outstanding at 30 June 2008 have an exercise price in the range of 173p to 582p and a weighted average contractual life of 6.5 years.

In the year to 30 June 2008, options were granted on 21 September 2007. The aggregate of the fair values of those options granted was £522,000.

51 Reserves

	Share premium account	Profit and loss account	Hedging reserve	Own shares
	£m	£m	£m	£m
At 1 July 2007	92.5	13.8	2.4	(0.2)
Profit for the financial period	-	5.9	-	-
Own shares released on vesting of share awards	-	-	-	0.1
Dividend paid	-	(5.3)	-	-
Premium on shares issued	19.2	-	-	-
Share based payments, net of tax	-	1.8	-	-
Fair value movement on cashflow hedge, net of tax	-	-	(1.5)	-
At 30 June 2008	111.7	16.2	0.9	(0.1)

For information on dividends see note 15

52 Reconciliation of shareholders' funds

	2008	2007
	£m	£m
Shareholders' funds at 1 July	114.1	107.8
Retained profit for the year	5.9	6.7
New share capital subscribed	0.3	0.1
Premium on shares issued	19.2	0.3
Own shares released on vesting of share awards	0.1	-
Dividend paid	(5.3)	(4.5)
Share based payments, net of tax	1.8	2.1
Fair value movement on cashflow hedge, net of tax	(1.5)	1.6
Shareholders' funds at 30 June	134.6	114.1

53 Related party transactions

The Company is exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Genus Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of other related party transactions are disclosed in note 38 in the Group's financial statements.

Three Year Record

Three Year Record

The 2008, 2007 and 2006 information included in the three year record below is in accordance with IFRS as adopted for use in the European Union

Financial results

	Year ended 30 June 2008	Year ended 30 June 2007	15 months ended 30 June 2006
	£m	£m	£m
Revenue from continuing operations	247.1	233.8	201.2
Adjusted operating profit from continuing operations	32.4	28.7	19.8
Adjusted profit before tax	28.0	20.0	12.9
Operating profit from continuing operations	26.2	28.4	20.1
Profit before tax from continuing operations	22.0	19.9	15.1
Profit after tax from continuing operations	14.2	12.7	11.1
Profit for year/period	17.7	14.6	7.8
Basic earnings per share	30.8p	26.6p	17.2p
Diluted earnings per share	30.2p	25.8p	16.8p
Net assets	185.1	150.9	144.0
Loans and borrowings	94.6	136.1	151.9

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2008 Annual General Meeting of Genus plc (the "Company") will be held at Buchanan Communications, 45 Moorfields, London EC2Y 9AE on 13 November 2008 at 2.30pm for the following purposes

To consider and if thought fit, to pass the following resolutions, of which numbers 1 to 7 will be proposed as ordinary resolutions and numbers 8 to 10 as special resolutions

ORDINARY BUSINESS

- 1 To receive and approve the Company's audited financial statements and directors' and auditors' reports for the year ended 30 June 2008
- 2 To approve the directors' remuneration report for the year ended 30 June 2008
- 3 To declare and approve a final dividend of 10 pence per ordinary share, payable to shareholders on the register of members at the close of business on 12 December 2008
- 4 To re-elect John Hawkins as a director of the Company who retires by rotation and, being eligible, offers himself for re-election
- 5 To elect Nigel Turner as a director of the Company who, being eligible, submits himself for election
- 6 To re-appoint Deloitte & Touche LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which financial statements are laid and to authorise the directors to agree the auditors' remuneration
- 7 THAT the directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £1,653,379 being 16,533,795 ordinary shares of 10 pence each ("Ordinary Shares"), such authority to expire on the conclusion of the Company's Annual General Meeting next following but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired

SPECIAL BUSINESS

- 8 THAT subject to and conditional on the passing of resolution 7, the directors be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) to section 94(3A) of the Act) for cash pursuant to the authority conferred by resolution 7 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities

8.1 in connection with an offer of such securities by way of rights issue, and

8.2 otherwise than pursuant to sub-paragraph 8.1 above up to an aggregate nominal amount of £297,278 being 2,972,780 Ordinary Shares representing not more than 5 per cent of the issued share capital of the Company as at 30 June 2008,

and shall expire on the conclusion of the Company's Annual General Meeting next following save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution 7" were omitted.

In this resolution, 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory.

Annual General Meeting

Notice of Annual General Meeting

- 9 THAT subject to and in accordance with article 11 of the Company's articles of association, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of Ordinary Shares on such terms as the directors think fit provided that -
- 9 1 the maximum number of Ordinary Shares hereby authorised to be purchased is 5,945,560 (representing 10 per cent of the Company's issued ordinary share capital as at 30 June 2008),
- 9 2 the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 10 pence,
- 9 3 the maximum price, exclusive of any expenses, which may be paid for an Ordinary Share is an amount equal to the higher of (a) 105 per cent of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately before the day on which such share is contracted to be purchased, and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003, and
- 9 4 the authority conferred by this resolution shall expire on the conclusion of the Company's Annual General Meeting next following or 18 months after the date of its passing (whichever occurs first), except that the Company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which will or may be completed by or executed wholly or partly after the expiration of this authority
- 10 THAT with immediate effect, the articles of association of the Company contained in the document produced to the meeting (and signed by the Chairman for the purposes of identification) be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company

Belvedere House
Basing View
Basingstoke
RG21 4HG

By order of the Board

13 October 2008

Ian Farrelly
Group Company Secretary & General Counsel

Notice of Annual General Meeting

NOTES

This notice is being sent to all members and to any person nominated by a member of the Company under section 146 of the Companies Act 2006 (the "2006 Act") to enjoy information rights. Members will find an attendance card and a form of proxy enclosed with this notice. If you are attending the meeting, you should bring the attendance card with you.

Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, vote and speak at the meeting.

Any member so entitled may appoint one or more proxies to attend, speak and to vote instead of him. A proxy need not be a member of the Company.

To be valid, a duly executed form of proxy for use at the meeting together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a duly certified copy of such power or authority must be deposited at the offices of Equiniti Registrars, SEA9438, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6AA at least 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Completion and return of a form of proxy will not preclude shareholders from attending the meeting and voting in person if they wish to do so.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the 2006 Act ("nominated persons"). Nominated persons may have a right under an agreement with the registered member who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the meeting is 6.00pm on 11 November 2008 (or if the meeting is adjourned, members on the register of members not later than 48 hours before the time fixed for the adjourned meeting). Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Copies of contracts of service and letters of appointment between the directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours until the conclusion of the Annual General Meeting, and at the place of the meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion. In addition, a copy of the articles of association marked to show the changes being proposed by resolution 10 will be available for inspection at the Company's registered office and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA (reference ASHE/RSTE) during normal business hours until the conclusion of the Annual General Meeting and at the place of the meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this Annual General Meeting to be held on 13 November 2008 at 2.30pm and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Annual General Meeting

Notice of Annual General Meeting

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

Appendix - Summary Of Principal Changes To The Company's Articles Of Association

Approach

Provisions in the Company's current articles of association (the "Current Articles") which replicate provisions contained in the Companies Act 2006 (the "Act") are in the main to be removed in the new articles of association (the "New Articles"). This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Examples of such provisions include the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

In addition, the opportunity has also been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles and to update the Current Articles to reflect market practice. The main changes made to reflect market practice are also detailed below.

Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision has been removed as the concept of extraordinary resolutions has not been retained under the Act.

Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings have been removed in the New Articles because the relevant matters are provided for in the Act. In particular, a general meeting to consider a special resolution can be convened on 14 days' notice (whereas previously 21 days' notice was required).

Proxies and votes of members

Under the Act proxies are entitled to speak and may also vote on a show of hands (whereas under the Current Articles proxies are not entitled to speak and may only vote on a poll). The time limits for the appointment, or termination of appointment, of a proxy have been altered by the Act and this has been reflected in the New Articles such that weekends and bank holidays are excluded when calculating such time limits. Multiple proxies may also now be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder.

Corporate representatives

Under the Act multiple corporate representatives may be appointed. The relevant provisions in the Act have provoked much debate and there is still uncertainty and differing views on the legal interpretation of them. The article providing for the appointment of corporate representatives has therefore been removed in the New Articles.

Conflicts of interest

The Act sets out directors' general duties which largely codify the existing law but with some changes. Under the Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where (but only where) the articles of association contain a provision to this effect. The Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Electronic and web communications

Provisions of the Act which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The Current Articles allow communications to members in electronic form and permit the Company to take advantage of the new provisions relating to website communications. These provisions have been brought right up to date to reflect the relevant provisions of the Act.

Directors' indemnities and funding of defence proceedings

The Act has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The New Articles now fully reflect these provisions of the Act.