



Meeting the Demands of World Agriculture

Interim Financial Report
31 December 2010

About Genus

- Genus is a world leader in applying science to animal breeding.
- 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 trademarks "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.
- Headquartered in Basingstoke, England, Genus companies operate in thirty countries on six continents, with research laboratories located in Madison, Wisconsin, USA.

Genus Global Operations



Photograph of Picston Shottle (front cover) by Han Hopman.

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Highlights

Financial Highlights

Six months ended 31 December	2010 £m	2009 £m	Movement	
			Actual Currency %	Constant Currency*** %
Adjusted Results				
Continuing operations				
Revenue	153.2	134.9	14	10
Regional operating profit**	37.4	34.4	9	8
Operating profit*	21.4	19.3	11	10
Profit before tax*	19.1	15.5	23	22
Basic earnings per share (p)*	21.1	17.2	23	22
Statutory Results				
Continuing operations				
Revenue	153.2	134.9	14	
Operating profit	25.8	16.6	55	
Profit before tax	23.0	13.0	77	
Basic earnings per share (p)	25.7	15.0	71	

* Adjusted operating profit, adjusted profit before tax and adjusted basic earnings per share are before net IAS 41 valuation movements in biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items.

** Regional operating profit represents adjusted operating profit before research & development costs and central costs.

*** Constant currency percentage movements are calculated by restating 2010 results at the exchange rates applied in 2009.

“We delivered an adjusted profit before tax 23% higher than last year, despite the planned increase in research and development expenditure to drive future growth.”

Richard Wood, Chief Executive

Business Highlights

- Strong growth in sales and profits led by a recovery in leading markets
- Revenues up 14% to £153.2m (2009: £134.9m):
 - Bovine sales volumes 10% higher (2009: 3% higher)
 - Increased sales of porcine breeding animals; underlying porcine volumes up 9% and royalty income up 10%
- Adjusted profit before tax rose 23% to £19.1m (2009: £15.5m):
 - Regional operating profit rose 9% to £37.4m (2009: £34.4m)
 - Expenditure in research and development rose 8% as planned to £12.4m (8% of sales)
 - Interest costs were £0.9m lower at £3.8m reflecting lower pension interest and reduced net debt
- Cash inflow of £9.4m (2009: £4.2m) reduced net debt to £70.6m (June 2010: £80.0m) despite the normal seasonal working capital increase
- Good strategic progress achieved in developing markets:
 - Regional management strengthened in Far East and Latin America to drive strategic growth in these important developing markets
 - Bovine stud acquired in Russia to provide sales of locally produced semen commencing in 2011/12
 - Commercial agreement for production and marketing of locally produced semen in India has achieved encouraging initial sales
 - Porcine accounts won in China with new ventures involving existing international customers

Richard Wood, Chief Executive, commented:

“Genus performed well, supported by the diversity of its international business. We delivered an adjusted profit before tax 23% higher than last year, despite the planned increase in research and development expenditure to drive future growth.

Although some markets are recovering only slowly because of rising feed costs, global agricultural markets have improved since the depths of the agricultural recession last year. Therefore Genus expects to continue to make good progress during the second half of the year.

Global population growth and increased urbanisation in developing countries is accelerating demand for protein in diets. This demand increase and pressure on prices, driven by higher feed costs, can only be met by greater efficiency and industrialisation in farming. Genus’ market leading genetics are key ingredients in the quest for improved productivity so that Genus will increasingly benefit from this growth trend.”

Group Performance

Genus achieved a strong performance in the six months to 31 December 2010. Revenue rose 14% and adjusted profit before tax increased by 23% to £19.1m. This continued the improved performance seen in the second half of the last financial year. Market recovery was most pronounced in Latin America and the porcine sector of North America.

The major investment programme, started two years ago to increase product development capacity, is now complete so that growth in profits yielded a strong cash inflow for the half year and net debt reduced from £80.0m at June 2010 to £70.6m. This was achieved despite the normal seasonal working capital outflow.

Results

The 14% increase in revenue to £153.2m was driven principally by higher direct sales of porcine genetics as customers returned to updating their herds, following two years of poor customer profitability due to the recession and high feed prices. Bovine sales increased by 8%.

Adjusted operating profit rose to £21.4m (2009: £19.3m). Regional operating profit increased by 9%, with particularly strong improvements in both North America and Latin America. In Europe, operating profit was held back by the phasing of sales, partly because of the early poor winter weather. This delayed deliveries in Western Europe. The order book remains strong. Research and development costs increased by £0.9m to £12.4m (8% of sales) reflecting the planned increase in product development to support the expected future growth in sales.

Adjusted profit before tax of £19.1m rose 23% because of the improved operating profit combined with lower interest costs, resulting from lower pension interest costs and reduced debt levels.

The statutory results, including fair value adjustments on the Group's biological assets, show an even stronger performance with operating profit up 55% to £25.8m (2009: £16.6m) and profits before tax up over 70% to £23.0m (2009: £13.0m). The fair value credit of £7.8m (2009: £0.9m) for biological assets increased as a result of the volume bounce back as post recessionary growth returned and reflects the improving outlook for agriculture. There was also a £0.6m exceptional pension credit following the closure to future accrual of one of the Group's defined benefit pension schemes.

Cash Flow and Net Debt

Capital expenditure for the half year of £2.2m (2009: £3.4m) was lower than last year following completion of the major strategic investment in global product development and production capacity in the prior year. Tight management of working capital contained the seasonal outflow to £3.5m (2009: £7.9m). This, combined with the improved profit generated, created a strong cash inflow of £9.4m (2009: £4.2m) so that net debt fell from £80.0m at June 2010 to £70.6m.

Net debt including derivatives relating to borrowings was £78.0m (2009: £89.6m).

Dividend

In line with previous years and the stated Group dividend policy, the Board will not be recommending an interim dividend but expects to recommend a final dividend when the results for the year to 30 June 2011 are announced.

Strategic Progress

We made further progress with our plan to increase sales of domestically produced product in developing markets. A new commercial agreement in India will provide locally produced semen to be sold alongside semen currently imported from the USA. A stud has been acquired in Russia. This will provide housing for Genus bulls progeny tested in the USA but to be transferred from North America to produce semen locally in this growing market. Genus will be the first international company to operate a stud in this fast modernising and extremely large market. In China, bovine sales continued to grow strongly. A further shipment of bulls from Australia is being delivered in March to extend local semen capacity. Progress in the porcine sector in China has been less buoyant than planned because of depressed pig prices and a widespread outbreak of disease throughout China. This has limited our ability to transfer animals between regions and hence to supply customers. Against this difficult background, Genus has won important new business with international companies expanding production in China. Chinese pig prices have improved strongly and the government is beginning to intervene in the pricing of agricultural products to control food inflation. As a result, the prognosis for further growth in this sector is improving.

To increase the focus on the opportunities in all these important and strategic markets, a new regional manager has been appointed to an enlarged Far East region, that now includes Russia, in the light of the strategic growth opportunities in that market. Similarly, a new regional manager has been appointed to oversee operations of the equally important Latin American market, where strong growth has continued this year.

Board

On 11 November 2010, Bob Lawson, currently Chairman of Barratt Developments plc, became Non-Executive Chairman of Genus following the conclusion of the Company's Annual General Meeting and John Hawkins, the previous Chairman, retired from the Board having served ten years as a Non-Executive Director of the Company and six years as Chairman.

Outlook

Global agricultural markets have improved since the depths of the agricultural recession last year. North America and Latin America have led this change. Elsewhere the impact of higher feed prices has resulted in a slower recovery. We expect Europe to produce a solid result for the year as a whole. Far East performance is likely to continue to be affected by the timing of the recovery of the porcine market in China. Overall, Genus expects to continue to make good progress during the second half of the year.

Global population growth and increased urbanisation in developing countries is creating more demand for protein in diets. This, together with higher feed costs, is putting additional pressure on the need for greater efficiency and industrialisation in agriculture. Genus' market leading genetics are key ingredients in the quest to improve livestock productivity so that we will be well placed to benefit from these trends as they evolve over the next few years.

Review of Operations

North America

	2010 £m	2009 £m	Movement	
			Actual Currency %	Constant Currency %
Revenue	53.0	42.9	24	18
Adjusted operating profit	17.1	14.7	16	14
Adjusted operating margin	32%	34%		

Revenue rose 24% to £53.0m and operating profits increased by 16% to £17.1m. Porcine sales rose strongly as market improvements encouraged customers to return to updating the genetics for their production animals. Bovine sales continued at historical levels.

Pig prices strengthened in response to the supply cutbacks made last year helped by increased export potential. This created a more normal and profitable market opportunity for customers and increased Genus' sales of breeding animals and royalty income. A number of new accounts were won and this has increased the Company's market share in the USA.

In the bovine sector, the dairy market remained relatively weak. Although milk prices have increased, the improvement has only been to a level at which efficient customers' businesses are breaking even. Further milk price recovery is unlikely before the end of 2011 so that the market for Genus' genetics is expected to remain flat for the remainder of the year.

Against this background, the strengthened management team made good progress. Genus' semen sales volumes were stabilised at the same level as last year and average selling prices rose. A further \$2.5m in annualised costs savings were implemented during the period. This has re-positioned the business well for the market recovery predicted for next year.

Latin America

	2010 £m	2009 £m	Movement	
			Actual Currency %	Constant Currency %
Revenue	23.0	17.3	33	23
Adjusted operating profit exc. joint venture (j.v.)	6.9	5.4	28	26
Adjusted operating profit inc. j.v.	8.4	6.3	33	31
Adjusted operating margin exc. j.v.	30%	31%		

In Latin America, market recovery has been stronger than elsewhere and has enabled revenue to rise by 33% to £23.0m. Our strong Latin American businesses achieved good growth and this resulted in an increase in market share. Operating profit (including joint venture) rose by a third to £8.4m.

Both the beef and dairy semen markets were buoyant. Cattle and milk prices firmed and enabled bovine semen sales to grow by 12% with Argentina and Mexico performing particularly well. A new business unit was opened in Colombia. This is a new market for Genus and is the third largest cattle market in Latin America.

In the porcine sector, sales of breeding animals were strong as customers returned to restocking to update the genetics in their herds. With global demand now increasing, some customers also took the opportunity to expand. Important customer contracts were renewed at improved royalty rates and new business was won. Increasing pig prices in Brazil resulted in strong profit growth for the Brazilian porcine joint venture. In this business, good progress has been made in converting customer royalty contracts from revenue based payments to volume based royalties. This will make future royalty payments from the joint venture more stable than in the past as it has in North America.

Europe

	2010 £m	2009 £m	Movement	
			Actual Currency %	Constant Currency %
Revenue	56.3	56.4	–	1
Adjusted operating profit	10.2	10.7	(5)	(3)
Adjusted operating margin	18%	19%		

Revenues in Europe were marginally down on last year and operating profit was 5% lower.

With rising milk prices across Europe, Genus' dairy semen revenue increased and volumes rose by 5%. In the highest margin market, France, volume and profit both rose strongly. However, bovine profitability for the region as a whole was held back by the impact of delays to sales caused mainly by the difficult weather and by high distribution costs in the UK, as fuel prices rose steeply. The order book remains strong so we expect the second half of the year to show an improvement over the first half.

In the porcine sector, European pig prices improved steadily but not sufficiently to offset increased feed costs. As a result, the larger customers were only marginally profitable. Against this background, the markets for breeding animals remained relatively subdued and sales were at a similar level to last year. However, operating profit improved, with the UK business performing particularly well. Germany also increased profits, following last year's restructuring to reduce costs, but progress may be held back by the recent Dioxin scare in animal feed.

Review of Operations continued

Far East

	2010 £m	2009 £m	Movement	
			Actual Currency %	Constant Currency %
Revenue	16.6	16.4	1	(7)
Adjusted operating profit	3.2	3.6	(11)	(14)
Adjusted operating margin	19%	22%		

Following a change in management responsibility to reflect the strategic importance of this fast changing business region, reporting for the Far East region now includes Russia.

Performance for the region was held back by lower profits in the porcine business in China. In addition, the phasing of porcine deliveries reduced sales and profit contribution from Russia. However, good progress was made in implementing the region's overall business development strategy:

- Strong growth was achieved in the bovine sector, with semen volumes rising by 17%. In China, semen volumes doubled. This increase included the first sales of locally produced semen from our Chinese partner's newly constructed bull stud.
- A commercial agreement in India has established a bull stud in the South West, for the first time enabling the marketing of locally produced semen alongside imported semen from the USA. Initial sales, mainly of locally produced semen, have been encouraging.
- In Australia, performance improved as the business recovered from last year's drought.

In China, depressed pig prices and the impact of widespread disease resulted in lower profits. The disease and widespread slaughter in customer herds led to rising pig prices towards the end of the half year; this has improved business potential. New business has also been won with major producers in China, involving existing international customers.

Elsewhere in the region, sales and profits improved in line with expectations.

Research & Development

	2010 £m	2009 £m	Movement	
			Actual Currency %	Constant Currency %
Research & development costs	12.4	11.5	8	6

Costs for the six months increased by 8% or £0.9m to £12.4m. The increase related to higher bovine product development costs to operate the increased size of the bull development programme necessary to provide capacity for anticipated future growth. There was also a small increase in porcine development costs as the use of genomics was further extended in the development programme. The impact of higher feed prices on porcine development costs has been offset by improved realisations from slaughter animals and the majority of the remaining exposure to the commodity cycles in the current year has been hedged.

Bovine Product Development

The strength of Genus' research and development programme has continued to be well demonstrated by the strong position of its bovine products in the industry league tables. Genus remains the leading producer with 28 bulls in the top 100 of the internationally important US rankings. We also have 5 bulls in the top 20 of the much smaller Jersey bull rankings for the USA.

Now that local semen production has begun in a number of new country markets, focus is also being placed on selecting bulls to be shipped for local supply to the new studs opened in the emerging markets. There are 10 bulls awaiting shipment to Russia and a further 16 bulls to be shipped shortly to China. This is not a new approach to marketing for Genus but one successfully pioneered in Latin America some years ago to create the successful and growing business we have there today.

Porcine Product Development

Independent porcine product trials continued to demonstrate the market leadership of Genus' porcine genetics. The new genetic nucleus farm in South Dakota is fully operational and, as a result, the number of sows in our product development programme increased from 4,500 to 6,000. The enlarged herd will increase selection pressure and thereby further improve the rate of genetic progress. In addition, the extended use of genomics, together with our extensive 'PIC Track' database, is improving selection accuracy. The combination of increased selection pressure and improved selection accuracy should ensure that Genus' genetics will remain world market leaders in the porcine sector. In addition, it provides capacity to produce custom lines for leading producers.

Research

We have established a number of new external research collaborations. Activities have been refocused on a number of key projects expected to have an increasing importance as world agriculture adapts to the demand challenges of increased population, wealth and climate changes.

Good progress has continued to be made with the sexed semen project. The first major milestone was met on time in November 2010 and good progress is being achieved towards meeting the next milestone.

Review of Operations continued

Genus Products

	2010 £m	2009 £m	Movement	
			Actual Currency %	Constant Currency* %
Revenue				
Bovine	76.5	70.7	8	5
Porcine	72.4	62.3	16	14
Research & Development	4.3	1.9		
	153.2	134.9		
Adjusted operating profit				
Bovine	9.9	10.1	(2)	(1)
Porcine	17.0	14.2	20	19
Unallocated	(5.5)	(5.0)		
	21.4	19.3		

Genus manages its global operations on a regional basis and monitors product performance globally.

Sales of bovine products increased. Volumes grew by 10% with 6% being related to increased supply from global studs and the remainder attributable to growth in business from the new local studs. Average selling prices were slightly lower than last year, principally because of the mix effect of adding strong growth from locally supplied semen. This locally supplied product does not carry any 'on cost' of a progeny test programme but cannot command the same price as is achieved in developed markets like Western Europe.

Profitability in bovine was held back by increased development costs associated with the growth in the bull development programme to support forward sales forecast, the phasing of sales due to the early bad winter weather and higher costs in the UK.

Porcine revenues grew strongly driven by higher sales of breeding animals to update genetics in customers' herds following the slow-down experienced during the global recession. Royalty revenues grew steadily throughout the period. Underlying volume growth was 9%. Costs remained well controlled and profitability improved as a result of the strong sales growth.

Principal Risks and Uncertainties

Genus operates a structured risk management system that identifies, evaluates and prioritises risks and uncertainties and actively reviews control and mitigation activities. The Genus plc 2010 Annual Report (a copy of which is available on the Genus plc website at www.genusplc.com) sets out a number of risks and uncertainties that might impact upon the performance of the Group and these are summarised opposite. There has been no material change to the principal risks and uncertainties that might affect the performance of the Group in the second half of the financial year.

Key Risks	Mitigating Actions
Markets	
Achieving growth in developing countries	<ul style="list-style-type: none"> • Development of local genetic facilities with regional partners • Availability of superior product both locally produced and imported • Extensive supply and distributor network
Sustaining growth in developed countries	<ul style="list-style-type: none"> • Effective research programme maintaining product lead • Availability of market leading product and world leading technical services
IPR protection	<ul style="list-style-type: none"> • Ensuring all available legal and contractual protections apply to the Company's intellectual property
Disease & Environment	
Ensuring continuity of supply worldwide in the event of a disease outbreak, environment incident or a border closure outside our control	<ul style="list-style-type: none"> • Business continuity programmes • World class animal care practices and strict bio-security systems • Dispersed and remote herd locations • Comprehensive staff training • Pro-active environmental management
HR	
Ensuring continuity of key staff	<ul style="list-style-type: none"> • Effective succession planning, development and training programmes • Competitive retention and incentive packages
Management of emerging markets	<ul style="list-style-type: none"> • Dedicated in-country regional management
Health & safety	<ul style="list-style-type: none"> • Comprehensive staff training • Monitored compliance with legislation • Risk assessment and safety audits
Research & Product Development Effectiveness	
Maintaining commercial focus	<ul style="list-style-type: none"> • Ensuring optimum liaison between regional management teams as to market needs
Product development and competitive edge	<ul style="list-style-type: none"> • Alignment of research investment with commercial needs
Focusing research projects to deliver benefits, e.g. sexed semen project	<ul style="list-style-type: none"> • Dedicated research project teams • Strong relationships with technology partners
Finance	
Pensions	<ul style="list-style-type: none"> • Review of investment strategy • Review of pension benefits provision • Monitoring of joint and several liability in the Milk Pension Fund
Currency fluctuations	<ul style="list-style-type: none"> • Forecasting currency requirements • Hedging and foreign exchange policies

Condensed Consolidated Income Statement

For the six months ended 31 December 2010

	Note	Six months ended 31 December 2010 £m	Six months ended 31 December 2009 £m	Year ended 30 June 2010 £m
Revenue from continuing operations	4	153.2	134.9	285.3
Adjusted operating profit from continuing operations		21.4	19.3	39.9
Net IAS 41 valuation movements in biological assets	8	7.8	0.9	11.0
Amortisation of acquired intangible assets		(2.7)	(2.6)	(5.1)
Share-based payment expense		(1.3)	(1.0)	(1.6)
		25.2	16.6	44.2
Exceptional items	4	0.6	–	2.8
Operating profit from continuing operations		25.8	16.6	47.0
Share of post-tax profit of joint ventures and associates	9	1.0	1.1	3.1
Net finance costs	5	(3.8)	(4.7)	(9.3)
Profit before tax from continuing operations		23.0	13.0	40.8
Taxation	6	(7.7)	(4.1)	(13.3)
Profit for the period from continuing operations		15.3	8.9	27.5
Earnings per share from continuing operations				
Basic earnings per share	11	25.7p	15.0p	46.3p
Diluted earnings per share	11	25.3p	14.8p	45.7p
Non statutory measure of profit				
Adjusted operating profit from continuing operations		21.4	19.3	39.9
Pre-tax share of profits from joint ventures and associates excluding net IAS 41 valuation movements		1.5	0.9	2.3
Net finance costs		(3.8)	(4.7)	(9.3)
Adjusted profit before taxation from continuing operations		19.1	15.5	32.9
Adjusted earnings per share from continuing operations				
Basic adjusted earnings per share	11	21.1p	17.2p	36.7p
Diluted adjusted earnings per share	11	20.8p	17.0p	36.2p

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

	Six months ended 31 December 2010		Six months ended 31 December 2009		Year ended 30 June 2010	
	£m	£m	£m	£m	£m	£m
Profit for the period		15.3		8.9		27.5
Foreign exchange translation differences	(8.3)		14.9		34.8	
Fair value movement on net investment hedge	4.3		(2.1)		(7.1)	
Fair value movement on cash flow hedges	0.9		–		0.3	
Actuarial (losses)/gains on defined employee benefit schemes	(1.0)		3.3		5.2	
Tax relating to components of other comprehensive income	2.7		(3.2)		(9.6)	
Other comprehensive (loss)/income for the period		(1.4)		12.9		23.6
Total comprehensive income for the period		13.9		21.8		51.1
Attributable to:						
Owners of the Company		13.9		21.8		51.1
Minority interests		–		–		–
		13.9		21.8		51.1

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2010

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Trans-lation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
Balance at 1 July 2009		6.0	111.7	(0.1)	10.4	(1.4)	78.0	204.6	–	204.6
Foreign exchange translation differences, net of tax		–	–	–	27.0	–	–	27.0	–	27.0
Fair value movement on net investment hedge, net of tax		–	–	–	(7.1)	–	–	(7.1)	–	(7.1)
Fair value movement on cash flow hedges, net of tax		–	–	–	–	0.2	–	0.2	–	0.2
Actuarial gains on defined employee benefit schemes, net of tax		–	–	–	–	–	3.5	3.5	–	3.5
Other comprehensive income for the period		–	–	–	19.9	0.2	3.5	23.6	–	23.6
Profit for the period		–	–	–	–	–	27.5	27.5	–	27.5
Total comprehensive income for the period		–	–	–	19.9	0.2	31.0	51.1	–	51.1
Recognition of share-based payments, net of tax		–	–	–	–	–	2.0	2.0	–	2.0
Issue of ordinary shares		–	0.3	–	–	–	–	0.3	–	0.3
Minority interest on acquisition		–	–	–	–	–	–	–	0.3	0.3
Dividends	7	–	–	–	–	–	(6.5)	(6.5)	–	(6.5)
Balance at 30 June 2010		6.0	112.0	(0.1)	30.3	(1.2)	104.5	251.5	0.3	251.8
Foreign exchange translation differences, net of tax		–	–	–	(4.8)	–	–	(4.8)	–	(4.8)
Fair value movement on net investment hedge, net of tax		–	–	–	3.5	–	–	3.5	–	3.5
Fair value movement on cash flow hedges, net of tax		–	–	–	–	0.6	–	0.6	–	0.6
Actuarial losses on defined employee benefit schemes, net of tax		–	–	–	–	–	(0.7)	(0.7)	–	(0.7)
Other comprehensive income for the period		–	–	–	(1.3)	0.6	(0.7)	(1.4)	–	(1.4)
Profit for the period		–	–	–	–	–	15.3	15.3	–	15.3
Total comprehensive income and expense for the period		–	–	–	(1.3)	0.6	14.6	13.9	–	13.9
Recognition of share-based payments, net of tax		–	–	–	–	–	1.3	1.3	–	1.3
Dividends	7	–	–	–	–	–	(7.2)	(7.2)	–	(7.2)
Balance at 31 December 2010		6.0	112.0	(0.1)	29.0	(0.6)	113.2	259.5	0.3	259.8

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
Balance at 1 July 2009		6.0	111.7	(0.1)	10.4	(1.4)	78.0	204.6	–	204.6
Foreign exchange translation differences, net of tax		–	–	–	12.0	–	–	12.0	–	12.0
Fair value movement on net investment hedge, net of tax		–	–	–	(1.5)	–	–	(1.5)	–	(1.5)
Fair value movement on cash flow hedges, net of tax		–	–	–	–	–	–	–	–	–
Actuarial gains on defined employee benefit schemes, net of tax		–	–	–	–	–	2.4	2.4	–	2.4
Other comprehensive income for the period		–	–	–	10.5	–	2.4	12.9	–	12.9
Profit for the period		–	–	–	–	–	8.9	8.9	–	8.9
Total comprehensive income for the period		–	–	–	10.5	–	11.3	21.8	–	21.8
Recognition of share-based payments, net of tax		–	–	–	–	–	1.2	1.2	–	1.2
Issue of ordinary shares		–	0.3	–	–	–	–	0.3	–	0.3
Minority interest on acquisition		–	–	–	–	–	–	–	0.3	0.3
Dividends	7	–	–	–	–	–	(6.5)	(6.5)	–	(6.5)
Balance at 31 December 2009		6.0	112.0	(0.1)	20.9	(1.4)	84.0	221.4	0.3	221.7

Condensed Consolidated Balance Sheet

As at 31 December 2010

	Notes	31 December 2010 £m	31 December 2009* £m	30 June 2010 £m
Assets				
Goodwill		69.1	66.9	68.4
Other intangible assets		78.4	79.7	81.5
Biological assets	8	183.8	158.4	175.5
Property, plant and equipment		42.0	42.1	43.4
Interests in joint ventures and associates	9	8.6	6.7	7.4
Available for sale investments		0.3	0.4	0.3
Derivative financial assets		–	1.4	0.9
Deferred tax assets		17.2	21.4	17.5
Total non-current assets		399.4	377.0	394.9
Current assets				
Inventories		31.0	28.5	31.1
Biological assets	8	31.3	30.9	37.0
Trade and other receivables		61.9	60.0	60.2
Cash and cash equivalents		17.9	27.8	18.1
Income tax receivable		0.9	1.2	0.8
Derivative financial assets		0.3	–	–
Asset held for sale		0.3	0.3	0.3
Total current assets		143.6	148.7	147.5
Total assets		543.0	525.7	542.4
Liabilities				
Trade and other payables		(40.7)	(37.4)	(42.3)
Dividends payable		(7.2)	(6.5)	–
Interest-bearing loans and borrowings		(3.5)	(6.8)	(1.6)
Provisions		(0.3)	(0.3)	(0.4)
Obligations under finance leases		(0.9)	(0.9)	(0.9)
Current tax liabilities		(6.6)	(6.2)	(3.5)
Derivative financial liabilities		(8.0)	–	(12.2)
Total current liabilities		(67.2)	(58.1)	(60.9)

* See note 2 for details of restatement applied to 2009 balance sheet.

	Notes	31 December 2010 £m	31 December 2009* £m	30 June 2010 £m
Interest-bearing loans and borrowings		(83.2)	(104.8)	(94.6)
Retirement benefit obligations	13	(27.2)	(32.2)	(28.8)
Provisions		(1.4)	(1.6)	(1.4)
Deferred tax liabilities		(102.5)	(96.2)	(103.6)
Derivative financial liabilities		(0.8)	(10.2)	(0.3)
Obligations under finance leases		(0.9)	(0.9)	(1.0)
Total non-current liabilities		(216.0)	(245.9)	(229.7)
Total liabilities		(283.2)	(304.0)	(290.6)
Net assets		259.8	221.7	251.8
Equity				
Called up share capital		6.0	6.0	6.0
Share premium account		112.0	112.0	112.0
Own shares		(0.1)	(0.1)	(0.1)
Translation reserve		29.0	20.9	30.3
Hedging reserve		(0.6)	(1.4)	(1.2)
Retained earnings		113.2	84.0	104.5
Equity attributable to owners of the Company		259.5	221.4	251.5
Minority interest		0.3	0.3	0.3
Total equity		259.8	221.7	251.8

* See note 2 for details of restatement applied to 2009 balance sheet.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2010

	Note	Six months ended 31 December 2010 £m	Six months ended 31 December 2009 £m	Year ended 30 June 2010 £m
Net cash flow from operating activities	12	11.6	7.3	26.5
Cash flows from investing activities				
Dividend received from joint ventures and associates		-	-	1.1
Purchase of property, plant and equipment		(1.6)	(3.7)	(6.3)
Purchase of trade and assets		(0.2)	-	(1.1)
Purchase of intangible assets		(0.4)	-	(1.7)
Proceeds from sale of property, plant and equipment		-	0.3	0.6
Net cash outflow from investing activities		(2.2)	(3.4)	(7.4)
Cash flows from financing activities				
Drawdown of borrowings		-	-	9.5
Repayment of borrowings		(10.0)	(1.7)	(24.7)
Payment of capital element of finance lease liabilities		(0.4)	(0.5)	(1.0)
Equity dividends paid		-	-	(6.5)
New share capital issued		-	0.3	0.3
Increase/(decrease) in bank overdrafts		1.0	4.6	(0.5)
Net cash (outflow)/inflow from financing activities		(9.4)	2.7	(22.9)
Net increase/(decrease) in cash and cash equivalents – continuing operations		-	6.6	(3.8)
Cash and cash equivalents at beginning of period		18.1	20.6	20.6
Net increase/(decrease) in cash and cash equivalents		-	6.6	(3.8)
Effect of exchange rate fluctuations on cash and cash equivalents		(0.2)	0.6	1.3
Total cash and cash equivalents at end of period		17.9	27.8	18.1

Analysis of Net Debt

For the six months ended 31 December 2010

	At 1 July 2010 £m	Cash flows £m	Foreign exchange £m	Non-cash movements £m	At 31 December 2010 £m
Cash and cash equivalents	18.1	–	(0.2)	–	17.9
Interest-bearing loans and borrowings – current	(1.6)	(1.0)	0.1	(1.0)	(3.5)
Obligation under finance leases – current	(0.9)	0.4	–	(0.4)	(0.9)
	(2.5)	(0.6)	0.1	(1.4)	(4.4)
Interest-bearing loans and borrowings – non-current	(94.6)	10.0	1.2	0.2	(83.2)
Obligation under finance lease – non-current	(1.0)	–	–	0.1	(0.9)
	(95.6)	10.0	1.2	0.3	(84.1)
Net debt	(80.0)	9.4	1.1	(1.1)	(70.6)

	At 1 July 2009 £m	Cash flows £m	Foreign exchange £m	Non-cash movements £m	At 31 December 2009 £m
Cash and cash equivalents	20.6	6.6	0.6	–	27.8
Interest-bearing loans – current	(2.5)	(4.2)	(0.1)	–	(6.8)
Obligation under finance leases – current	(0.9)	0.5	–	(0.5)	(0.9)
	(3.4)	(3.7)	(0.1)	(0.5)	(7.7)
Interest-bearing loans – non-current	(104.2)	1.3	(1.1)	(0.8)	(104.8)
Obligation under finance lease – non-current	(1.0)	–	–	0.1	(0.9)
	(105.2)	1.3	(1.1)	(0.7)	(105.7)
Net debt	(88.0)	4.2	(0.6)	(1.2)	(85.6)

Net debt is defined as the total of cash and cash equivalents, interest-bearing loans, unamortised debt issue costs and obligations under finance leases.

Notes to the Condensed Set of Financial Statements

For the six months ended 31 December 2010

1. Basis of preparation

The unaudited condensed set of financial statements for the six months ended 31 December 2010:

- was prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34') and thereby International Financial Reporting Standards ('IFRS'), both as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union ('EU');
- is presented on a condensed basis as permitted by IAS 34 and therefore does not include all disclosures that would otherwise be required in a full set of financial statements; these should be read, therefore, in conjunction with the 2010 Annual Report;
- includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the periods presented;
- does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006; and
- were approved by the Board of Directors on 21 February 2011.

The information relating to the year ended 30 June 2010 is an extract from the published financial statements for that year, which have been delivered to the Registrar of Companies. The auditors' report on those financial statements was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The Group's business activities and principal risks and uncertainties are summarised in the Principal Risks and Uncertainties section in this interim report. Having considered these risks and uncertainties under the current economic environment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis in preparing the half yearly report and condensed set of financial statements.

The preparation of the condensed set of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the period. Actual results could vary from these estimates. The 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 if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

2. Accounting policies and non-GAAP measures

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, dated 6 September 2010, which are available on the Group's website www.genusplc.com except as described below.

Restatement in the 2009 balance sheet and segmental analysis

In order to reflect changes made in the June 2010 financial statements, the balance sheet comparative for the six months ended 31 December 2009 has been restated to recognise a deferred tax asset in respect of future tax deductions available on the purchase of intangible assets in 1998 by a subsidiary of Sygen plc, prior to its acquisition by Genus. A deferred tax asset should have been recorded separately in the consolidated accounts of Genus plc upon the acquisition of

Sygen plc in December 2005, rather than being included within the goodwill recorded on acquisition. Since acquisition, the Group has taken the benefit of this tax deduction in the current tax charge, with an appropriate deferred tax charge being recorded. However, instead of reducing the deferred tax asset that should have been recorded on acquisition, the Group recorded a deferred tax liability.

In order to rectify the position, the prior period balance sheet at 31 December 2009 has been restated in accordance with IAS 8. The amounts involved are a reduction in goodwill at 31 December 2009 of £7.9m, a reduction in deferred tax liabilities at 31 December 2009 of £2.6m and an increase in deferred tax assets at 31 December 2009 of £5.3m.

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

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

New standards and interpretations

The following new standards and interpretations have been adopted in the current period:

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*; and
- Various amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 2 *Share-based Payment*, IFRS 3 *Business Combinations*, IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 8 *Operating Segments*, IAS 1 *Presentation of Financial Statements*, IAS 7 *Statement of Cash Flows*, IAS 17 *Leases*, IAS 27 *Consolidated and Separate Financial Statements*, IAS 32 *Financial Instruments: Presentation*, IAS 36 *Impairment of Assets* and IAS 39 *Financial Instruments: Recognition and Measurement*.

There has been no significant impact on the results or disclosures for the current period from the adoption of any of the above.

At the date of the Interim Report, the following Standards and Interpretations which have not been applied in the Report were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 *Financial Instruments*; and
- Various amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 7 *Financial Instruments: Disclosures*, IAS 1 *Presentation of Financial Statements*, IAS 12 *Income Taxes*, IAS 24 *Related Party Disclosure*, IAS 34 *Interim Financial Reporting*, IFRIC 13 *Customer Loyalty Programmes* and IFRIC 14 *IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

IFRS 9 *Financial Instruments* is a full replacement for IAS 39 *Financial Instruments: Recognition and Measurement*, and will be effective for accounting periods beginning after 1 January 2013. The Group is assessing the impact of this standard.

Notes to the Condensed Set of Financial Statements continued

For the six months ended 31 December 2010

2. Accounting policies and non-GAAP measures continued

Non-GAAP measures – Adjusted operating profit and adjusted profit before tax

Adjusted operating profit and adjusted operating profit before tax from continuing operations are defined before the net IAS 41 valuation movements in biological assets, amortisation of acquired intangible assets, share-based payments expense and exceptional items. These additional non-GAAP measures of operating performance are included as the Directors believe that they provide a useful alternative measure for shareholders of the trading performance of the Group. The Directors recognise these alternative measures have limitations.

The reconciliation between operating profit from continuing operations and adjusted operating profit from continuing operations is shown on the face of the income statement.

3. Foreign currency

The principal exchange rates used were as follows:

	Average			Closing		
	Six months ended 31 December 2010	Six months ended 31 December 2009	Year ended 30 June 2010	31 December 2010	31 December 2009	30 June 2010
	US Dollar	1.57	1.63	1.58	1.57	1.61
Euro	1.18	1.12	1.14	1.17	1.13	1.22

Assets and liabilities of overseas undertakings are translated into Sterling at the rate of exchange ruling at the balance sheet date and the income statement is translated into Sterling at average rates of exchange.

4. Segmental information

The Group presents its segmental information on the basis reviewed regularly for assessing business performance and for the purposes of resource allocation, by the chief operating decision maker. The Group is managed using a combination of regional market segments and a research and development segment.

The results from the Russian operations are now included in the Far East segment whereas previously they were included in the Europe segment. In addition, the comparative information for operating profit by segment has been restated to reflect a more accurate allocation of product development recharges made to the geographical segments.

The Group's business is not highly seasonal and its customer base is diversified, with no individually significant customer.

	Six months ended 31 December 2010		
	Gross revenue £m	Inter- segment revenue £m	Consolidated revenue £m
North America	56.3	(3.3)	53.0
Latin America	23.3	(0.3)	23.0
Europe	57.5	(1.2)	56.3
Far East	16.8	(0.2)	16.6
Research & Product Development			
Research	–	–	–
Bovine Product Development	3.6	(3.4)	0.2
Porcine Product Development	6.0	(1.9)	4.1
	9.6	(5.3)	4.3
	163.5	(10.3)	153.2

	Six months ended 31 December 2009*		
	Gross revenue £m	Inter- segment revenue £m	Consolidated revenue £m
North America	44.6	(1.7)	42.9
Latin America	17.6	(0.3)	17.3
Europe	57.6	(1.2)	56.4
Far East	16.5	(0.1)	16.4
Research & Product Development			
Research	–	–	–
Bovine Product Development	4.9	(3.3)	1.6
Porcine Product Development	2.3	(2.0)	0.3
	7.2	(5.3)	1.9
	143.5	(8.6)	134.9

Notes to the Condensed Set of Financial Statements continued

For the six months ended 31 December 2010

4. Segmental information continued

	Year ended 30 June 2010*		
	Gross revenue £m	Inter-segment revenue £m	Consolidated revenue £m
North America	103.0	(3.6)	99.4
Latin America	38.6	(0.6)	38.0
Europe	112.9	(2.4)	110.5
Far East	32.1	(0.3)	31.8
Research & Product Development			
Research	–	–	–
Bovine Product Development	7.0	(6.5)	0.5
Porcine Product Development	8.4	(3.3)	5.1
	15.4	(9.8)	5.6
	302.0	(16.7)	285.3

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

	Six months ended 31 December 2010		
	Result before recharges £m	Product development recharges £m	Segment total £m
North America	19.9	(2.8)	17.1
Latin America	8.0	(1.1)	6.9
Europe	11.2	(1.0)	10.2
Far East	3.6	(0.4)	3.2
Regional operating profit	42.7	(5.3)	37.4
Research & Product Development			
Research	(1.9)	–	(1.9)
Bovine Product Development	(9.6)	3.4	(6.2)
Porcine Product Development	(6.2)	1.9	(4.3)
	(17.7)	5.3	(12.4)
Segment operating profit	25.0	–	25.0
Central costs	(3.6)	–	(3.6)
Adjusted operating profit	21.4	–	21.4

Six months ended 31 December 2009*

	Result before recharges £m	Product development recharges £m	Segment total £m
North America	16.8	(2.1)	14.7
Latin America	6.5	(1.1)	5.4
Europe	11.6	(0.9)	10.7
Far East	3.9	(0.3)	3.6
Regional operating profit	38.8	(4.4)	34.4
Research & Product Development			
Research	(1.4)	–	(1.4)
Bovine Product Development	(8.9)	3.0	(5.9)
Porcine Product Development	(5.6)	1.4	(4.2)
	(15.9)	4.4	(11.5)
Segment operating profit	22.9	–	22.9
Central costs	(3.6)	–	(3.6)
Adjusted operating profit	19.3	–	19.3

Year ended 30 June 2010*

	Result before recharges £m	Product development recharges £m	Segment total £m
North America	37.4	(4.4)	33.0
Latin America	12.7	(2.6)	10.1
Europe	21.2	(2.2)	19.0
Far East	8.6	(0.6)	8.0
Regional operating profit	79.9	(9.8)	70.1
Research & Product Development			
Research	(3.4)	–	(3.4)
Bovine Product Development	(17.2)	6.5	(10.7)
Porcine Product Development	(12.5)	3.3	(9.2)
	(33.1)	9.8	(23.3)
Segment operating profit	46.8	–	46.8
Central costs	(6.9)	–	(6.9)
Adjusted operating profit	39.9	–	39.9

Notes to the Condensed Set of Financial Statements continued

For the six months ended 31 December 2010

4. Segmental information continued

	Segment assets			Segment liabilities		
	31 December 2010 £m	31 December 2009* £m	30 June 2010 £m	31 December 2010 £m	31 December 2009* £m	30 June 2010 £m
North America	125.2	128.8	132.0	(13.7)	(21.8)	(30.5)
Latin America	63.3	58.4	61.6	(10.1)	(9.8)	(10.5)
Europe	90.8	104.3	90.0	(35.6)	(58.7)	(51.8)
Far East	34.8	26.1	29.2	(3.4)	(4.8)	(5.9)
Research & Product Development						
Research	0.5	0.5	0.5	–	–	–
Bovine Product Development	170.3	146.6	166.1	(50.3)	(43.1)	(48.2)
Porcine Product Development	46.7	47.7	55.5	(24.7)	(14.2)	(10.3)
	217.5	194.8	222.1	(75.0)	(57.3)	(58.5)
Segment total	531.6	512.4	534.9	(137.8)	(152.4)	(157.2)
Central and unallocated	11.4	13.3	7.5	(145.4)	(151.6)	(133.4)
Total	543.0	525.7	542.4	(283.2)	(304.0)	(290.6)

* The comparative information for six months ended 31 December 2009 and year ended 30 June 2010 have been restated see note 2.

The exceptional item of £0.6m relates to a pension curtailment gain in the six months ended 31 December 2010, which arose on the closure to future accrual of defined benefit pensions within the Dalgety Pension Fund.

5. Net finance costs

	Six months ended 31 December 2010 £m	Six months ended 31 December 2009 £m	Year ended 30 June 2010 £m
Interest payable on bank loans and overdrafts	(1.8)	(1.8)	(3.5)
Amortisation of debt issue costs	(0.8)	(0.8)	(1.6)
Net interest cost in respect of pension schemes	–	(0.8)	(1.7)
Other interest payable	(0.1)	(0.1)	(0.1)
Net interest cost on derivative financial instruments	(1.2)	(1.3)	(2.7)
Total interest expense	(3.9)	(4.8)	(9.6)
Interest income and other interest receivable	0.1	0.1	0.3
Interest income	0.1	0.1	0.3
Net finance costs	(3.8)	(4.7)	(9.3)

6. Income taxes

	Six months ended 31 December 2010 £m	Six months ended 31 December 2009 £m	Year ended 30 June 2010 £m
Current tax	4.9	4.2	7.0
Deferred tax	2.8	(0.1)	6.3
	7.7	4.1	13.3

The taxation charge for the period is based on the estimated effective tax rate for the full year of 33.5% (2009: 33.7%).

There is a deferred tax liability at the period end of £102.5m (2009: £96.2m) which mainly relates to the recognition at fair value of biological assets and intangible assets arising on acquisition and a deferred tax asset of £17.2m (2009: £21.4m) which mainly relates to future tax deductions in respect of pension scheme liabilities, share scheme awards and financial instruments.

7. Dividends

	Six months ended 31 December 2010 £m	Six months ended 31 December 2009 £m	Year ended 30 June 2010 £m
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the twelve month period ended 30 June 2009 of 11.0p per share	–	6.5	6.5
Final dividend for the twelve month period ended 30 June 2010 of 12.1p per share	7.2	–	–
	7.2	6.5	6.5

The final dividend for the twelve month period ended 30 June 2010 was approved at the Company AGM on 11 November 2010 and paid on 7 January 2011.

Notes to the Condensed Set of Financial Statements continued

For the six months ended 31 December 2010

8. Fair value of biological assets

Fair value of biological assets

	Bovine £m	Porcine £m	Total £m
Balance at 1 July 2010	130.2	82.3	212.5
Increases due to purchases	1.9	34.7	36.6
Decreases attributable to sales	–	(60.1)	(60.1)
Decrease due to harvest	(12.2)	(3.4)	(15.6)
Changes in fair value less estimated sale costs	22.3	26.1	48.4
Effect of movements in exchange rates	(5.1)	(1.6)	(6.7)
Balance at 31 December 2010	137.1	78.0	215.1
Non-current biological assets	137.1	46.7	183.8
Current biological assets	–	31.3	31.3
Balance at 31 December 2010	137.1	78.0	215.1
Balance at 1 July 2009	105.9	76.0	181.9
Increases due to purchases	1.8	16.6	18.4
Decreases attributable to sales	–	(55.4)	(55.4)
Decrease due to harvest	(11.6)	(3.2)	(14.8)
Changes in fair value less estimated sale costs	18.3	35.8	54.1
Effect of movements in exchange rates	2.2	2.9	5.1
Balance at 31 December 2009	116.6	72.7	189.3
Non-current biological assets	116.6	41.8	158.4
Current biological assets	–	30.9	30.9
Balance at 31 December 2009	116.6	72.7	189.3
Balance at 1 July 2009	105.9	76.0	181.9
Increases due to purchases	3.9	56.0	59.9
Decreases attributable to sales	–	(117.6)	(117.6)
Decrease due to harvest	(29.2)	(6.7)	(35.9)
Changes in fair value less estimated sale costs	39.9	66.8	106.7
Effect of movements in exchange rates	9.7	7.8	17.5
Balance at 30 June 2010	130.2	82.3	212.5
Non-current biological assets	130.2	45.3	175.5
Current biological assets	–	37.0	37.0
Balance at 30 June 2010	130.2	82.3	212.5

Bovine biological assets include £1.5m (2009: £3.4m) representing the fair value of bulls owned by third parties but managed by the Group, net of expected future payments to such third parties.

The current market determined post-tax rate used to discount expected future net cash flows from the sale of bull semen is the Group's weighted average cost of capital. This has been assessed as 8.0% (2009: 8.0%).

Porcine biological assets include £29.8m (2009: £30.9m) relating to the fair value of the retained interest in the genetics in respect of animals transferred to customers under royalty contracts. Total revenue in the period includes £32.7m (2009: £27.9m) of revenue in respect of these contracts comprising £6.4m (2009: £4.1m) on initial transfer of animals to customers and £26.3m (2009: £23.8m) in respect of royalties received.

The aggregate gain arising during the period on initial recognition of biological assets in respect of multiplier purchases was £10.6m (2009: £9.4m).

Decreases attributable to sales during the period of £60.1m (2009: £55.4m) includes £15.8m (2009: £22.6m) in respect of the reduction in fair value of the retained interest in the genetics of animals sold under royalty contracts.

Six months ended 31 December 2010	Bovine £m	Porcine £m	Total £m
Net IAS 41 valuation movements in biological assets*			
Changes in fair value of biological assets	22.3	26.1	48.4
Inventory transferred to cost of sales at fair value	(11.5)	(3.4)	(14.9)
Biological assets transferred to cost of sales at fair value	-	(25.7)	(25.7)
	10.8	(3.0)	7.8
Six months ended 31 December 2009	Bovine £m	Porcine £m	Total £m
Net IAS 41 valuation movements in biological assets*			
Changes in fair value of biological assets	18.3	35.8	54.1
Inventory transferred to cost of sales at fair value	(10.6)	(3.2)	(13.8)
Biological assets transferred to cost of sales at fair value	-	(39.4)	(39.4)
	7.7	(6.8)	0.9
Year ended 30 June 2010	Bovine £m	Porcine £m	Total £m
Net IAS 41 valuation movements in biological assets*			
Changes in fair value of biological assets	39.9	66.8	106.7
Inventory transferred to cost of sales at fair value	(25.9)	(6.7)	(32.6)
Biological assets transferred to cost of sales at fair value	-	(63.1)	(63.1)
	14.0	(3.0)	11.0

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

Notes to the Condensed Set of Financial Statements continued

For the six months ended 31 December 2010

9. Joint ventures and associates

The Group's share of profit after tax in its equity accounted investees for the six months ended 31 December 2010 was £1.0m (2009: £1.1m).

	2010 £m	2009 £m
Balance at 1 July	7.4	5.3
Share of post-tax joint venture profits retained	1.0	1.1
Effect of movements in exchange rates	0.2	0.3
Balance at 31 December	8.6	6.7

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

Income statement	Revenues £m	Movement in fair value of biological assets £m	Expenses £m	Operating profit £m
Six months ended 31 December 2010	10.3	(0.3)	(8.8)	1.2
Six months ended 31 December 2009	7.2	0.9	(6.3)	1.8
Year ended 30 June 2010	19.3	1.8	(17.0)	4.1

10. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associates are described below:

Other related party transactions

	Transaction value			Balance outstanding		
	Six months ended 31 December 2010 £m	Six months ended 31 December 2009 £m	Year ended 30 June 2010 £m	31 December 2010 £m	31 December 2009 £m	30 June 2010 £m
Sale of goods and services						
Joint ventures and associates	2.5	2.6	5.1	0.1	–	0.1

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

11. Earnings per share

	Six months ended 31 December 2010 m	Six months ended 31 December 2009 m	Year ended 30 June 2010 m
Weighted average number of ordinary shares			
Weighted average number of ordinary shares (basic)	59.6	59.3	59.4
Dilutive effect of share options	0.9	0.8	0.8
Weighted average number of ordinary shares for the purpose of diluted earnings per share	60.5	60.1	60.2

	Six months ended 31 December 2010	Six months ended 31 December 2009	Year ended 30 June 2010
Earnings per share from continuing operations			
Basic earnings per share	25.7p	15.0p	46.3p
Diluted earnings per share	25.3p	14.8p	45.7p
Adjusted earnings per share from continuing operations			
Adjusted earnings per share	21.1p	17.2p	36.7p
Diluted adjusted earnings per share	20.8p	17.0p	36.2p

Earnings per share measures are calculated on the weighted average number of ordinary shares in issue during the period. As in previous years, adjusted earnings per share have been shown, since the Directors consider that this alternative measure gives a more comparable indication of the Group's underlying trading performance.

Continuing operations

Basic earnings per share from continuing operations is calculated on the profit for the period of £15.3m (six months ended 31 December 2009: £8.9m; year ended 30 June 2010: £27.5m) divided by weighted average number of ordinary shares (basic and diluted) as calculated above.

Adjusted earnings per share is calculated on profit for the period before net IAS 41 valuation movements in biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items after charging taxation associated with those profits, of £12.6m (six months ended 31 December 2009: £10.2m; year ended 30 June 2010: £21.8m), as follows:

Notes to the Condensed Set of Financial Statements continued

For the six months ended 31 December 2010

11. Earnings per share continued

Adjusted earnings from continuing operations

	Six months ended 31 December 2010 £m	Six months ended 31 December 2009* £m	Year ended 30 June 2010 £m
Profit before tax from continuing operations	23.0	13.0	40.8
Add/(deduct):			
Net IAS 41 valuation movements in biological assets	(7.8)	(0.9)	(11.0)
Amortisation of acquired intangible assets	2.7	2.6	5.1
Share-based payment expense	1.3	1.0	1.6
Integration and restructuring credit	-	-	(0.3)
Pension curtailment gain	(0.6)	-	(2.5)
Net IAS 41 valuation movements in biological assets in joint ventures and associates	0.3	(0.9)	(1.8)
Tax on joint ventures and associates	0.2	0.7	1.0
Adjusted profit before tax	19.1	15.5	32.9
Adjusted tax charge	(6.5)	(5.3)	(11.1)
Adjusted profit after taxation	12.6	10.2	21.8

* The 2009 comparative has been amended to show the tax on joint ventures and associates as part of the adjusted tax charge.

12. Cash flow from operating activities

	Six months ended 31 December 2010 £m	Six months ended 31 December 2009 £m	Year ended 30 June 2010 £m
Profit for the period	15.3	8.9	27.5
Adjustments for:			
– Net IAS 41 valuation movements in biological assets	(7.8)	(0.9)	(11.0)
– Amortisation of intangible assets	3.0	2.9	5.8
– Share-based payment expense	1.3	1.0	1.6
– Share of profits of joint ventures and associates	(1.0)	(1.1)	(3.1)
– Finance costs	3.8	4.7	9.3
– Income tax expense	7.7	4.1	13.3
– Pension curtailment gain	(0.6)	–	(2.5)
– Depreciation of property, plant and equipment	2.4	2.2	5.4
	24.1	21.8	46.3
Other movements in biological assets and harvested produce	(1.7)	(0.3)	(2.6)
Decrease in provisions	(0.1)	(0.1)	(0.1)
Other	(1.8)	(0.7)	(1.0)
Operating cash flows before movement in working capital	20.5	20.7	42.6
Increase in inventories	(0.2)	(0.8)	(0.9)
Increase in receivables	(1.0)	(3.6)	(3.2)
(Decrease)/increase in payables	(2.3)	(3.5)	2.0
Cash generated by operations	17.0	12.8	40.5
Interest received	0.1	0.1	0.3
Interest and other finance costs paid	(1.9)	(2.2)	(3.8)
Cash flow from derivative financial instruments	(1.2)	(1.3)	(2.7)
Income taxes paid	(2.4)	(2.1)	(7.8)
Net cash inflow from operating activities	11.6	7.3	26.5

Notes to the Condensed Set of Financial Statements continued

For the six months ended 31 December 2010

13. Employee benefits***Pension and medical plans*****Obligation recognised in the consolidated financial statements**

The Group provides employee benefits under various arrangements, including defined benefit and defined contribution pension plans, the details of which are disclosed in the most recent annual financial statements. Details of the total recognised defined benefit obligations are provided below:

	31 December 2010 £m	31 December 2009 £m	30 June 2010 £m
Present value of unfunded obligations	(6.8)	(6.4)	(7.1)
Present value of funded obligations	(158.3)	(155.7)	(150.0)
Fair value of plan assets	143.3	131.9	130.9
Restrict recognition of asset	(5.4)	(2.0)	(2.6)
Gross liability for defined benefit obligations	(27.2)	(32.2)	(28.8)

Included in the defined benefit obligations are obligations relating only to Genus' section and its share of any orphan assets and liabilities of the Milk Pension Fund, in which although managed on a sectionalised basis ultimate liabilities are joint and several. Further details of the Milk Pension Fund can be found in the Annual Report 2010.

The principal actuarial assumptions at the date of the most recent actuarial valuations (expressed as weighted averages) are:

	31 December 2010 %	31 December 2009 %	30 June 2010 %
Discount rate	5.5	5.6	5.5
Expected return on plan assets	6.9	6.5	6.9
Future salary increases	4.4	4.5	4.1
Medical cost trend rate	7.1	7.4	7.1
Future pension increases	3.4	3.5	3.1

14. Other matters

Contingencies

There have been no material changes to the Group's contingent liabilities relating to the Group's ongoing joint and several liability for the Milk Pension Fund, more fully described in the Annual Report 2010.

There have been no changes to any other contingent liabilities involving the Group in the six months ended 31 December 2010 which are expected to have, or have had, a material effect on the financial position or profitability of the Group.

Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34;
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year); and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and charges therein).

Neither the Company nor the Directors accept any liability to any person in relation to the half-yearly financial report except to the extent that such liability could arise under English Law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

By order of the Board



Richard Wood
Chief Executive



John Worby
Group Finance Director

21 February 2011

Report on Review of Condensed Set of Financial Statements of Genus plc

Independent review report to Genus plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 which comprises the income statement, the statement of comprehensive income, the statement of changes in equity, the balance sheet, the statement of cash flows and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, slightly stylized font.

Deloitte LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom
21 February 2011

Notes

Notes

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